



**CITY COUNCIL MEETING**

**May 19, 2015 – Agenda**

Mt. Si Senior Center, 411 Main Ave. S., North Bend, Washington

**7:00 P.M. – CALL TO ORDER, ROLL CALL, FLAG SALUTE**

**CONSENT AGENDA:**

	<b>Pg.#</b>
<b>1) Minutes</b> Council Meeting of May 5, 2015	<b>01</b>
<b>2) Payroll</b> May 5, 2015 – 27254 through 27261, in the amount of \$133,946.46	
<b>3) Checks</b> May 19, 2015 – 61100 through 61165, in the amount of \$444,186.16	
<b>4) AB15-050</b> Resolution – Accepting NB Way Overlay Project as Complete	Mr. Rigos <b>05</b>
<b>5) AB15-051</b> Resolution – Accepting NB Way Water Main Break Project as Complete	Mr. Rigos <b>11</b>
<b>6) AB15-052</b> Resolution – Authorizing CDBG Grant Application for NB Way Improvements	Mr. Rigos <b>21</b>
<b>7) AB15-053</b> Motion – Authorizing Municipal Court, Prosecution & Public Defender ILA’s	Ms. Lindell <b>25</b>

**CITIZEN’S COMMENTS:** (Please restrict comments to 3 minutes)

**ANNOUNCEMENTS, PRESENTATIONS, APPOINTMENTS:**

**8) Presentation** 1<sup>st</sup> Trimester Police Services Update Chief McCulley

**COMMISSION AND COMMITTEE REPORTS:**

Planning Commission	Community & Economic Development – Councilmember Kolodejchuk
Parks Commission	Finance & Administration – Councilmember Cook
Economic Development Commission	Public Health & Safety – Councilmember Gothelf
	Transportation & Public Works – Councilmember Loudenback
	Mayor Pro Tem – Councilmember Williamson
	Eastside Fire & Rescue Board – Councilmember Gothelf or Williamson

**INTRODUCTIONS:**

<b>9) AB15-054</b> Resolution – Rescinding Resolution 1545 RE Stilson LID	Mr. Rigos <b>63</b>
<b>10) AB15-055</b> Ordinance – Authorizing Refinancing of LTGO Bonds	Ms. Masko <b>69</b>
<b>11) AB15-056</b> Ordinance – Authorizing Refinancing of Water & Sewer Bonds	Ms. Masko <b>95</b>

**MAYOR, COUNCIL & ADMINISTRATOR CONCERNS AND INITIATIVES:** (Business and general information presented that may be deliberated upon by the Council. Formal action may be deferred until a subsequent meeting; immediate action may be taken upon a vote of a majority of all members of the Council.)

**ADJOURNMENT:**

**DRAFT**

**NORTH BEND CITY COUNCIL MINUTES**

**May 5, 2015**

Senior Center, 411 Main Ave. S., North Bend, Washington

**CALL TO ORDER, ROLL CALL:**

Mayor Hearing called the regular meeting to order at 7:00 p.m.

**Councilmembers Present:** Cook, Gothelf, Kolodejchuk, Pettersen, Rosen and Williamson. Councilmember Loudenback was excused.

**CONSENT AGENDA:**

**Minutes** – Council Workstudy of March 24, 2015 & Council Meeting of April 21, 2015

**Payroll – April 20, 2015 – 27246 through 27253**, in the amount of **\$167,811.24**

**Checks – May 5, 2015 – 61047 through 61099**, in the amount of **\$383,722.84**

**AB15-044** – Motion Authorizing Amendment to City Administrator Contract

**AB15-045** – Motion Authorizing 3<sup>rd</sup> Amendment to SnoValley Museum Lease

Councilmember Rosen **MOVED**, seconded by Councilmember Gothelf to approve the consent agenda as presented. The motion **PASSED** 6-0.

**CITIZEN'S COMMENTS:**

**Dave Olson**, 440 Main Avenue S., reported on the following Kiwanis events: May 9<sup>th</sup> Kiwanis "Stamp Out Hunger" food drive, May 16 – 17<sup>th</sup> collection event for Eastside Baby Corner, May 14<sup>th</sup> dinner at Boxley's, May 29<sup>th</sup> Key Club party and annual fireworks sales beginning June 28<sup>th</sup>.

Mayor Hearing presented outgoing Planning Commission Chair McFarland with a letter of appreciation for his years of service on the Planning and Parks Commissions.

**Rob McFarland**, 42621 SE 134<sup>th</sup> Place, commented that his time serving the citizens had been a great experience. He thanked staff for taking the time to share their knowledge with him and City Councilmembers for their acknowledgment of the work Commissioners perform in their volunteer capacity for the City. He detailed the relationship between the City Council and Planning Commission and spoke regarding the recent decisions on zoning for tattoo parlors and low impact development. Commissioner McFarland noted past accomplishments of the Planning Commission included the Shoreline Master Plan, Transportation Element, Residential Design Guidelines, and Sustainability Element and this year's complete update of the Comprehensive Plan, including the Land Use Element. He addressed the importance of the Land Use Element and how it related to the overall vision for the City and stressed the importance of addressing infrastructure improvements

**DRAFT**

at the WWTP, staying the course on commercial zoning, and offering affordable housing options and living wage jobs for the residents.

**ANNOUNCEMENTS, PRESENTATIONS, APPOINTMENTS:**

**AB15-046** – Reappointment to Planning Commission

**Audio: 15:37**

Mayor Hearing recommended the reappointment of Dick Ryon to Position No. 2 on the Planning Commission, term expiring May 11, 2019.

Councilmember Gothelf **MOVED**, seconded by Councilmember Kolodejchuk to approve AB15-046, confirming the reappointment of Dick Ryon to Position No. 2 on the Planning Commission, term expiring May 11, 2019. The motion **PASSED** 6-0.

**Presentation** – Upcoming ILA with Snoqualmie Watershed Forum

Janne Kaje, Snoqualmie Watershed Coordinator, King County Department of Natural Resources and Parks, discussed why the Snoqualmie Watershed Forum was created and noted the Forum's five year interlocal agreement between the Cities of North Bend, Snoqualmie, Carnation, Duvall and the Snoqualmie Tribe was nearing the end of its term. He reviewed various aspects of the interlocal agreement and reported that a new ten year agreement was under review which would be forwarded to each member for consideration in the near future.

**Presentation** – Snoqualmie Valley Community Effort

Jennifer McKeown, Snoqualmie Program Manager, Mountains to Sound Greenway Trust, discussed the "Sno-Valley United" effort currently underway to create a regional brand and sustainable tourism program for the Snoqualmie Valley and requested North Bend consider joining the effort.

Mayor Hearing announced the police services update scheduled for tonight's meeting was postponed to the May 19, 2015 City Council Meeting.

**INTRODUCTIONS:**

**AB15-047 – Public Hearing Cont.**, Ordinance 1553 Amending NBMC RE:  
Sports Facilities/Shooting Range

**Audio: 34:46**

Community & Economic Development Director Estep provided the staff report.

Planning Commission Co-Chair Gary Fancher briefly discussed the Planning Commission's reasoning regarding zoning for indoor recreation facilities and indoor shooting ranges.

**DRAFT**

**Mayor Hearing announced the Public Hearing on an Ordinance Amending NBMC RE: Sports Facilities/Shooting Range was opened at the April 21, 2015 City Council meeting and continued to tonight's meeting. There were no public comments and the Mayor closed the Public Hearing at 7:48 p.m.**

Councilmember Kolodejchuk **MOVED**, seconded by Councilmember Williamson to approve AB15-047, an ordinance adopting amendments to the NBMC 18.10.030 and 18.10.050 regarding Indoor Commercial Recreation Facilities and Indoor Shooting Ranges, as a first and final reading.

Councilmember Williamson **MOVED** to use the same permitted uses as designated for the Indoor Shooting Ranges for the Indoor Commercial Recreational Facilities. The motion died for lack of a second.

Councilmember Gothelf **MOVED**, seconded by Councilmember Williamson, to amend the proposed NBMC Section 2.23a by removing the “/or” to read as follows: NBMC Section 2.23a Indoor Shooting Range (Guns and Archery). The motion **PASSED** 6-0.

The main motion then **PASSED AS AMENDED** 4-2 (Cook, Williamson).

**AB15-048** – Resolution 1680 Granting Final Plat Approval for Miners Ridge Division 2 **Audio: 1:21:38**

Project Manager Tucker provided the staff report.

Councilmember Rosen **MOVED**, seconded by Councilmember Cook to approve AB15-048, a resolution granting final plat approval of Division 2 of the Miner's Ridge Subdivision. The motion **PASSED** 6-0.

**AB15-049** – Motion Authorizing Sludge Hauling Agreement with Republic **Audio: 1:23:09**

City Engineer DeBerg provided the staff report.

Councilmember Rosen **MOVED**, seconded by Councilmember Cook to approve AB15-049, authorizing a contract with Republic Services for hauling and disposing of sewage sludge, in a form approved by the City Attorney. The motion **PASSED** 6-0.

**MAYOR, COUNCIL, AND ADMINISTRATOR CONCERNS AND INITIATIVES:**

All Councilmembers extended a heart-felt thank you to the volunteer members of the City's various Commissions, particularly outgoing Planning Commission Chair McFarland.

Councilmember Kolodejchuk requested an update on the hotel site. Community & Economic Development Director Estep reported progress was being made at the site and the developer would be submitting conceptual design of the structure in the near future.

**DRAFT**

City Administrator Lindell echoed Councilmember comments regarding citizen volunteers and responded to Planning Commission Chair McFarland's earlier comment about data concerning the average area home price by noting the City received the data used in its calculations from the King County Department of Assessments.

Police Chief McCulley shared a recent episode involving unlicensed solicitors at his residence and encouraged all citizens to call 9-1-1 if a solicitor made them uncomfortable or refused to produce a City business license.

Mayor Hearing spoke regarding the following items:

- VAP Cat & Dog Vaccine Clinic – May 17<sup>th</sup> 1 – 4 p.m.
- Special Recycling Event, May 30<sup>th</sup> 9 a.m. – 3 p.m.
- Business & Solicitor License Requirements

**ADJOURNMENT:**

Councilmember Gothelf **MOVED** to adjourn, seconded by Councilmember Williamson. The motion **PASSED** 6-0.

The meeting adjourned at 8:41 p.m.

ATTEST:

\_\_\_\_\_  
Kenneth G. Hearing, Mayor

\_\_\_\_\_  
Susie Oppedal, City Clerk



## City Council Agenda Bill

<b>SUBJECT:</b>	<b>Agenda Date: May 19, 2015</b>	<b>AB15-050</b>
<b>A Resolution Accepting the 2013 King County Countywide Overlay Project as Complete</b>	Department/Committee/Individual	
	Mayor Ken Hearing	
	City Administrator – Londi Lindell	
	City Attorney - Mike Kenyon	
	City Clerk – Susie Oppedal	
	Community & Economic Development – Gina Estep	
	Finance – Dawn Masko	
	Public Works – Mark Rigos, P.E.	X
Cost Impact: N/A		
Fund Source: N/A		
Timeline: Immediate		

**Attachments:** Resolution, Vicinity Map

**SUMMARY STATEMENT:**

In the Spring of 2013 the City contracted with King County via an interlocal agreement to design and administer paving overlays in North Bend. The sites included West North Bend Way – South Fork Bridge to Bendigo Blvd and East North Bend Way – Torguson Park to 436<sup>th</sup> Ave SE. These two North Bend overlays were included with 10 other projects in the 2013 King County Countywide Overlay project.

Both projects were awarded grant funds through different sources. The West North Bend Way segment was awarded a Surface Transportation Program (STP) grant in the amount of \$150,000 with a 13.5% match of \$23,410 for a total budget of \$173,410. The East North Bend Way segment was awarded a Transportation Improvement Board (TIB) grant in the amount of \$225,000 with a 10% match of \$25,000 for a total budget of \$250,000. Both projects were awarded to Lakeside Construction by City Council via a motion based on the amounts given in the “Original (Bid) Price” columns in the tables below on July 16, 2013.

**WEST NORTH BEND WAY – SOUTH FORK BRIDGE TO BENDIGO BLVD**

	<b>Original (Bid) Price</b>	<b>Final Price</b>	<b>Difference</b>
Contract Price (Lakeside Industries)	\$ 106,513.50	\$ 79,651.11	\$ -26,862.39
King County - ADA Retrofit	\$ 17,360.00	\$ 17,448.91	\$ 88.91
King County – Construction Engineering	\$ 13,846.76	\$ 19,454.02	\$ 5,607.26
<b>Total</b>	<b>\$ 137,720.26</b>	<b>\$ 116,554.04</b>	<b>\$ -21,166.22</b>

**EAST NORTH BEND WAY – TORGUSON PARK TO 436<sup>TH</sup> AVE SE**

	<b>Original (Bid) Price</b>	<b>Final Price</b>	<b>Difference</b>
Contract Price (Lakeside Industries)	\$ 331,543.00	\$ 318,531.53	\$ -13,011.47
King County - ADA Retrofit	\$ 8,400.00	\$ 28,303.84	\$ 19,903.84
King County – Construction Engineering	\$ 43,100.59	\$ 29,809.14	\$ -13,291.45
<b>Total</b>	<b>\$ 383,043.59</b>	<b>\$ 376,644.51</b>	<b>\$ -6,399.08</b>

Final construction costs varied due to differences in the amount of material/level of effort actually

## City Council Agenda Bill

required versus the amount/level of effort originally bid. Overall, both projects were constructed for \$27,565.30 less than the original bid amount. The projects were originally supposed to be completed in the 2013 construction season but were delayed to 2014 due to the advertisement being later than expected and the weather deteriorating prior to crews mobilizing to North Bend. No liquidated damages were assessed due to the contract being completed within the allowable number of working days.

Retainage cannot be released until the project has been accepted, all liens have been satisfied, if any, and all taxes have been paid. Upon receipt of all necessary documentation, retainage will be released.

COMMITTEE REVIEW AND RECOMMENDATION: The Transportation and Public Works Committee reviewed this item at its May 13, 2015 meeting and recommended approval and placement on the consent agenda.

RECOMMENDED ACTION: **MOTION to approve AB15-050, a resolution accepting the 2013 King County Countywide Overlay Project as complete and authorizing release of retainage.**

### RECORD OF COUNCIL ACTION

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
May 19, 2015		

## RESOLUTION

### **A RESOLUTION OF THE CITY OF NORTH BEND, WASHINGTON, ACCEPTING THE CONSTRUCTION WORK FOR THE 2013 KING COUNTY COUNTYWIDE OVERLAY PROJECT AS COMPLETE**

**WHEREAS**, the City received a Transportation Improvement Board (TIB) grant to provide funds for the East North Bend Way – Torguson Park to 436th St Overlay Project; and

**WHEREAS**, the City received a Surface Transportation Program grant to provide funds for the West North Bend Way – South Fork Bridge to Bendigo Blvd Overlay Project; and

**WHEREAS**, the City contracted with King County, for design, construction administration, and curb ramp retrofit services for the projects named above in conjunction with the 2013 Countywide HMA Overlay Project; and

**WHEREAS**, upon completion of design, advertisement was made on June 5, 2013 for construction bids; and

**WHEREAS**, on June 27, 2013, bids were opened at the King County Procurement & Contract Services Section and read aloud at the prescribed time with two (2) bids having been received; and

**WHEREAS**, the resulting lowest responsive and responsible bidder out of two (2) bids received was Lakeside Industries, Inc. at \$5,037,253.73; and

**WHEREAS**, the West North Bend Way section was originally bid at \$106,513.50 with estimates for King County to perform curb ramp retrofit of \$17,360.00 and construction administration of \$13,846.76; and

**WHEREAS**, the East North Bend Way section was originally bid at \$331,543.00 with estimates for King County to perform curb ramp retrofit of \$8,400.00 and construction administration of \$43,100.59; and

**WHEREAS**, the construction of the 2013 Countywide HMA Overlay Project was declared Physically Complete on March 13, 2015; and

**WHEREAS**, the final construction cost of the West North Bend Way section is \$79,651.11 with no change orders, with final costs for King County to perform curb ramp retrofit of \$17,448.91 and construction administration of \$19,454.02; and

**WHEREAS**, the final construction cost of the East North Bend Way section is \$318,531.53 with no change orders, with final costs for King County to perform curb ramp retrofit of \$28,303.84 and construction administration of \$29,809.14; and

**WHEREAS**, the City must accept the projects prior to submitting for releases from the State Department of Revenue, Department of Labor and Industries, and the Employment Security Department for the retainage of the contractors;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The City of North Bend accepts the Lakeside Industries, Inc. work on the 2013 King County Countywide Overlay Project.

**Section 2.** The City of North Bend authorizes the release of the retainage on the contract upon receipt of the appropriate clearances from the state.

**PASSED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19<sup>TH</sup> DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Kenneth G. Hearing, Mayor**

\_\_\_\_\_  
**Michael R. Kenyon, City Attorney**

**ATTEST/AUTHENTICATED:**

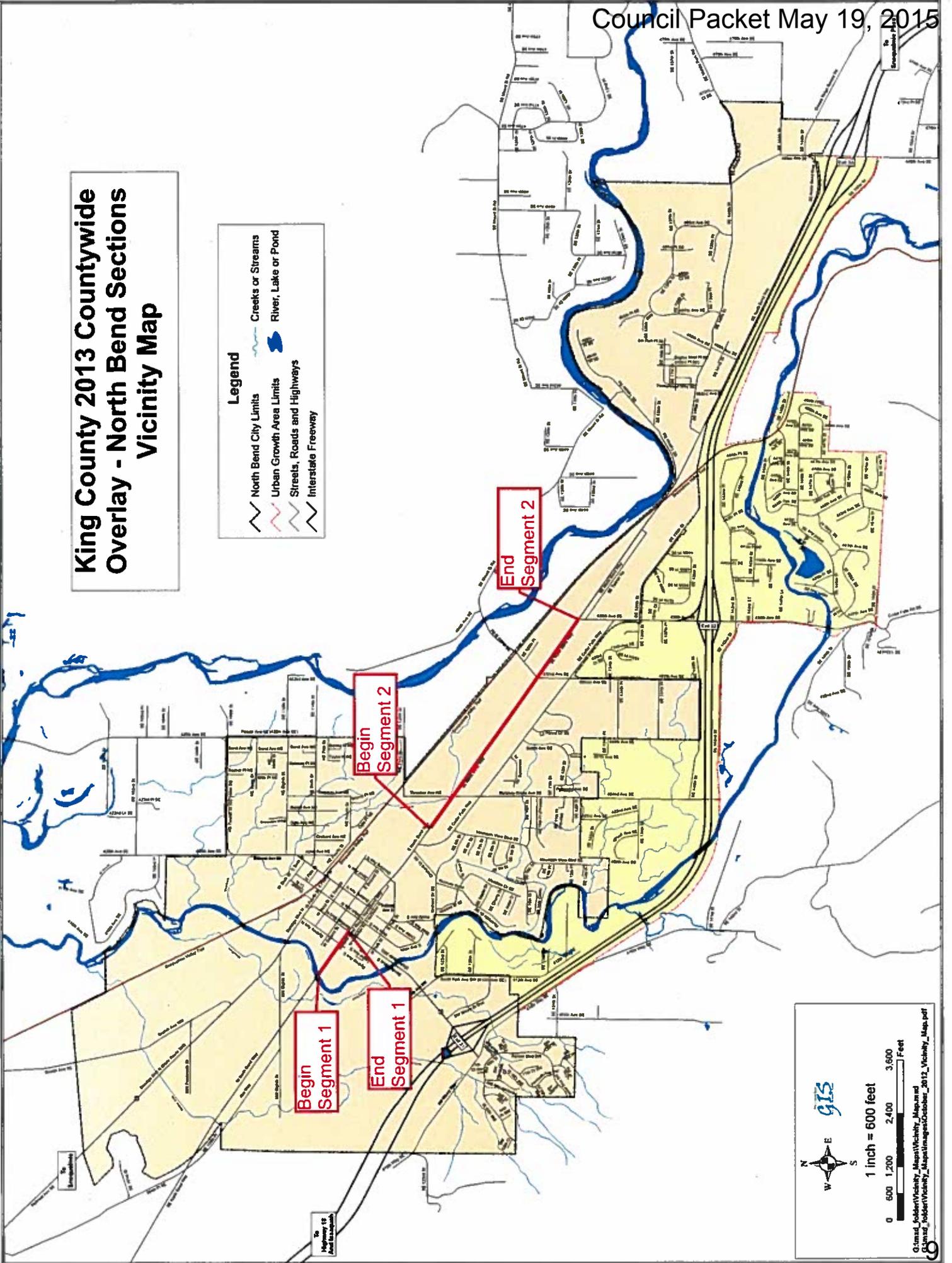
Effective:  
Posted:

\_\_\_\_\_  
**Susie Oppedal, City Clerk**

# King County 2013 Countywide Overlay - North Bend Sections Vicinity Map

**Legend**

- North Bend City Limits
- Urban Growth Area Limits
- Streets, Roads and Highways
- Interstate Freeway
- Creeks or Streams
- River, Lake or Pond



**Begin Segment 1**

**End Segment 1**

**Begin Segment 2**

**End Segment 2**

**GIS**

1 inch = 600 feet

0 600 1,200 2,400 3,600 Feet

Q:\msd\_folders\Vicinity\_Maps\Vicinity\_Map.mxd  
Q:\msd\_folders\Vicinity\_Maps\Kingco\October\_2012\_Vicinity\_Map.pdf





## City Council Agenda Bill

<b>SUBJECT:</b>		<b>Agenda Date: May 19, 2015</b>	<b>AB15-051</b>												
<b>A Resolution Accepting the 201 West North Bend Way Water Main Break Restoration Project as Complete</b>		Department/Committee/Individual													
		Mayor Ken Hearing													
		City Administrator – Londi Lindell													
		City Attorney - Mike Kenyon													
		City Clerk – Susie Oppedal													
		Community & Economic Development – Gina Estep													
		Finance – Dawn Masko													
		Public Works – Mark Rigos, P.E.		X											
Cost Impact: N/A															
Fund Source: N/A															
Timeline: Immediate															
<b>Attachments:</b> Resolution, Change Order #1, Vicinity Map, Photos															
<p><b>SUMMARY STATEMENT:</b></p> <p>City Council approved a contract with AA Asphaltting on March 3, 2015 to finishing restoring the alley behind D2 Energy, located at 201 West North Bend Way. This area suffered pavement and subgrade damage because a cap blew off an existing 12” diameter water main located beneath McClellan Street. The restoration work included fine grading and compacting of the site, paving, and placement of a concrete sidewalk.</p> <p>AA Asphaltting began construction on Thursday, March 26, 2015 and finished on Monday, March 30, 2015. One change order was processed to account for some minor changes in the quantities of work. That change order is attached for your review.</p> <table border="1"> <thead> <tr> <th></th> <th><b>Contract Price</b></th> <th><b>Contract Time</b></th> </tr> </thead> <tbody> <tr> <td>Original</td> <td>\$ 8,031.00</td> <td>10 Days</td> </tr> <tr> <td>Change Order #1</td> <td>\$ 371.56</td> <td>0 Days</td> </tr> <tr> <td><b>Total</b></td> <td><b>\$ 8,402.56</b></td> <td><b>10 Days</b></td> </tr> </tbody> </table> <p>The final construction cost for the project was \$8,402.56 or 105% of the original project bid and the project was completed within the allowable working days. Due to the nature of the water main break, the City submitted a claim with its insurance provider AWC RMSA, and the entire cost of the project was reimbursed to the City.</p> <p>Retainage cannot be released until the project has been accepted by City Council, all liens have been satisfied, if any, and all taxes have been paid. Upon receipt of all necessary documentation, retainage will be released.</p>					<b>Contract Price</b>	<b>Contract Time</b>	Original	\$ 8,031.00	10 Days	Change Order #1	\$ 371.56	0 Days	<b>Total</b>	<b>\$ 8,402.56</b>	<b>10 Days</b>
	<b>Contract Price</b>	<b>Contract Time</b>													
Original	\$ 8,031.00	10 Days													
Change Order #1	\$ 371.56	0 Days													
<b>Total</b>	<b>\$ 8,402.56</b>	<b>10 Days</b>													
<p><b>COMMITTEE REVIEW AND RECOMMENDATION:</b> The Transportation and Public Works Committee reviewed this item at its May 13, 2015 meeting and recommended approval and placement on the consent agenda.</p>															
<p><b>RECOMMENDED ACTION: MOTION to approve AB15-051, a resolution accepting the 201 West North Bend Way Water Main Break Restoration Project as complete and authorizing the release of retainage.</b></p>															
<b>RECORD OF COUNCIL ACTION</b>															
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>													
May 19, 2015															



# RESOLUTION

## A RESOLUTION OF THE CITY OF NORTH BEND, WASHINGTON, ACCEPTING THE CONSTRUCTION WORK FOR THE 201 WEST NORTH BEND WAY WATER MAIN BREAK RESTORATION PROJECT AS COMPLETE

**WHEREAS**, a portion of the alley behind 201 West North Bend Way suffered significant damage due to a burst water main in February, 2015; and

**WHEREAS**, City staff received five quotes for final restoration of the alley; and

**WHEREAS**, AA Asphaltting submitted the lowest responsive and responsible bid for \$8,031.00; and

**WHEREAS**, work began on March 26, 2015 and was declared physically complete on March 30, 2015, within the allowable number of working days; and

**WHEREAS**, the final construction cost was \$8,402.56 with one change order; and

**WHEREAS**, the City must accept the project prior to submitting for releases from the State Department of Revenue, Department of Labor and Industries, and the Employment Security Department for the retainage of the contractors;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The City of North Bend accepts the AA Asphaltting work on the 201 West North Bend Way Water Main Break Restoration Project.

**Section 2.** The City of North Bend authorizes the release of the retainage on the contract upon receipt of the appropriate clearances from the state.

**PASSED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19<sup>TH</sup> DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Kenneth G. Hearing, Mayor**

\_\_\_\_\_  
**Michael R. Kenyon, City Attorney**

**ATTEST/AUTHENTICATED:**

Effective:  
Posted:

\_\_\_\_\_  
**Susie Oppedal, City Clerk**



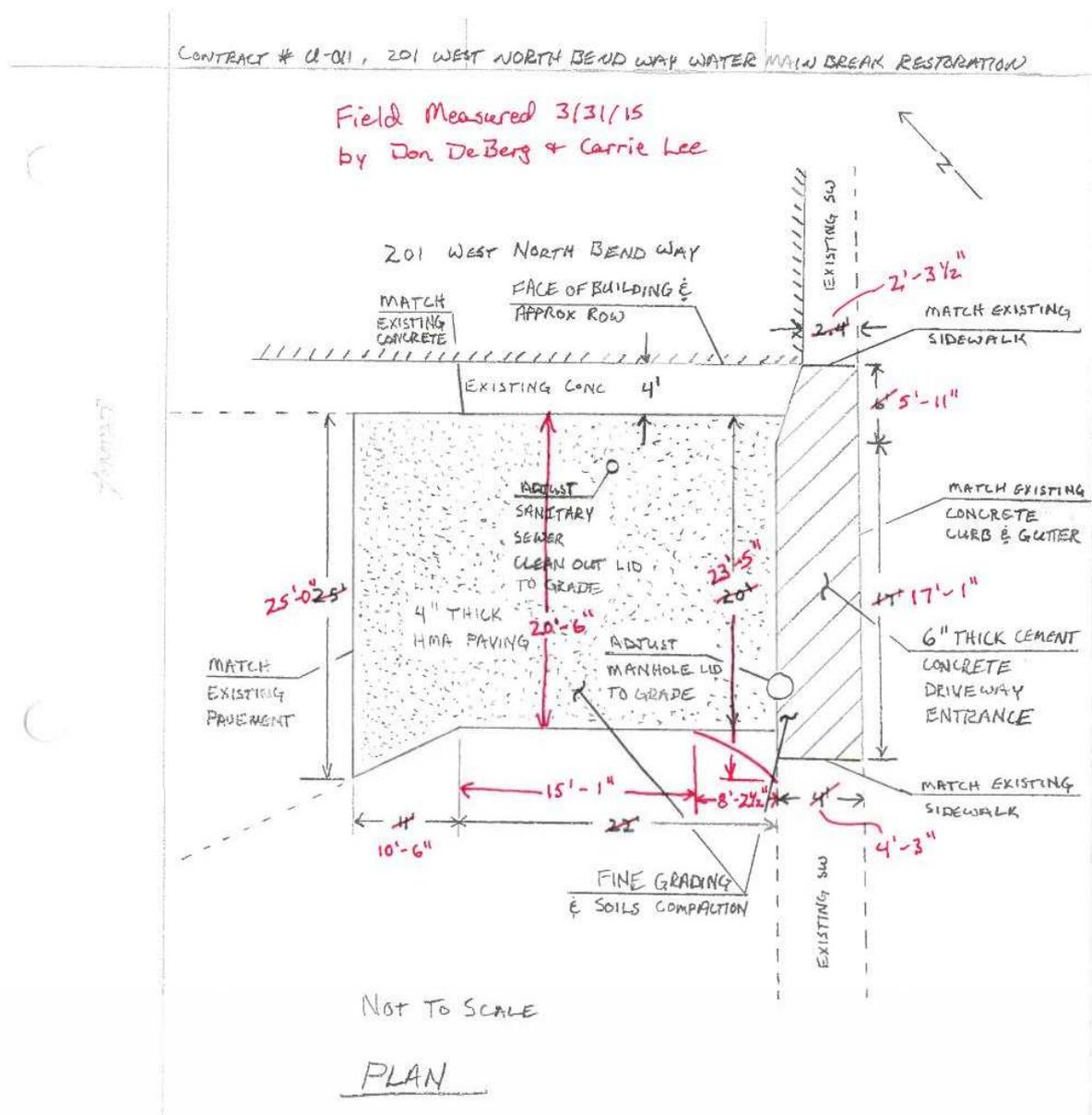
**CHANGE ORDER #1 TO  
SMALL WORKS ROSTER  
PUBLIC WORKS CONTRACT  
City of North Bend and AA Asphaltting, Inc.  
201 West North Bend Way Water Main Break Restoration**

**Justification:** The quantities in the original bid package were estimated incorrectly by the City. Actual work quantities varied. See below for a summary of the changed quantities and costs.

The contract is changed as follows:

**Attachment A – Plans**

1. Remove this section in its entirety and replace with the following:



**Attachment B – Cost Estimate**

1. This section is supplemented with the following:

Item Number	Description	Unit	Plan Quantity	Final Quantity	Unit Cost	Price as Bid	Price As-Built
1	Mobilization	LS	LS	LS	LS	\$ 352.10	\$ 352.10
2	Fine Grading	SY	86.1	91.9	\$ 5.00	\$ 430.50	\$ 459.50
3	Soils Compaction	SY	86.1	91.9	\$ 5.00	\$ 430.50	\$ 459.50
4	Adjust Sanitary Sewer Cleanout	EACH	1	1	\$ 75.00	\$ 75.00	\$ 75.00
5	Adjust Manhole	EACH	1	0	\$ 75.00	\$ 75.00	\$ -
6	6" Thick Cement Conc. Driveway Entrance	SY	9.7	10.2	\$ 243.00	\$ 2,357.10	\$ 2,478.60
7	4" Thick HMA Paving	SY	76.4	81.7	\$ 50.39	\$ 3,849.80	\$ 4,116.86
8	Traffic Control	LS	LS	LS	LS	\$ 461.00	\$ 461.00
Subtotal						\$ 8,031.00	\$ 8,402.56
Sales Tax (8.8%)						EXEMPT	EXEMPT
Total Bid						\$ 8,031.00	\$ 8,402.56

CITY OF NORTH BEND, WASHINGTON

[CONSULTANT]

By: \_\_\_\_\_

By: \_\_\_\_\_

Kenneth G. Hearing  
 Title: Mayor \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



(C) 2008 King County

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Rough graded site.



Rough graded site.



Finished Product.



Finished Product



## City Council Agenda Bill

<b>SUBJECT:</b>		<b>Agenda Date: May 19, 2015</b>	<b>AB15-052</b>	
<p><b>A Resolution Authorizing Execution and Submittal of an Application for CDBG Funds for the North Bend Way Pedestrian Accessibility Improvement Project</b></p> <p>Cost Impact: City is seeking a 35.5% match of \$187,820 but King County could require up to a \$282,073 match</p> <p>Fund Source: TBD</p> <p>Timeline: Immediate</p>		Department/Committee/Individual		
		Mayor Ken Hearing		
		City Administrator – Londi Lindell		
		City Attorney - Mike Kenyon		
		City Clerk – Susie Oppedal		
		Community & Economic Development – Gina Estep		
		Finance – Dawn Masko		
		Public Works – Mark Rigos, P.E.		X
<b>Attachments:</b> Resolution				
<p>SUMMARY STATEMENT:</p> <p>The City of North Bend has submitted a Preliminary Application and will be filing a final application later this month requesting funding from the Federal Community Development Block Grant program (CDBG) to construct pedestrian accessibility improvements along North Bend Way (“Project”). King County administers the distribution of CDBG funds to cities. The grant criteria require that the City Council approve the application. The engineer’s estimate of the total project cost is \$528,940. The minimum City match required is 35.5% or \$187,820. The maximum City match would be \$282,073. The City can elect not to accept the grant if it is awarded with an unacceptable matching amount.</p> <p>The capital improvement proposed in this application is a portion of the “North Bend Way C&amp;G/landscape (Ballarat to Downing)” project listed in the City of North Bend’s 6-Year Transportation Improvement Program. Matching funds for this project would come from the either the City’s Transportation Benefit District which commits its funds only toward capital projects listed in the City’s 6-Yr TIP or the general fund. The proposed project is also in accordance with the City’s Downtown Master Plan and recommended streetscape.</p> <p>The proposed motion authorizes the City Administrator to execute and submit the CDBG grant application and commit the proposed matching funds to complete the project.</p>				
<p>COMMITTEE REVIEW AND RECOMMENDATION: This item was reviewed by the Transportation and Public Works Committee at their May 13, 2015 meeting and was recommended for approval and placement on the consent agenda.</p>				
<p>RECOMMENDED ACTION: <b>MOTION to approve AB15-052, a resolution authorizing execution and submittal of an application for CDBG funds for the North Bend Way Pedestrian Accessibility Improvement Project.</b></p>				
<b>RECORD OF COUNCIL ACTION</b>				
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>		
May 19, 2015				



# RESOLUTION

## A RESOLUTION OF THE CITY OF NORTH BEND, WASHINGTON, AUTHORIZING EXECUTION AND SUBMITTAL OF AN APPLICATION FOR COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS FOR PEDESTRIAN ACCESSIBILITY IMPROVEMENTS ALONG NORTH BEND WAY

**WHEREAS**, the City has made preliminary application to King County who is administering Community Development Block Grant funds for certain pedestrian accessibility improvements from Ballarat to Downing along the north side of North Bend Way (“Project”); and

**WHEREAS**, in order to meet the grant application criteria, the City is willing to provide a certain amount of money for the match for the Project and is seeking a 35.5% match of the total project costs but recognizes that King County may require a larger percentage match; and

**WHEREAS**, the City formed a Transportation Benefit District (“TBD”) to fund street infrastructure improvements in the City that are listed on the City’s 6-Year Transportation Improvement Plan (“TIP”); and

**WHEREAS**, the Project is listed on the City’s 2015-2020 6-Year TIP;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1. Authorization to Submit CDBG Grant.** The City Council authorizes the City Administrator to submit a grant requesting CDBG funds for a project having a total cost of \$528,940 and requiring a minimum City match of 35.5% of the project cost or \$187,820 and a maximum City match of \$282,073.

**Section 2. Final Grant Application.** The City Council authorizes the City Administrator to execute the final grant application and all necessary agreements to submit the application and commits to provide money for the match for the Project from the TBD or general funds.

**PASSED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19<sup>TH</sup> DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Kenneth G. Hearing, Mayor**

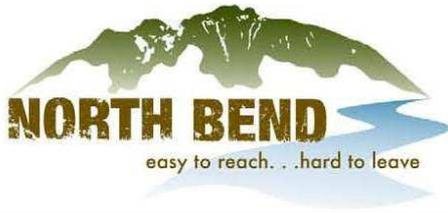
\_\_\_\_\_  
**Michael R. Kenyon, City Attorney**

**ATTEST/AUTHENTICATED:**

Effective:  
Posted:

\_\_\_\_\_  
**Susie Oppedal, City Clerk**





## City Council Agenda Bill

<b>SUBJECT:</b>	<b>Agenda Date: May 19, 2015</b>		<b>AB15-053</b>
<b>A Motion Authorizing the Mayor to Enter into Interlocal Agreements with the City of Issaquah:</b> <ul style="list-style-type: none"> <li>• <b>Municipal Court Services</b></li> <li>• <b>Prosecution Services</b></li> <li>• <b>Public Defender Services</b></li> </ul>	Department/Committee/Individual		
	Mayor Ken Hearing		
	City Administrator – Londi Lindell		X
	City Attorney - Mike Kenyon		
	City Clerk – Susie Oppedal		
	CED – Gina Estep		
	Finance – Dawn Masko		
	Public Works – Mark Rigos		
<b>Cost Impact:</b> <ul style="list-style-type: none"> <li>• Court: Based upon number of infractions and criminal citation filings. 2015 Budget: \$60,000</li> <li>• Prosecution: \$1500 to \$2000 a month. 2015 Budget: \$14,000</li> <li>• Public Defender: Based upon number of criminal citation filings and number of indigent defendants. 2015 Budget: \$26,500</li> </ul>			
Fund Source: General			
Timeline: June 1, 2015			

**Attachments:** Interlocal Agreements for Municipal Court, Prosecution and Public Defender Services

**SUMMARY STATEMENT:**

The City of North Bend entered into an interlocal agreement for court services with Issaquah dated January 1, 2007 (Court Agreement); an interlocal agreement for prosecution services dated May 20, 2013 (Prosecution Agreement); and an interlocal agreement for public defender services dated May 29, 2013 (Public Defender Agreement) (collectively, the “ILAs”). The purpose of this Agenda Bill is to continue these existing ILAs regarding criminal adjudication of North Bend cases.

Cost for service for each of the ILAs has been determined based upon Issaquah’s actual costs for its municipal court, its prosecution contract costs and its public defender contract costs. These costs were converted to a funding formula for the Court Agreement and the Public Defender Agreement based upon a fee per case filed with the court. The Prosecutor Agreement was also based upon historical data on the number of cases filed by North Bend over the last 4 years and is a flat monthly fee. Unfortunately, North Bend’s costs have gone up significantly because of a significant increase in our police activity and corresponding need for each of these services.

**Court Agreement.** North Bend currently pays a filing fee of approximately \$33 per traffic infraction and \$169 per criminal citation filed. Issaquah is now requesting their filing fees be increased for 2016 and 2017 to reflect Issaquah’s actual costs in delivering court services as follows:

Year	Traffic Infraction Fee	Criminal Citation Fee
2016	\$44.10	\$220.48
2017	\$54.30	\$271.50

Issaquah originally asked for a filing fee of nearly \$400 per case based upon North Bend’s caseload during the last 12 months. We were able to get Issaquah to use a 4 year average so we benefited from police inactivity prior to our new police department assuming command. The 2017 fee reflects the fee North Bend should be paying based upon this 4 year case average but we requested and Issaquah agreed to spread this approximately \$100 increase over two calendar years. Prior to 2012, North Bend benefited by having 6 years of court services delivered at a flat fee with no increases notwithstanding increases to Issaquah in the delivery of court services. The proposed filing fee increases are substantial but are supported by the court budget, reflect

## City Council Agenda Bill

increased labor and facility costs to the City of Issaquah, and the fact that North Bend is absorbing a larger portion of the court budget due to our increased case filings.

The City has 3 options for delivering court services: (1) Form a new municipal court; (2) Contract with another city to deliver municipal court services (our current model); or (3) Contract with King County under the District Court system. Given the substantial increases, we did evaluate forming our own court and also King County's charges for the district court. The Court Agreement still provides the delivery of court services at a lower rate than those two alternatives and with a higher level of service.

The City receives revenue from fines and forfeitures to partially offset the cost of this Court Agreement. For example, in 2014, the City received approximately \$25,103 in fines and forfeitures from Issaquah Court and paid the City of Issaquah \$63,781 for court services.

Going forward, calculating the increased cost is difficult to predict because it is dependent on the number of cases filed and the City has no control over the issuance of traffic infractions or criminal citations. Anecdotally, our police department believes at some future date our criminal filings will level off and possibly decrease.

**Prosecution.** North Bend currently pays a flat monthly fee of \$1,000 for prosecution services under the Prosecution Agreement. The attached Prosecution Agreement provides for an increase to \$1,500 for the remainder of 2015 and an increase to \$2000 commencing January 1, 2016. Given our increased caseload due to police enforcement, we also believe these increases are justified and do not believe the City can locate a more cost effective contract. Further, our police department has worked successfully for many years with prosecutor Lynn Moberly and it is in the best interests of the city to have a good working relationship between the police department and the prosecutor in order to obtain convictions of criminal citations.

**Public Defender.** North Bend currently pays a fee of \$250 per new case assigned for public defender services. This public defender was selected after an extensive Request for Proposal process consistent with state law. Due to increased requirements on public defenders as a result of new court rules, the public defender used by North Bend and Issaquah is requesting a \$50 per case increase in his fee and a new \$500 fee for any appeals. Issaquah is passing on that increase to North Bend as follows:

Year	Case	Appeal
2016	\$300	\$500
2017	\$300	\$500

**Terms.** All 3 of the ILAs have been extended until December 31, 2017, with automatic 4 years extensions on the same terms. Any future increases in filing fees are subject to our approval in writing. Due to the foregoing described increases in the ILAs, we will be proposing increases to your 2016 Budget during your mid-biennial review in the Fall of this year.

**COMMITTEE REVIEW AND RECOMMENDATION:** The Public Safety Committee reviewed this item at its May 12, 2015 meeting and recommended approval and placement on the consent agenda.

**RECOMMENDED ACTION: MOTION to approve AB15-053, authorizing the Mayor to enter into Interlocal Agreements with the City of Issaquah for the delivery of court services, prosecution services and public defender services.**

### RECORD OF COUNCIL ACTION

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
May 19, 2015		

**INTERLOCAL AGREEMENT BETWEEN THE CITIES OF NORTH BEND,  
SNOQUALMIE AND ISSAQUAH FOR MUNICIPAL COURT SERVICES AND  
FACILITIES**

**RECITALS**

- A. The City of North Bend (hereafter “North Bend”) is a municipal corporation organized under the laws of the State of Washington.
- B. The City of Snoqualmie (hereafter “Snoqualmie”) is a municipal corporation organized under the laws of the State of Washington.
- C. The City of Issaquah (hereafter “Issaquah”) is a municipal corporation organized under the laws of the State of Washington.
- D. Each of the parties to this Agreement is authorized under Washington law to create and operate a municipal court pursuant to chapter 3.50 RCW.
- E. The Interlocal Cooperation Act, chapter 39.34 RCW, authorizes municipal corporations to contract with one another to perform any act that each is independently authorized to perform.
- F. RCW 3.62.070, 39.34.180 and 3.50.805 each directly or by implication authorize municipal corporations to enter into interlocal agreements for municipal court services.
- G. Issaquah has previously created and currently operates a municipal court pursuant to chapter 3.50 RCW.
- H. North Bend created a municipal court pursuant to the provisions of chapter 3.50 RCW.

- I. Snoqualmie created a municipal court pursuant to the provisions of chapter 3.50 RCW.
- J. Issaquah, North Bend, and Snoqualmie first entered interlocal agreements for municipal court services in 2006 and renewed services through a subsequent agreement in 2013.
- K. Issaquah, North Bend, and Snoqualmie desire to continue to contract for municipal court services on the terms and conditions set forth in this Agreement.
- L. The parties enter this Agreement in consideration of the mutual covenants and promises set forth in this Agreement, the mutual benefits to be derived by each, and in the exercise of authority granted by the Interlocal Cooperation Act, chapter 39.34 RCW.

### **AGREEMENT**

1. **Purpose of Agreement.** The purpose of this Agreement is to contract for the provision of certain municipal court services by Issaquah to North Bend and Snoqualmie, through the use of the facilities and personnel of the Issaquah Municipal Court, to the maximum extent permitted by law, for the filing and processing of North Bend's and Snoqualmie's civil, traffic or other infractions and criminal citations; to set forth fees to be paid by North Bend and Snoqualmie for such services; and to specify the responsibilities of Issaquah, North Bend, and Snoqualmie respectively for such municipal court services.

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**2. Formation of North Bend Municipal Court and Snoqualmie Municipal Court and Appointment of Judges for Each.** North Bend has by Ordinance No. 1257 created a municipal court pursuant to chapter 3.50 RCW. Ordinance No. 1257 includes a provision that the salary of the judge of the North Bend Municipal Court shall be as set by Issaquah. The Mayor of North Bend shall during the term of this Agreement appoint, and the North Bend City Council shall confirm, the currently appointed judge of the Issaquah Municipal Court as judge of the North Bend Municipal Court. The North Bend Municipal Court shall have jurisdiction as provided in RCW 3.50.020. A case filed in Issaquah Municipal Court shall continue to be a North Bend Municipal Court case, notwithstanding its filing in the Issaquah Municipal Court.

Snoqualmie has by Ordinance No. 999 created a municipal court pursuant to chapter 3.50 RCW. Ordinance No. 999 includes a provision that the salary of the judge of the Snoqualmie Municipal Court shall be as set by Issaquah. The Mayor of Snoqualmie shall during the term of this Agreement appoint, and the Snoqualmie City Council shall confirm, the currently appointed judge of the Issaquah Municipal Court as judge of the Snoqualmie Municipal Court. The Snoqualmie Municipal Court shall have jurisdiction as provided in RCW 3.50.020. A case filed in Issaquah Municipal Court shall continue to be a Snoqualmie Municipal Court case, notwithstanding its filing in the Issaquah Municipal Court.

**3. Filing of North Bend and Snoqualmie Municipal Court Cases.** All North Bend and Snoqualmie Municipal Court cases, which shall include all notices of infractions and criminal complaints or citations alleging violations of North Bend's and Snoqualmie's ordinances, shall be filed in the Issaquah Municipal Court for processing under this Agreement.

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**4. Municipal Court Services Provided by Issaquah.** All personnel of the Issaquah Municipal Court, including the Judge, shall be employees of Issaquah, which shall be responsible for all compensation, benefits, and taxes of any nature related to their employment. Issaquah shall provide municipal court facilities and services for the processing of North Bend and Snoqualmie Municipal Court cases in the same manner and at the same level as Issaquah provides for the same type of cases originating in Issaquah, including but not limited to the following:

4.1 Court Staff. Issaquah shall provide court staff necessary to process all criminal and civil citations filed by North Bend and Snoqualmie. Issaquah shall provide a level of service the same as that provided for Issaquah cases and that which is necessary for the efficient processing of all municipal cases. By way of illustration and not by limitation, this “processing” shall include the issuance of all summonses, warrants, maintenance of court cases, and processing of all fines and forfeitures for municipal cases. Processing shall also include filing, adjudication and penalty enforcement of all North Bend and Snoqualmie cases filed, or to be filed, by North Bend or Snoqualmie in Municipal Court, including, but not limited to, the issuance of arrest warrants, setting motions and evidentiary hearings, discovery matters, bench and jury trials, sentencing, post-trial motions, the duties of municipal court regarding appeals and all local court services imposed by state statute, court rule, North Bend or Snoqualmie ordinance, or other regulation as now existing or hereinafter amended. The court staff shall utilize the DISCIS/Judicial Information System as appropriate for all municipal cases. North Bend or Snoqualmie shall be responsible for discovery for all municipal cases.

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4.2 Bailiff. Issaquah shall provide a court bailiff to be present in and around the courtroom during the North Bend and Snoqualmie Calendars.

4.3 Municipal Judge. Issaquah shall appoint a qualified judge or judge pro tem who shall preside over and hear North Bend and Snoqualmie municipal cases. The North Bend and Snoqualmie City Administrators may provide input to the Issaquah City Administrator in connection with the selection or reappointment of any municipal judge, provided, the final decision on appointment or reappointment shall be made by Issaquah. The Mayor of North Bend and the Mayor of Snoqualmie shall appoint and the City Council shall confirm any subsequently appointed or reappointed judge as the judge of the North Bend and Snoqualmie Municipal Courts. Commissioners and judges pro tem of the Issaquah Municipal Court shall be by virtue of such appointment commissioners and judges pro tem of the North Bend and Snoqualmie Municipal Courts. The parties acknowledge that the municipal judge may be removed from office only in accordance with the provisions of RCW 3.50.095. Removal of the judge for 'misconduct or malfeasance in office' shall be considered a breach of a material term of this agreement and may result in termination of the agreement pursuant to Section 26.

4.4 Supplies and forms. The City of Issaquah shall provide all forms and paperwork necessary for processing North Bend and Snoqualmie Municipal Court cases. By way of illustration and not limitation, these include case setting forms, infraction hearing forms, warrants and general office supplies.

4.5 Language Interpretation. The City of Issaquah shall provide and pay for all language interpretation services for defendants.

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4.6 Jury Fees. Issaquah shall pay for all jury fees for North Bend and Snoqualmie Municipal Court cases.

4.7 Collection for Nonpayment. Issaquah will, through the same collection process as is used for Issaquah cases, collect all fines and fees past due for North Bend and Snoqualmie cases.

4.8 Miscellaneous Equipment, Facility and Utility Costs. Issaquah shall provide and maintain all equipment such as copiers, computers, printers, and other equipment necessary for the processing of municipal cases. The City of Issaquah shall provide the use of the Issaquah courtroom, all office space necessary for the processing of municipal cases, and associated janitorial services, facility insurance, building repair and maintenance, and related expenses. Issaquah will be responsible for payment of all utility charges such as power, water, sewer, solid waste and telephone services for any portion of the facility or facilities utilized to process municipal cases.

4.9 North Bend and Snoqualmie Municipal Court Calendars. A North Bend Municipal Court calendar shall be scheduled at such times and dates as are compatible with the existing court calendars, the schedule of the judge and the schedule of the prosecutor. A Snoqualmie Municipal Court calendar shall also be scheduled at such times and dates as are compatible with the existing court calendars, the schedule of the judge and the schedule of the prosecutor. Matters heard on the regularly scheduled North Bend or Snoqualmie municipal calendars shall be pre-trial hearings, motions, bench trials, review, revocation and sentencing hearings. Jury trials will be scheduled for one day per month. Release hearings and arraignment

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hearing for North Bend or Snoqualmie defendants may be held on other days consistent with the procedure for Issaquah arraignments and release hearings.

4.10 Quarterly Reporting. Issaquah will provide to North Bend or Snoqualmie a quarterly caseload report. The caseload report will provide the following information: Filings by case type, dismissals, number and type of hearings, trial settings and type of trial set, number of cases disposed during report period, number of deferred prosecutions, appeals to superior court and total revenue.

**5. Municipal Court Services Provided by North Bend and Snoqualmie.** The following municipal court services shall be provided by North Bend and Snoqualmie:

5.1 Prosecution and Discovery. North Bend and Snoqualmie shall be responsible for providing prosecution services for all North Bend and Snoqualmie Municipal Court cases. North Bend and Snoqualmie shall provide discovery for their cases. The North Bend and Snoqualmie prosecutors shall not be required to be present for arraignments, release hearings, contested infractions that are non-accident related or pro se, or infraction mitigation hearings. In addition, defendants held on North Bend and Snoqualmie charges shall be brought before the Issaquah Municipal Court Judge for first appearances in accordance with state law and in the same manner as defendants held in custody on Issaquah charges.

5.2 Public Defender. North Bend and Snoqualmie shall provide public defender services and cover all public defense costs for indigent defendants who are charged with violation of North Bend's or Snoqualmie's ordinances and entitled by law to legal counsel at public expense.

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5.3 Screening Services. North Bend and Snoqualmie shall provide screening services to determine whether a North Bend or Snoqualmie defendant qualifies for public defense services. The North Bend or Snoqualmie Municipal Court judge may appoint a public defender if it is determined that the defendant is indigent.

5.4 Domestic Violence Advocate Services. North Bend and Snoqualmie shall be responsible for providing domestic violence advocate services.

5.5 Filing of Citations. Criminal citations and infractions issued by North Bend or Snoqualmie shall be delivered to the Issaquah Municipal Court clerk for filing in the North Bend or Snoqualmie Municipal Court within two (2) business days after the violation or issuance of the citation. If a person is booked into a jail facility, North Bend or Snoqualmie shall fax the citation and police report to the Issaquah Municipal Court clerk no later than 10:00 a.m. the next day.

5.6 Warrants. Whenever North Bend or Snoqualmie executes a warrant, North Bend or Snoqualmie shall contact the Issaquah Municipal Court and make a return on the warrant as soon as possible.

5.7 Jail Costs. North Bend and Snoqualmie shall be responsible for incarceration arrangements for its defendants and the cost for such incarceration.

5.8 Subpoenas. Issuance of all subpoenas shall be the responsibility of the prosecutor or defense counsel. Issaquah shall issue subpoenas for infractions as timely requested by pro se defendants. The court will use the witnesses identified by the police on either the back of the North Bend or Snoqualmie citation or the police report.

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5.9 Witness Fees. North Bend and Snoqualmie shall pay for all fees for witnesses requested by the North Bend or Snoqualmie prosecutor.

5.10 Appeals. In the event that North Bend or Snoqualmie appeals a case, North Bend or Snoqualmie shall be charged the fee to file a notice of appeal and the costs for preparing and/or copying any court recordings.

6. **Compensation and Other Costs**. North Bend and Snoqualmie shall compensate Issaquah for providing all services as specified in Section 4 of this Agreement by payment of a filing fee on a per case basis. For each criminal citation filed in 2015, North Bend and Snoqualmie shall pay Issaquah a filing fee of \$169.45. For each traffic, parking or non-traffic infraction filed in 2015, North Bend and Snoqualmie shall pay Issaquah \$33.89. For each criminal citation filed on and after January 1, 2016, North Bend and Snoqualmie shall pay Issaquah a filing fee of \$220.48. For each traffic, parking or non-traffic infraction filed on or after January 1, 2016, North Bend and Snoqualmie shall pay Issaquah \$44.10. For each criminal citation filed on and after January 1, 2017, North Bend and Snoqualmie shall pay Issaquah a filing fee of \$271.50. For each traffic, parking or non-traffic infraction filed on or after January 1, 2017, North Bend and Snoqualmie shall pay Issaquah \$54.30. These filing fees shall be the sole compensation due Issaquah for all services provided, and shall fully discharge North Bend's and Snoqualmie's obligations for payment of the costs of the North Bend and Snoqualmie Municipal Courts pursuant to RCW 3.50.080. These fees shall be paid regardless of whether the cases are later dismissed without a full adjudication. North Bend and Snoqualmie shall

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additionally pay Issaquah all other costs as specified as the responsibility of North Bend and Snoqualmie in Section 5 hereof.

7. **Payment of Compensation**, Issaquah shall bill North Bend and Snoqualmie monthly for amounts due under this Agreement. North Bend and Snoqualmie shall pay the amount due within 45 days of receipt. However, if North Bend or Snoqualmie has a good faith dispute with the amount of the invoice, North Bend or Snoqualmie shall pay the non-disputed amount within the time frame set forth in this section.

8. **Adjustment of Filing Fees**. Filing fees payable hereunder shall be subject to adjustment as follows:

8.1 Adjustment for Additional Duties. In the event that Issaquah's duties under this Agreement are enlarged, increased or impacted due to local, state, or federal mandates, new requirements from North Bend or Snoqualmie, or the departure of a party, Issaquah may increase the filing fees or add a supplemental monthly fee to either North Bend and Snoqualmie to cover the costs. Issaquah shall notify North Bend or Snoqualmie of the effective date of the fee changes, which may be immediately. Either party may request mediation as to the amount of this fee change. North Bend or Snoqualmie shall timely pay the new fees from their effective date even if mediation is requested.

8.2 Annual Adjustment. Commencing in 2016 and annually thereafter during the term of this Agreement and any extensions thereof, the parties shall meet on or before June 30 to review the cost of the services provided by Issaquah and the filing fees to be paid by North Bend and Snoqualmie to fairly compensate Issaquah for such services. The parties shall use best

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efforts to determine whether an adjustment of filing fees is warranted, and if so, the amount thereof. Filing fee adjustments agreed to pursuant to this process shall not require an amendment of this Agreement, but shall be confirmed in writing. If Issaquah does not propose a filing fee adjustment prior to September 30, no increase for the next year shall be permitted. If Issaquah does propose a filing fee adjustment, North Bend and Snoqualmie may request formal negotiations by notifying Issaquah within 15 days after receipt of the proposed filing fee adjustment. If negotiation does not resolve the issue by November 15, the issue of filing fee adjustment shall be subject to the mediation and arbitration provisions of section 19, Dispute Resolution. The existing filing fees shall remain in effect until the parties reach agreement as to the amount of filing fees or until mediation or arbitration is concluded.

**9. Disbursal of Local Court Revenues to North Bend and Snoqualmie.** Pursuant to RCW 3.62.070 and RCW 39.24.180, North Bend and Snoqualmie shall receive one hundred percent (100%) of Local Court Revenues from North Bend and Snoqualmie Municipal Court cases, excluding revenues which are not able to be dispersed by statute, probation revenues received at the municipal court and excluding restitution or reimbursement to North Bend and Snoqualmie or a crime victim, or other restitution as may be awarded by a judge. For purposes of this section, Local Court Revenues include all fines, forfeited bail, penalties, court cost recoupment and parking ticket payments derived from North Bend and Snoqualmie Municipal Court cases after payment of any and all assessments required by state law thereon. Local Court Revenues include all revenues as defined herein received by the Issaquah Municipal Court for North Bend and Snoqualmie Municipal Court cases as of opening of business January 1, 2012.

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10. **Factors Considered.** In entering into this Interlocal Agreement for municipal court services, North Bend, Snoqualmie, and Issaquah have considered, pursuant to RCW 39.34.180, the anticipated costs of services, anticipated and potential revenues to fund the services, including fines and fees, filing fee recoupment, criminal justice funding, and state sales tax funding.

11. **Payment of State Assessments.** Issaquah shall pay on behalf of North Bend and Snoqualmie all amounts due and owed to the State of Washington relating to North Bend and Snoqualmie Municipal Court cases filed at Issaquah Municipal Court out of the gross court revenues received by the Issaquah Municipal Court on North Bend and Snoqualmie Municipal Court cases. Issaquah assumes responsibility for making such payment to the State as agent for North Bend and Snoqualmie on a timely and accurate basis. As full compensation for providing this service to North Bend and Snoqualmie, Issaquah shall be entitled to retain any interest earned on these funds prior to payment to the State.

12. **Monthly Reporting and Payment of Local Court Revenues.** Issaquah shall provide North Bend and Snoqualmie a monthly remittance report and a check or wire transfer for Local Court Revenues no later than 45 business days after the end of each calendar month.

13. **North Bend and Snoqualmie Ordinances, Rules and Regulations.** In executing this Agreement, Issaquah does not assume liability or responsibility for or in any way release North Bend or Snoqualmie from any liability or responsibility which arises in whole or in part from the existence or effect of North Bend or Snoqualmie ordinances, rules, or regulations, policies or procedures. If any cause, claim, suit, action or administrative proceeding is

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commenced in which the enforceability and/or validity of any North Bend or Snoqualmie ordinance, rule, or regulation is at issue, North Bend and Snoqualmie shall defend the same at its sole expense and if judgment is entered or damages are awarded against North Bend, Snoqualmie, Issaquah, or all, North Bend and Snoqualmie shall satisfy the same, including all chargeable costs and attorneys' fees.

14. **Indemnity.** The parties shall each indemnify the other as follows:

14.1 Issaquah Indemnity. Issaquah shall protect, indemnify and save harmless North Bend and Snoqualmie, their officers, elected officials, agents, volunteers and employees from any and all costs, claims, judgments, or awards of damages (including costs and all attorney fees), arising out of or in any way resulting from the negligent acts, errors or omissions of Issaquah, its officers, employees and agents in performing this Agreements.

14.2 North Bend Indemnity. North Bend shall protect, defend, indemnify and save harmless Issaquah, its officers, employees and agents from any and all costs, claims, judgments or awards of damages, arising out of or in any way resulting from the negligent acts, errors or omissions of North Bend, its officers, employees or agents in performing this Agreement.

14.3 Snoqualmie Indemnity. Snoqualmie shall protect, defend, indemnify and save harmless Issaquah, its officers, employees and agents from any and all costs, claims, judgments or awards of damages, arising out of or in any way resulting from the negligent acts, errors or omissions of Snoqualmie, its officers, employees or agents in performing this Agreement.

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14.4 Survival of Indemnities. The provisions of this section shall survive the expiration or termination of this Agreement. No obligation shall exist to indemnify for injuries caused by or resulting from events occurring after the last day of court services under this Agreement.

15. **Actions Contesting Agreement.** Each party shall appear and defend any action or legal proceeding brought to determine or contest: (i) the validity of this Agreement and/or (ii) the legal authority of North Bend, Snoqualmie, and/or Issaquah to undertake the activities contemplated by this Agreement. If any parties to this Agreement are not named as parties to the action, the party named shall give the other parties prompt notice of the action and such parties shall move to intervene. Each party shall bear any costs and expenses taxed by the court against it separately, provided, any costs and expenses assessed by a court against both parties jointly shall be shared equally.

16. **Financing.** There shall be no financing of any joint or cooperative undertaking pursuant to this Agreement. There shall be no budget maintained for any joint or cooperative undertaking pursuant to this Agreement.

17. **Property.** This Agreement does not provide for the acquisition, holding or disposal of real or personal property.

18. **Joint Administrative Board.** No separate legal or administrative entity is created by this Agreement. To the extent necessary, this Agreement shall be administered by the City Administrators for North Bend, Snoqualmie, and Issaquah, or her/his designees, and the Issaquah Municipal Court Judge as a Joint Administrative Board.

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19. **Dispute Resolution.** It is the parties' intent to resolve any disputes relating to the interpretation or application of this Agreement informally through discussions at staff level. If a dispute arises from or relates to this Agreement or the breach thereof and if the dispute cannot be resolved through direct discussions, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by a mediator under the American Arbitration Association's Rules before resorting to arbitration. The mediator may be selected by agreement of the parties or through the American Arbitration Association. Following mediation, any unresolved controversy or claim arising from or relating to this Agreement or breach thereof shall be settled through binding arbitration which shall be conducted under the American Arbitration Association's Arbitration Rules. The arbitrator may be selected by agreement of the parties or through the American Arbitration Association. All fees and expenses for mediation or arbitration shall be borne by the parties equally. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of evidence.

20. **Independent Contractor.** Each party to this Agreement is an independent contractor with respect to the subject matter herein. Nothing in this Agreement shall make any employee of North Bend or Snoqualmie an Issaquah employee for any purpose, including, but not limited to, for withholding of taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or privileges accorded Issaquah employees by virtue of their employment. Nothing in this Agreement shall make any employee of Issaquah a North Bend or Snoqualmie employee for any purpose, including but not limited to for withholding taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or

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privileges accorded North Bend and Snoqualmie employees by virtue of their employment. At all times pertinent hereto, employees of Issaquah are acting as Issaquah employees, employees of Snoqualmie are acting as Snoqualmie employees, and employees of North Bend are acting as North Bend employees.

21. **Notices.** Any notice or other communication given hereunder shall be deemed sufficient, if in writing and delivered personally to the addressee, or sent by certified or registered mail, return receipt requested, addressed as follows, or to such other address as may be designated by the addressee by written notice to the other party:

To Issaquah:                      City Administrator  
    City of Issaquah  
    130 E. Sunset Way  
    Issaquah, WA 98027

To North Bend:                    City Administrator  
    City of North Bend  
    P.O. Box 987  
    North Bend, WA 98065

To Snoqualmie:                    City Administrator  
    City of Snoqualmie  
    38624 SE River Street  
    PO Box 987  
    Snoqualmie, WA 98065

22. **Partial Invalidity.** Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. Any provision of this Agreement which shall prove to be invalid, void or illegal shall in no way affect, impair, or invalidate any other provisions hereof, and such other provisions shall remain in full force and effect.

**INTERLOCAL AGREEMENT BETWEEN THE CITIES OF NORTH BEND,  
SNOQUALMIE AND ISSAQUAH FOR MUNICIPAL COURT SERVICES AND  
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23. **Assignability.** The rights, duties, and obligations of either party to this Agreement shall not be assignable.

24. **Entire Agreement.** This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them regarding the subject matter hereof. There are no other representations, agreements, or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement. No amendment of, or supplement to, this Agreement shall be valid or effective unless made in writing and executed by the parties hereto.

25. **Duration, Merger and Effective Date.** Upon execution by all parties and posting on Issaquah's website, this agreement shall become effective and shall be implemented as provided herein. This agreement supersedes prior interlocal agreements between the parties for court services dated January 1, 2012. All prior understandings, written or oral are merged with its provisions. The term of this Agreement shall commence upon execution by all parties on June 1, 2015, and shall expire on December 31, 2017, unless terminated earlier pursuant to section 26 (Termination). This Agreement shall automatically be renewed and extended for successive additional four (4) year periods upon the same terms and conditions set forth herein, or as amended in writing, unless terminated accordance with section 26, subject only to mutual agreement as to filing fees, which shall not be subject to section 19, Dispute Resolution, for extensions. The initial four-year extension will be followed by another Joint Administrative Board review and then by successive four- (4) year periods with automatic Joint Administrative Board reviews conducted one hundred eighty (180) days before each four- (4) year renewal.

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Automatic renewal will be upon the same terms and conditions set forth herein, or as amended, unless terminated in accordance with Section 26, subject only to mutual agreements as to any amended or increased fees applicable to the extensions, which mutual agreements shall not be subject to Section 19.

26. **Termination of Agreement.** Any party may give notice of termination for cause based on the breach of any material provision of this Agreement by the other party or parties, provided, the Agreement shall remain in full force and effect until the conclusion of Dispute Resolution pursuant to section 19. North Bend and Snoqualmie shall provide written notice of its intent to renew or terminate this Agreement without cause not less than 180 days prior to expiration of this Agreement or any renewal thereof. Issaquah shall provide written notice of its intent to terminate this Agreement not less than 180 days prior to expiration of this Agreement or any renewal thereof. In the event of termination of this Agreement or any extension thereof, the parties will work cooperatively to ensure the orderly transition of cases from Issaquah Municipal Court to the new venue. Such notice of termination for convenience given in accordance with this section is not subject to section 19. If appropriate, this transition may involve compensation, on a case-by-case basis, for cases left “open” after termination of this agreement and after transition to the new venue.

27. **Recording.** Consistent with RCW 39.34.040, this Agreement shall be filed for recording with the King County Department of Records upon full execution or posted on Issaquah’s, Snoqualmie’s, and North Bend’s respective web sites listed by subject matter.

**INTERLOCAL AGREEMENT BETWEEN THE CITIES OF NORTH BEND,  
SNOQUALMIE AND ISSAQUAH FOR MUNICIPAL COURT SERVICES AND  
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28. **General Provisions.** This Agreement contains all of the agreements of the Parties with respect to any matter covered or mentioned in this Agreement. No provision of the Agreement may be amended or modified except by written agreement signed by the Parties. Any provision of this Agreement which is declared invalid or illegal shall in no way affect or invalidate any other provision. Failure of a party to declare any breach or default immediately upon the occurrence thereof, or delay in taking any action in connection with, shall not waive such breach or default. Time is of the essence of this Agreement and each and all of its provisions in which performance is a factor.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

CITY OF ISSAQUAH

CITY OF NORTH BEND

By \_\_\_\_\_  
Fred Butler, Mayor

\_\_\_\_\_  
Kenneth Hearing, Mayor

CITY OF SNOQUALMIE

By \_\_\_\_\_  
Matthew Larson, Mayor

**INTERLOCAL AGREEMENT BETWEEN THE CITIES OF NORTH BEND,  
SNOQUALMIE AND ISSAQUAH FOR MUNICIPAL COURT SERVICES AND  
FACILITIES - 19  
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By direction of the City Council  
Taken \_\_\_\_\_

By direction of the City Council  
Taken \_\_\_\_\_

Attest:

Attest:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
North Bend City Clerk

Approved as to Form:

Approved as to Form:

\_\_\_\_\_  
Wayne Tanaka, City Attorney

\_\_\_\_\_  
North Bend City Attorney

By direction of City Council  
Taken \_\_\_\_\_

Attest:

\_\_\_\_\_  
Snoqualmie City Clerk

Approved as to Form:

\_\_\_\_\_  
Snoqualmie City Attorney

**INTERLOCAL AGREEMENT BETWEEN THE CITIES OF NORTH BEND,  
SNOQUALMIE AND ISSAQUAH FOR MUNICIPAL COURT SERVICES AND  
FACILITIES - 20  
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**INTERLOCAL AGREEMENT BETWEEN THE CITY OF NORTH BEND AND THE CITY OF ISSAQUAH FOR PROSECUTION SERVICES**

A. The City of North Bend (hereafter "North Bend") is a municipal corporation organized under the laws of the State of Washington.

B. The City of Issaquah (hereafter "Issaquah") is a municipal corporation organized under the laws of the State of Washington.

C. North Bend desires to have prosecution services performed by Issaquah as set forth in the Agreement below.

D. The Interlocal Cooperation Act, Chapter 39.34 RCW, authorizes municipal corporations to contract with one another to perform any act that each is independently authorized to perform.

E. The parties enter this Agreement in consideration of the mutual covenants and promises set forth in this Agreement, the mutual benefits to be derived by each, and in the exercise of authority granted by the Interlocal Cooperation Act, Chapter 39.34 RCW.

**AGREEMENT**

1. Purpose of Agreement. The purpose of this Agreement is to contract for the provision of certain prosecutor services by Issaquah to North Bend, through the use of a contracted prosecutor, to the maximum extent permitted by law, for the prosecution of North Bend's civil, traffic, or other infractions, and criminal citations; to set forth fees to be paid by North Bend for such services; and to specify the responsibilities of Issaquah and North Bend respectively for such prosecutor services.

2. Prosecution Services Provided By Issaquah. The prosecutor contracted by Issaquah to perform prosecution services for North Bend will communicate with North Bend's police department, both orally and in writing, and make filing decisions on select cases; interview witnesses and victims of crimes, advise victims regarding their rights and responsibilities; review and remain familiar with filed criminal misdemeanor and gross misdemeanor cases; maintain all current cases in an appropriate filing system; process subpoenas and defense counsel discovery requests; represent North Bend at arraignments (excluding in-custody arraignments); make sentencing decisions and recommendations to the Issaquah Municipal Court; represent North Bend at all pretrial hearings; prepare legal memorandums in specific cases and argue the memorandums to the court; represent North Bend in all criminal misdemeanor and gross misdemeanor bench trials; prepare jury instructions and represent North Bend in jury trials; and represent North Bend in selected contested infraction matters.

3. Compensation and Other Costs. North Bend shall compensate Issaquah for providing all services as specified in Paragraph 2 of this Agreement by payment on a monthly basis. In 2015, North Bend shall pay Issaquah a fee of fifteen hundred dollars (\$1,500.00) each month. On and after January 1, 2016, North Bend shall pay Issaquah a fee of two thousand dollars (\$2,000.00) each month. In the event that this Agreement takes effect on a day other than the first of a month, North Bend will pay Issaquah on a pro-rated basis for the first month. This fee shall be the primary compensation due Issaquah for all services provided. These fees shall be paid regardless of whether the cases are later dismissed without a full adjudication. North Bend shall additionally pay Issaquah all other costs as specified as the responsibility of North Bend in Section 3.1 hereof.

3.1 Additional Costs. North Bend shall pay Issaquah the following rates for the respective services:

3.1.1 Forfeiture Work. North Bend shall pay Issaquah one hundred dollars (\$100.00) per hour for forfeiture work.

3.1.2 Jury Trials. North Bend shall pay Issaquah seven hundred fifty dollars (\$750.00) per jury trial.

3.1.3 Appeals. North Bend shall pay Issaquah five hundred dollars (\$500.00) per appeal.

3.1.4 Code Compliance Work. North Bend shall pay Issaquah one hundred dollars (\$100.00) per hour for code compliance work.

4. Payment of Compensation. Issaquah shall bill North Bend monthly for amounts due under this Agreement. North Bend shall pay the amount due within 45 days of receipt. However, if North Bend has a good faith dispute with the amount of the invoice, North Bend shall pay the non-disputed amount within the time frame set forth in this section.

5. Adjustment of Filing Fees. Filing fees payable hereunder shall be subject to adjustment as follows:

5.1 Adjustment for Additional Duties. In the event that Issaquah's duties under this Agreement are enlarged or increased due to local, state, or federal mandates, or new requirements from North Bend, Issaquah may increase the filing fees or add a supplemental monthly fee to North Bend to cover the costs to North Bend for the change. Issaquah shall notify North Bend of the effective date of the fee changes, which may be immediately. Either party may request mediation as to the amount of this fee change. North Bend shall timely pay the new fees from their effective date even if mediation is requested.

5.2 Annual Adjustment. In any calendar year, the parties shall meet on or before June 30 to review the cost of the services provided by Issaquah and the fees to be paid by North Bend to fairly compensate Issaquah for such services. The parties shall use best efforts to determine whether an adjustment of fees is warranted, and if so, the amount thereof. Fee adjustments agreed to pursuant to this process shall not require an amendment of this Agreement, but shall be confirmed in writing. If Issaquah does not propose a fee adjustment prior to September 30<sup>th</sup>, no increase for the next year shall be permitted. If Issaquah does propose a fee adjustment, North Bend may request formal negotiations by notifying Issaquah within 15 days after receipt of the proposed fee adjustment. If negotiation does not resolve the issue by November 15<sup>th</sup>, North Bend may terminate this agreement. The existing fees shall remain in effect through December 31<sup>st</sup> of that year and shall not be retroactive, at which date this Agreement will be deemed terminated.

6. Factors Considered. In entering into this Agreement for prosecutor services, North Bend and Issaquah have considered, pursuant to RCW 39.34.180, the anticipated costs of services, anticipated and potential revenues to fund the services, and fee recoupment.

7. North Bend Ordinances, Rules, and Regulations. In executing this Agreement, Issaquah does not assume liability or responsibility for or in any way release North Bend from any liability or responsibility which arises in whole or in part from the existence or effect of North Bend ordinances, rules, or regulations, policies or procedures. If any cause, claim, suit, action, or administrative proceeding is commenced in which the enforceability and/or validity of any North Bend ordinance, rule, or regulation is at issue, North Bend shall defend the same at its sole expense and if judgment is entered or damages are awarded against North Bend, Issaquah, or both, North Bend shall satisfy the same, including all chargeable costs and attorneys' fees.

8. Indemnity. The parties shall each indemnify the other as follows:

8.1 Issaquah Indemnity. Issaquah shall protect, indemnify, and save harmless North Bend, its officers, elected officials, agents, volunteers, and employees from any and all costs, claims, judgments, or awards of damages (including costs and all attorney fees), arising out of or in any way resulting from the negligent acts, errors, or omissions of Issaquah, its officers, employees, and agents in performing this Agreement.

8.2 North Bend Indemnity. North Bend shall protect, defend, indemnify, and save harmless Issaquah, its officers, employees, and agents from any and all costs, claims, judgments, or awards of damages, arising out of or in any way resulting from the negligent acts, errors, or omissions of North Bend, its officers, employees, or agents in performing this Agreement.

8.3 Survival of Indemnitees. The provisions of this Paragraph shall survive the expiration or termination of this Agreement. No obligation shall exist to

indemnify for injuries caused by or resulting from events occurring after the last day of prosecution services under this Agreement.

9. Actions Contesting Agreement. Each party shall appear and defend any action or legal proceeding brought to determine or contest: (i) the validity of this Agreement and/or (ii) the legal authority of North Bend and/or Issaquah to undertake the activities contemplated by this Agreement. If both parties to this Agreement are not named as parties to the action, the party named shall give the other party prompt notice of the action and such party shall move to intervene. Each party shall bear any costs and expenses taxed by the court against it separately, provided any costs and expenses assessed by a court against both parties jointly shall be shared equally.

10. Financing. There shall be no financing of any joint or cooperative undertaking pursuant to this Agreement. There shall be no budget maintained for any joint or cooperative undertaking pursuant to this Agreement.

11. Property. This Agreement does not provide for the acquisition, holding, or disposal of real or personal property.

12. Joint Administrative Board. No separate legal or administrative entity is created by this Agreement. To the extent necessary, this Agreement shall be administered by the City Administrator for North Bend or his/her designee, and the City Administrator for Issaquah or his/her designee as a Joint Administrative Board.

13. Dispute Resolution. It is the parties' intent to resolve any disputes relating to the interpretation or application of this Agreement informally through discussions at staff level. If a dispute arises from or relates to this Agreement or the breach thereof and if the dispute cannot be resolved through direct discussions, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by a mediator under the American Arbitration Association's Rules before resorting to arbitration. The mediator may be selected by agreement of the parties or through the American Arbitration Association. Following mediation, any unresolved controversy or claim arising from or relating to this Agreement or breach thereof shall be settled through binding arbitration which shall be conducted under the American Arbitration Association's Arbitration Rules. The arbitrator may be selected by agreement of the parties or through the American Arbitration Association. All fees and expenses for mediation or arbitration shall be borne by the parties equally. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of evidence.

14. Independent Contractor. Each party to this Agreement is an independent contractor with respect to the subject matter herein. Nothing in this Agreement shall make any employee of North Bend an Issaquah employee for any purpose, including, but not limited to, for withholding of taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or privileges accorded Issaquah employees by virtue of their employment. Nothing in this Agreement shall make any

employee of Issaquah a North Bend employee for any purpose, including but not limited to for withholding taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or privileges accorded North Bend employees by virtue of their employment. At all times pertinent hereto, employees of Issaquah are acting as Issaquah employees and employees of North Bend are acting as North Bend employees.

15. Notices. Any notice or other communication given hereunder shall be deemed sufficient, if in writing and delivered personally to the addressee, or sent by certified or registered mail, return receipt requested, addressed as follows, or to such other address as may be designated by the addressee by written notice to the other party:

**Issaquah:**

Autumn Monahan, Assistant to the City  
Administrator  
City of Issaquah  
130 E. Sunset Way  
P.O. Box 1307  
Issaquah, WA 98027

**North Bend:**

Londi Lindell, City Administrator  
City of North Bend  
211 Main Avenue  
P.O. Box 896  
North Bend, WA 98045

16. Partial Invalidity. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. Any provision of this Agreement which shall prove to be invalid, void, or illegal shall in no way affect, impair, or invalidate any other provisions hereof, and such other provisions shall remain in full force and effect.

17. Assignability. The rights, duties, and obligations of either party to this Agreement shall not be assignable.

18. Entire Agreement. This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them regarding the subject matter hereof. There are no other representations, agreements, or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement. No amendment of, or supplement to, this Agreement shall be valid or effective unless made in writing and executed by the parties hereto.

19. Duration. The term of this Agreement shall commence upon execution by both parties effective as of June 1, 2015, and shall expire on December 31, 2017, unless terminated earlier pursuant to Paragraph 20. This Agreement shall automatically be renewed and extended for a successive four- (4) year period following a review by the Joint Administrative Board. The initial four-year extension will be followed by another Joint Administrative Board review and then by successive four- (4) year periods with automatic Joint Administrative Board reviews conducted one hundred eighty (180)

days before each four- (4) year renewal. Automatic renewal will be upon the same terms and conditions set forth herein, or as amended, unless terminated in accordance with Section 20, subject only to mutual agreements as to any amended or increased fees applicable to the extensions, which mutual agreements shall not be subject to Section 13.

20. Termination of Agreement. Either party may give notice of termination for cause based on the breach of any material provision of this Agreement by the other party, provided the Agreement shall remain in full force and effect until the conclusion of Dispute Resolution pursuant to Paragraph 13. Either party may give notice of termination for convenience upon 90 (ninety) days written notice to the other party without having to engage in dispute resolution. Such notice of termination for convenience given in accordance with this section is not subject to Section 13 (dispute resolution). In the event of early termination of this Agreement, the parties will work cooperatively to ensure the orderly transition of cases from the contracted prosecutor to the new prosecutor. In the event of no written notice of termination from North Bend or Issaquah, this agreement will automatically renew.

21. Recording. Consistent with RCW 39.34.040, this Agreement shall be filed for recording with the King County Department of Records upon full execution or posted on Issaquah's and North Bend's respective websites listed by subject matter.

22. Insurance. Each party will be responsible for maintaining its own insurance.

23. General Provisions. This Agreement contains all of the agreements of the parties with respect to any matter covered or mentioned in this Agreement. No provision of the Agreement may be amended or modified except by written agreement signed by the parties. Any provision of this Agreement which is declared invalid or illegal shall in no way effect or invalidate any other provision. Failure of a party to declare any breach or default immediately upon the occurrence thereof, or delay in taking any action in connection with, shall not waive such breach or default. Time is of the essence of this Agreement and each and all of its provisions in which performance is a factor.

DONE this \_\_\_\_ day of \_\_\_\_\_, 2015.

CITY OF ISSAQUAH

CITY OF NORTH BEND

\_\_\_\_\_  
Fred Butler  
Mayor  
City of Issaquah

\_\_\_\_\_  
Kenneth Hearing  
Mayor  
City of North Bend

**ATTEST/AUTHENTICATED:**

By: \_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
City Attorney



**INTERLOCAL AGREEMENT BETWEEN THE CITY OF NORTH BEND AND THE CITY OF ISSAQUAH FOR PUBLIC DEFENDER & CONFLICT PUBLIC DEFENDER SERVICES**

A. The City of North Bend (hereafter "North Bend") is a municipal corporation organized under the laws of the State of Washington.

B. The City of Issaquah (hereafter "Issaquah") is a municipal corporation organized under the laws of the State of Washington.

C. North Bend desires to have public defender and conflict public defender services performed by Issaquah as set forth in the Agreement below.

D. The Interlocal Cooperation Act, Chapter 39.34 RCW, authorizes municipal corporations to contract with one another to perform any act that each is independently authorized to perform.

E. The parties enter this Agreement in consideration of the mutual covenants and promises set forth in this Agreement, the mutual benefits to be derived by each, and in the exercise of authority granted by the Interlocal Cooperation Act, Chapter 39.34 RCW.

**AGREEMENT**

1. Purpose of Agreement. The purpose of this Agreement is to contract for the provision of certain public defender and conflict public defender services by Issaquah to North Bend, through the use of contracted public defenders, to the maximum extent permitted by law, for the defense of North Bend's indigent clients; to set forth fees to be paid by North Bend for such services; and to specify the responsibilities of Issaquah and North Bend respectively for such public defender and conflict public defender services.

2. Public Defender and Conflict Public Defender Services Provided By Issaquah. The public defender and conflict public defender contracted by Issaquah to perform said services for North Bend shall provide indigent defense services in accordance with the standards adopted by North Bend, as the same exists or is hereafter amended.

3. Compensation and Other Costs. North Bend shall pay Issaquah a fee of three hundred dollars (\$300.00) per new case and five hundred dollars (\$500.00) per new appeal for public defender services. In addition, North Bend shall pay Issaquah a fee of three hundred dollars (\$300.00) per new case for conflict public defender services. A "case" is defined as the filing of a document with the court naming a person as the defendant or respondent. All charges relating to a common incident shall be

considered a single case. These fees shall be paid regardless of whether the cases are later dismissed without a full adjudication. The parties anticipate assignment of from 220 to 270 cases annually.

3.1 Payments in Addition to the Base Compensation. North Bend shall pay for the following case expenses when reasonably incurred and approved by the Municipal Court from funds available for that purpose:

- i. Discovery. Discovery shall be provided in accordance with law and court rule by the City Prosecutor. For post-conviction relief cases, discovery includes the cost to obtain a copy of the defense, prosecuting attorney making this charge or court files pertaining to the underlying case.
- ii. Preauthorized Non-Routine Expenses. Non-routine case expenses requested by the Public Defender and preauthorized by order of the Municipal Court. Unless the services are performed by the Public Defender's staff, non-routine expenses include, but are not limited to:
  - a. Medical and psychiatric evaluations;
  - b. Expert witness fees and expenses;
  - c. Interpreters for languages not commonly spoken in the City or interpreters for services other than attorney/client communication;
  - d. Polygraph, forensic and other scientific tests;
  - e. Computerized legal research;
  - f. Investigation expenses; and
  - g. Any other non-routine expenses the Municipal Court finds necessary and proper for the investigation, preparation, and presentation of a case. In the event that a particular non-routine expense is not authorized by Court Rule, the Public Defender may file a request for authorization with North Bend. Such requests shall not be unreasonably refused.
- iii. Lay Witness Fees. Lay witness fees and mileage incurred in bringing defense witnesses to court to the extent required by

law, but not including salary or expenses of law enforcement officers required to accompany incarcerated witnesses;

- iv. Copying Direct Appeal Transcripts for RALJ Appeals. The cost of preparing the appellate transcript as well as the cost, if it exceeds \$25, of making copies of direct appeal transcripts for representation in post-conviction relief cases. Attorney is limited to no more than two copies;
- v. Records. Medical, mental health, school, birth, DMV, and other similar records, and 911 and emergency communication recordings and logs, when the cost of an individual item does not exceed \$75; and
- vi. Process Service. The cost for the service of a subpoena as long as the rate per location does not exceed the guideline amount as shown in the payment policy.

4. Payment of Compensation. Issaquah shall bill North Bend monthly for amounts due under this Agreement. North Bend shall pay the amount due within 45 days of receipt. However, if North Bend has a good faith dispute with the amount of the invoice, North Bend shall pay the non-disputed amount within the time frame set forth in this section.

5. Adjustment of Filing Fees. Filing fees payable hereunder shall be subject to adjustment as follows:

5.1 Adjustment for Additional Duties. In the event that Issaquah's duties under this Agreement are enlarged or increased due to local, state, or federal mandates, or new requirements from North Bend including a significant unanticipated increase in the number of cases assigned, or an increase in rates by the contracted public defenders, Issaquah may increase the filing fees or add a supplemental monthly fee to North Bend to cover the costs to North Bend for the change. Issaquah shall notify North Bend of the effective date of the fee changes, which may be immediately. A "significant unanticipated increase" is an increase of ten percent (10%) in case filings over the maximum anticipated number of annual case filings referenced in Section 3. If the case filings from North Bend increase by ten percent (10%) for any calendar quarter, the parties will meet and confer regarding the reasons for the increase. If the rate of unanticipated filings continues, Issaquah may proceed with the notification provided above. Either party may request mediation as to the amount of this fee change. North Bend shall timely pay the new fees from their effective date even if mediation is requested. Any such adjustments shall not be retroactive.

5.2 Termination. In the event of a rate adjustment under subparagraph 5.1, North Bend, at its option, may terminate this agreement upon provision of thirty (30) days written notice. North Bend shall remain obligated to pay for all costs or other charges incurred with respect to cases assigned prior to the termination date. In the event of early termination of this Agreement, the parties will work cooperatively to ensure the orderly transition of cases from the contracted prosecutor to the new prosecutor.

6. Factors Considered. In entering into this Agreement for public defender and conflict public defender services, North Bend and Issaquah have considered, pursuant to RCW 39.34.180, the anticipated costs of services, anticipated and potential revenues to fund the services, and fee recoupment.

7. North Bend Ordinances, Rules, and Regulations. In executing this Agreement, Issaquah does not assume liability or responsibility for or in any way release North Bend from any liability or responsibility which arises in whole or in part from the existence or effect of North Bend ordinances, rules, or regulations, policies or procedures. If any cause, claim, suit, action or administrative proceeding is commenced in which the enforceability and/or validity of any North Bend ordinance, rule, or regulation is at issue, North Bend shall defend the same at its sole expense and if judgment is entered or damages are awarded against North Bend, Issaquah, or both, North Bend shall satisfy the same, including all chargeable costs and attorneys' fees.

8. Indemnity. The parties shall each indemnify the other as follows:

8.1 Issaquah Indemnity. Issaquah shall protect, indemnify, and save harmless North Bend, its officers, elected officials, agents, volunteers, and employees from any and all costs, claims, judgments, or awards of damages (including costs and all attorney fees), arising out of or in any way resulting from the negligent acts, errors or omissions of Issaquah, its officers, employees, and agents in performing this Agreement.

8.2 North Bend Indemnity. North Bend shall protect, defend, indemnify, and save harmless Issaquah, its officers, employees, and agents from any and all costs, claims, judgments, or awards of damages, arising out of or in any way resulting from the negligent acts, errors, or omissions of North Bend, its officers, employees, or agents in performing this Agreement.

8.3 Survival of Indemnitees. The provisions of this Section shall survive the expiration or termination of this Agreement. No obligation shall exist to indemnify for injuries caused by or resulting from events occurring after the last day of public defender and conflict public defender services under this Agreement.

9. Actions Contesting Agreement. Each party shall appear and defend any action or legal proceeding brought to determine or contest: (i) the validity of this Agreement and/or (ii) the legal authority of North Bend and/or Issaquah to undertake the activities contemplated by this Agreement. If both parties to this Agreement are not named as parties to the action, the party named shall give the other party prompt notice of the action and such party shall move to intervene. Each party shall bear any costs and expenses taxed by the court against it separately, provided any costs and expenses assessed by a court against both parties jointly shall be shared equally.

10. Financing. There shall be no financing of any joint or cooperative undertaking pursuant to this Agreement. There shall be no budget maintained for any joint or cooperative undertaking pursuant to this Agreement.

11. Property. This Agreement does not provide for the acquisition, holding, or disposal of real or personal property.

12. Joint Administrative Board. No separate legal or administrative entity is created by this Agreement. To the extent necessary, this Agreement shall be administered by the City Administrator for North Bend or his/her designee, and the City Administrator for Issaquah or his/her designee as a Joint Administrative Board.

13. Dispute Resolution. It is the parties' intent to resolve any disputes relating to the interpretation or application of this Agreement informally through discussions at staff level. If a dispute arises from or relates to this Agreement or the breach thereof and if the dispute cannot be resolved through direct discussions, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by a mediator under the American Arbitration Association's Rules before resorting to arbitration. The mediator may be selected by agreement of the parties or through the American Arbitration Association. Following mediation, any unresolved controversy or claim arising from or relating to this Agreement or breach thereof shall be settled through binding arbitration which shall be conducted under the American Arbitration Association's Arbitration Rules. The arbitrator may be selected by agreement of the parties or through the American Arbitration Association. All fees and expenses for mediation or arbitration shall be borne by the parties equally. However, each party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of evidence.

14. Independent Contractor. Each party to this Agreement is an independent contractor with respect to the subject matter herein. Nothing in this Agreement shall make any employee of North Bend an Issaquah employee for any purpose, including, but not limited to, for withholding of taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or privileges accorded Issaquah employees by virtue of their employment. Nothing in this Agreement shall make any employee of Issaquah a North Bend employee for any purpose, including but not limited

to for withholding taxes, payment of benefits, worker's compensation pursuant to Title 51 RCW, or any other rights or privileges accorded North Bend employees by virtue of their employment. At all times pertinent hereto, employees of Issaquah are acting as Issaquah employees and employees of North Bend are acting as North Bend employees.

15. Notices. Any notice or other communication given hereunder shall be deemed sufficient, if in writing and delivered personally to the addressee, or sent by certified or registered mail, return receipt requested, addressed as follows, or to such other address as may be designated by the addressee by written notice to the other party:

**Issaquah:**

Autumn Monahan, Assistant to the City  
Administrator  
City of Issaquah  
130 E. Sunset Way  
P.O. Box 1307  
Issaquah, WA 98027

**North Bend:**

Londi Lindell, City Administrator  
City of North Bend  
211 Main Avenue  
P.O. Box 896  
North Bend, WA 98045

16. Partial Invalidity. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. Any provision of this Agreement which shall prove to be invalid, void, or illegal shall in no way affect, impair, or invalidate any other provisions hereof, and such other provisions shall remain in full force and effect.

17. Assignability. The rights, duties, and obligations of either party to this Agreement shall not be assignable.

18. Entire Agreement. This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them regarding the subject matter hereof. There are no other representations, agreements, or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement. No amendment of, or supplement to, this Agreement shall be valid or effective unless made in writing and executed by the parties hereto.

19. Duration. The term of this Agreement shall commence upon execution by both parties effective as of June 1, 2015, and shall expire on December 31, 2017, unless terminated earlier pursuant to Section 20. This Agreement shall automatically be renewed and extended for a successive four- (4) year period following a review by the Joint Administrative Board. The initial four-year extension will be followed by another Joint Administrative Board review and then by successive four- (4) year periods with automatic Joint Administrative Board reviews conducted one hundred eighty (180) days

before each four- (4) year renewal. Automatic renewal will be upon the same terms and conditions set forth herein, or as amended, unless terminated in accordance with Section 20, subject only to mutual agreements as to any amended or increased fees applicable to the extensions, which mutual agreements shall not be subject to Section 13.

20. Termination of Agreement. Either party may give notice of termination for cause based on the breach of any material provision of this Agreement by the other party, provided the Agreement shall remain in full force and effect until the conclusion of Dispute Resolution pursuant to Section 13. North Bend shall provide written notice of its intent to renew or terminate this Agreement without cause not less than one hundred and eighty (180) days prior to expiration of this Agreement or renewal thereof. Issaquah shall provide written notice of its intent to terminate this Agreement not less than one hundred and eighty (180) days prior to expiration of this Agreement or any renewal thereof. Either party may give notice of termination for convenience upon ninety (90) days written notice to the other party, without having to engage in dispute resolution. Such notice of termination for convenience given in accordance with this section is not subject to Section 13 (dispute resolution). In the event of early termination of this Agreement or extension thereof, the parties will work cooperatively to ensure the orderly transition of cases from the contracted public defender or conflict public defender to the new public defender or conflict public defender. In the event of no written notice of termination from North Bend or Issaquah, this agreement will automatically renew.

21. Recording. Consistent with RCW 39.34.040, this Agreement shall be filed for recording with the King County Department of Records upon full execution or posted on Issaquah's and North Bend's respective websites listed by subject matter.

22. General Provisions. This Agreement contains all of the agreements of the parties with respect to any matter covered or mentioned in this Agreement. No provision of the Agreement may be amended or modified except by written agreement signed by the parties. Any provision of this Agreement which is declared invalid or illegal shall in no way affect or invalidate any other provision. Failure of a party to declare any breach or default immediately upon the occurrence thereof, or delay in taking any action in connection with, shall not waive such breach or default. Time is of the essence of this Agreement and each and all of its provisions in which performance is a factor.

23. Insurance. Each party shall be responsible for maintaining its own insurance.

DONE this \_\_\_\_ day of \_\_\_\_\_, 2015.

CITY OF ISSAQUAH

CITY OF NORTH BEND

\_\_\_\_\_  
Fred Butler  
Mayor  
City of Issaquah

Kenneth Hearing

\_\_\_\_\_  
Mayor  
City of North Bend

**ATTEST/AUTHENTICATED:**

\_\_\_\_\_  
By: \_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
City Attorney



## City Council Agenda Bill

<b>SUBJECT:</b>		<b>Agenda Date: May 19, 2015</b>	<b>AB15-054</b>
<b>A Resolution Rescinding Resolution 1545 Related to the Proposed Formation of the Stilson Area Sewer Local Improvement District</b>		Department/Committee/Individual	
		Mayor Ken Hearing	
		City Administrator – Londi Lindell	
		City Attorney - Mike Kenyon	
		City Clerk – Susie Oppedal	
		Community & Economic Development – Gina Estep	
		Finance – Dawn Masko	
		Public Works – Mark Rigos, P.E.	
Cost Impact: N/A			
Fund Source: N/A			
Timeline: Immediate			
<b>Attachments:</b> Resolution, Map of Proposed LID area			
<p>SUMMARY STATEMENT:</p> <p>In October 2011, via Resolution 1545, City Council authorized City Staff to prepare and circulate a formal petition to form a sewer Local Improvement District (LID) in the Stilson area. Staff created and circulated the petitions in late 2011. Land owners that voted in favor of forming the LID consisted of less than the 50% majority required by State statute for formation of a LID.</p> <p>The proposed resolution will rescind Resolution 1545 thus effectively terminating the process of formation of the LID.</p>			
<p>COMMITTEE REVIEW AND RECOMMENDATION: The Transportation &amp; Public Works Committee reviewed this item at their May 13<sup>th</sup> meeting and recommended approval.</p>			
<p>RECOMMENDED ACTION: <b>MOTION to approve AB15-054, a resolution rescinding Resolution 1545 related to the proposed formation of the Stilson area Sewer Local Improvement District.</b></p>			
<b>RECORD OF COUNCIL ACTION</b>			
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>	
May 19, 2015			



# RESOLUTION

**A RESOLUTION OF THE CITY OF NORTH BEND, WASHINGTON, RESCINDING RESOLUTION 1545 AND THE AUTHORIZATION THEREIN FOR THE PREPARATION AND CIRCULATION OF A FORMAL PETITION REGARDING THE PROPOSED FORMATION OF A SEWER LOCAL IMPROVEMENT DISTRICT TO SERVE THE STILSON AREA**

**WHEREAS**, by Resolution 1545, the City Council authorized the preparation and circulation of a formal petition regarding the proposed formation of a sewer local improvement district (LID) for the area depicted on Exhibit A thereto and commonly known as the Stilson Area; and

**WHEREAS**, after circulation of such petition within the Stilson Area, the owners of at least 50 percent of the land area within the Stilson Area declined to sign the petition, thereby failing to satisfy the criteria under state statute necessary to create the LID under the petition method;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DOES RESOLVE AS FOLLOWS:**

**Section 1.** The City Council hereby rescinds Resolution 1545.

**PASSED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19<sup>TH</sup> DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Kenneth G. Hearing, Mayor**

\_\_\_\_\_  
**Michael R. Kenyon, City Attorney**

**ATTEST/AUTHENTICATED:**

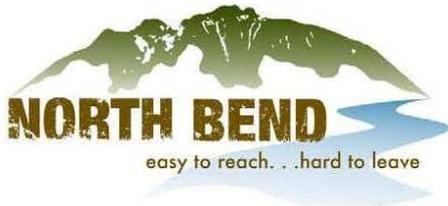
Effective:  
Posted:

\_\_\_\_\_  
**Susie Oppedal, City Clerk**









## City Council Agenda Bill

<b>SUBJECT:</b>		<b>Agenda Date: May 19, 2015</b>	<b>AB15-055</b>	
<p><b>An Ordinance Approving the Refinancing of the 2010 LTGO Bonds in an Amount not to exceed \$2,100,000</b></p> <p>Cost Impact: N/A</p> <p>Fund Source: REET, Capital Streets, Sewer</p> <p>Timeline: Immediate</p>		Department/Committee/Individual		
		Mayor Ken Hearing		
		City Administrator – Londi Lindell		
		City Attorney - Mike Kenyon		
		City Clerk – Susie Oppedal		
		Community & Economic Development – Gina Estep		
		Finance – Dawn Masko		X
		Public Works – Mark Rigos		
<b>Attachments:</b> Ordinance				
<p><b>SUMMARY STATEMENT:</b></p> <p>The City has been working with underwriter Jim Nelson from D A Davidson to refinance the majority of the 2010 LTGO (Limited Tax General Obligation) Bonds which were originally issued to refinance a credit line from the Bank of America which had been used to purchase several properties and the 2001 Tollgate Bond Issue. Favorable market conditions indicate that the City could realize significant savings by refinancing these bonds now. The savings are currently estimated in excess of \$350,000.</p> <p>The Underwriter for this LTGO Bond Issuance is D A Davidson and the Bond Counsel is Pacifica Law Group. The proposed term for these bonds is 11.5 years at an average borrowing rate of 3.25%. The lower interest rate is in part due to the City’s new AA bond rating. All of the 2010 LTGO Bonds, with the exception of those maturing on December 1, 2015, are being refunded. The refinancing bonds are set to retire by 2026, which is four years earlier than the current final maturity date of 2030.</p> <p>The Bonds will be sold at a negotiated sale based on favorable market conditions, with an expected delivery date of the 2015 LTGO Bonds of June 16, 2015.</p>				
<p><b>COMMITTEE REVIEW AND RECOMMENDATION:</b> The Finance &amp; Administration Committee has reviewed the issuance of the 2015 LTGO Refunding Bonds and recommends passage.</p>				
<p><b>RECOMMENDED ACTION: MOTION to approve, AB15-055, an ordinance approving the issuance of new LTGO Bonds and refunding of existing 2010 LTGO Bonds in the total amount not to exceed \$2,100,000, as a first and final reading.</b></p>				
<b>RECORD OF COUNCIL ACTION</b>				
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>		
May 19, 2015				



CITY OF NORTH BEND, WASHINGTON  
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF NORTH BEND, WASHINGTON, PROVIDING FOR THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$2,100,000 TO REFUND CERTAIN OUTSTANDING LIMITED TAX GENERAL OBLIGATION BONDS AND TO PAY COSTS OF ISSUING THE BONDS; AND DELEGATING THE AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

PASSED: May 19, 2015

PREPARED BY:

PACIFICA LAW GROUP LLP  
Seattle, Washington

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\* This Table of Contents is provided for convenience only and is not a part of this ordinance.

CITY OF NORTH BEND, WASHINGTON

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF NORTH BEND, WASHINGTON, PROVIDING FOR THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$2,100,000 TO REFUND CERTAIN OUTSTANDING LIMITED TAX GENERAL OBLIGATION BONDS AND TO PAY COSTS OF ISSUING THE BONDS; AND DELEGATING THE AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

WHEREAS, the City of North Bend, Washington (the “City”), has outstanding its Limited Tax General Obligation Refunding Bonds, 2010, issued on July 30, 2010, pursuant to Ordinance No. 1396 passed by the City Council (the “Council”) on July 15, 2010 (the “2010 Bond Ordinance”), which remain outstanding as follows:

Maturity Dates (December 1)	Principal Amounts	Interest Rates
2015	\$ 125,000	3.00%
2016	125,000	3.00
2017	125,000	3.00
2018	135,000	3.00
2019	135,000	3.50
2020	145,000	3.50
2021	145,000	3.50
2026*	835,000	4.25
2030*	330,000	4.60

\* Term Bonds.

(the “2010 Bonds”); and

WHEREAS, the 2010 Bond Ordinance provides that the City may call the 2010 Bonds maturing on or after December 1, 2015 (the “Refunding Candidates”), for redemption on or after June 1, 2015, in whole or in part on any date, at the price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, after due consideration it appears that all or a portion of the Refunding Candidates (the “Refunded Bonds”) may be defeased and refunded by the proceeds of limited tax general obligation bonds at a savings to the City and its taxpayers; and

WHEREAS, the Council deems it in the best interest of the City to issue limited tax general obligation refunding bonds in the aggregate principal amount of not to exceed \$2,100,000 (the “Bonds”) to redeem and defease the Refunded Bonds and to pay costs of issuing the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Administrator and Finance Director (each, a “Designated Representative”), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for the Bonds within the parameters set by this ordinance, in order to effect such a refinancing; and

WHEREAS, the City expects to receive a purchase contract from D.A. Davidson & Co. (the “Underwriter”) to underwrite the Bonds, and now desires to issue and sell the Bonds to the Underwriter as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions and Interpretation of Terms.

(a) *Definitions.* As used in this ordinance, the following words shall have the following meanings:

**Acquired Obligations** means the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**Bond Fund** means the “City of North Bend Limited Tax General Obligation Bond Debt Service Fund, 2015” authorized to be created pursuant to Section 9.

**Bond Purchase Contract** means the contract for the purchase of the Bonds between the Underwriter and City, executed pursuant to Section 11.

**Bond Register** means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained for the Bonds in the manner required pursuant to Section 149(a) of the Code.

**Bond Registrar** means, initially, the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

**Bonds** mean the not to exceed \$2,100,000 aggregate principal amount of City of North Bend, Washington, Limited Tax General Obligation Refunding Bonds, 2015, or other series designation as approved by a Designated Representative, issued pursuant to this ordinance.

**Call Date** means the date set forth in the Escrow Agreement for the redemption of the Refunded Bonds.

**City** means the City of North Bend, Washington, a municipal corporation duly organized and existing by virtue of the laws of the State of Washington.

**City Administrator** means the City Administrator, or the successor of such office.

**Code** means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

**Commission** means the Securities and Exchange Commission.

**Council** or **City Council** means the City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.

**Designated Representative** means the City Administrator and the Finance Director of the City and any successor to the functions of such offices. The signature of one Designated Representative shall be sufficient to bind the City.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 3.

**Escrow Agent** means U.S. Bank National Association, Seattle, Washington.

**Escrow Agreement** means the Escrow Deposit Agreement between the City and the Escrow Agent authorized to be entered into pursuant to Section 7 of this ordinance.

**Federal Tax Certificate** means the certificate executed by a Designated Representative setting forth the requirements of the Code for maintaining the tax exemption of interest on the Bonds, and attachments thereto.

**Finance Director** shall mean the City's Assistant City Administrator/Finance Director or the successor to such officer.

**Government Obligations** mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

**Letter of Representations** means the blanket issuer letter of representations from the City to DTC.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions.

**Refunded Bonds** mean those Refunding Candidates designated by a Designated Representative for refunding pursuant to Section 7 and Section 11.

**Refunding Account** means the account by that name established pursuant to Section 7.

**Refunding Candidates** mean the outstanding 2010 Bonds as shown in the recitals to this ordinance.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

**Rule** means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**2010 Bond Ordinance** means Ordinance No. 1396 adopted by the Council on July 15, 2010, authorizing the issuance of the 2010 Bonds.

**2010 Bonds** mean the Limited Tax General Obligation Refunding Bonds, 2010 of the City, issued on July 30, 2010, pursuant to the 2010 Bond Ordinance as described in the recitals of this ordinance.

**Underwriter** means D.A. Davidson & Co., and its successors.

(b) **Interpretation.** In this ordinance, unless the context otherwise requires:

(1) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(2) Words of the masculine gender shall mean and include correlative words of the feminine and neutral genders and words importing the singular number shall mean and include the plural number and vice versa;

(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(5) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

**Section 2. Authorization of Bonds and Bond Details.** For the purpose of refunding the Refunded Bonds and paying costs of issuance of the Bonds, the City is hereby authorized to

issue and sell limited tax general obligation refunding bonds in the aggregate principal amount of not to exceed \$2,100,000 (the “Bonds”).

The Bonds shall be general obligations of the City, shall be designated “City of North Bend, Washington, Limited Tax General Obligation Refunding Bonds, 2015” or other such designation as set forth in the Bond Purchase Contract and approved by a Designated Representative.

The Bonds shall be dated as of their date of initial delivery; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest payable on the dates set forth in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 11. The Bonds of any of the maturities may be combined and issued as term bonds, subject to mandatory redemption as provided in the Bond Purchase Contract.

Section 3. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of a state fiscal agent. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated corporate trust office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 12), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3(h), but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and delivered to DTC a Blanket Issuer Letter

of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of “Cede & Co.”, as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository’s successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the

Bonds that such owners be able to obtain such Bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond 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 a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are held by a depository, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account

within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bonds until it is paid.

Section 4. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 11. The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 11.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by a Designated Representative.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in book-entry form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in book-entry form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in book-entry form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of

sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

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

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

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 12 and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. \_\_\_\_\_

\$ \_\_\_\_\_

STATE OF WASHINGTON

CITY OF NORTH BEND

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2015

INTEREST RATE:    %                            MATURITY DATE:                            CUSIP NO.:

REGISTERED OWNER:    CEDE & CO.

PRINCIPAL AMOUNT:

The City of North Bend, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from \_\_\_\_\_, 2015, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_ 1, 2015, and semiannually thereafter on the first days of each succeeding \_\_\_\_\_ and \_\_\_\_\_. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully

immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the City to DTC.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. \_\_\_\_\_ duly passed by the City Council on May 19, 2015 (the “Bond Ordinance”). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like series, date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$ \_\_\_\_\_ and is issued pursuant to the Bond Ordinance to provide a portion of the funds necessary (a) to refund and defease certain limited tax general obligation bonds of the City, and (b) to pay costs of issuance.

The bonds of this issue are subject to redemption prior to maturity as provided in the Bond Ordinance and the Bond Purchase Contract.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City without a vote of the electorate, upon all the property within the City subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The bonds of this issue are deemed designated as “qualified tax-exempt obligations” for investment by financial institutions under Section 265(b) of the Code.

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of North Bend, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this \_\_\_\_ day of \_\_\_\_\_, 2015.

[SEAL]

CITY OF NORTH BEND, WASHINGTON

By \_\_\_\_\_  
/s/ manual or facsimile  
Mayor

ATTEST:

\_\_\_\_\_  
/s/ manual or facsimile  
City Clerk

The Bond Registrar’s Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Limited Tax General Obligation Refunding Bonds, 2015, of the City of North Bend, Washington, dated \_\_\_\_\_, 2015.

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

By \_\_\_\_\_

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be

as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Bond, are the proper officers of the City, although at the original date of such Bond any such person shall not have been such officer of the City.

Section 7. Refunding Plan; Application of Bond Proceeds.

(a) *Refunding Plan.* For the purpose of realizing a debt service savings and benefiting the taxpayers of the City, the Council proposes to refund and defease the Refunded Bonds as set forth herein. The Refunded Bonds shall include all or a portion of the Refunding Candidates as designated by a Designated Representative and set forth in the Bond Purchase Contract. Proceeds of the Bonds and other available funds of the City shall be deposited with the Escrow Agent pursuant to the Escrow Agreement to be used immediately upon receipt thereof to defease the Refunded Bonds as authorized by the 2010 Bond Ordinance and to pay costs of issuance of the Bonds.

The net proceeds deposited with the Escrow Agent shall be used to defease the Refunded Bonds and discharge the obligations thereon and may be used to purchase certain Government Obligations (which obligations so purchased, are herein called “Acquired Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any cash balance, will provide for the payment of:

- (1) interest on the Refunded Bonds due and payable on and prior to the Call Date; and
- (2) the redemption prices of the Refunded Bonds on the Call Date.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

(b) *Escrow Agent/Escrow Agreement.* The City hereby appoints U.S. Bank National Association, Seattle, Washington, as the Escrow Agent for the Refunded Bonds (the “Escrow Agent”). A cash balance and the Acquired Obligations, if any, shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds remaining after acquisition of the Acquired Obligations, if any, and provision for the necessary cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations, if any, and expenses of the issuance of the Bonds.

In order to carry out the purposes of this Section 7, each Designated Representative is authorized and directed to execute and deliver to the Escrow Agent the Escrow Agreement.

(c) *Call for Redemption of Refunded Bonds.* The City hereby calls the Refunded Bonds for redemption on their Call Date in accordance with the provisions of the 2010 Bond Ordinance authorizing the redemption and retirement of the 2010 Bonds prior to their fixed maturities. Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable

after the issuance of the Bonds and delivery of the Acquired Obligations and/or proceeds of the Bonds to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of the 2010 Bond Ordinance. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the Finance Director, or, at the direction of the Finance Director, to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in this Section 7. All such sums shall be paid from the money and Acquired Obligations deposited with the Escrow Agent, and the income therefrom and proceeds thereof. All such sums so paid to said Finance Director shall be credited to the Refunding Account. All moneys and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested (but only at the direction of the Finance Director) and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

Section 8. Tax Covenants.

(a) *General.* The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required to maintain the exemption of the interest on the Bonds from federal income taxation.

The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds. The City covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code as set forth in the Federal Tax Certificate that will be executed at the closing of the Bonds.

(b) *Designation under Section 265(b).* Proceeds of the Bonds are being used to refund on a current basis the Refunded Bonds, which were designated by the City as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code. The Bonds are therefore deemed designated as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions.

Section 9. Bond Fund and Provision for Tax Levy Payments. The City hereby authorizes the creation of a fund to be used for the payment of debt service on the Bonds, designated as the “City of North Bend Limited Tax General Obligation Bond Debt Service Fund, 2015” (the “Bond Fund”). No later than the date each payment of principal of or interest on the Bonds becomes due, the City shall transmit sufficient funds, from the Bond Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the Bond Fund may be invested in legal investments for City funds.

The City hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds when due.

The City hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds when due.

Section 10. Defeasance. In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for within 20 days of the defeasance and to each party entitled to receive notice in accordance with Section 12.

Section 11. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. Market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Council. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representatives for a limited time the authority to approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds, the selection of the Refunded Bonds, and redemption rights.

Each Designated Representative is hereby authorized to approve the final interest rates, aggregate principal amount, and principal amounts of each maturity of the Bonds, to select the Refunded Bonds, and to determine the redemption rights for the Bonds in the manner provided hereafter so long as:

- (1) the aggregate principal amount of the Bonds does not exceed \$2,100,000,
- (2) the final maturity date for the Bonds is no later than December 1, 2030,
- (3) the Bonds are sold (in the aggregate) at a price not less than 95% and not greater than 120%,
- (4) the Bonds are sold for a price that results in a minimum net present value debt service savings over the Refunded Bonds of 4.00%,
- (5) the true interest cost for the Bonds (in the aggregate) does not exceed 3.25%, and
- (6) the Bonds conform to all other terms of this ordinance.

Subject to the terms and conditions set forth in this Section 11, the Designated Representatives are each hereby authorized to execute the Bond Purchase Contract. The signature of one Designated Representative shall be sufficient to bind the City.

Following the execution of the Bond Purchase Contract, a Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 11 shall expire 120 days after the effective date of this ordinance. If a Bond Purchase Contract for the Bonds has not been executed within 120 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 11.

(b) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance, the proper officials of the City, including the Designated Representatives, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

(c) *Preliminary and Final Official Statements.* The Finance Director is hereby authorized to ratify and to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. The Finance Director is further authorized to ratify and to approve for purposes of the Rule, on behalf of the City, the final Official Statement relating to the issuance and sale of the Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 12. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners, including Beneficial Owners, of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2015 for the fiscal year ended December 31, 2014):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the Official Statement for the Bonds;

(2) The assessed valuation of taxable property in the City;

(3) Ad valorem taxes due and percentage of taxes collected;

(4) Property tax levy rate per \$1,000 of assessed valuation; and

(5) Outstanding general obligation debt of the City.

Items (2)-(5) shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the end of nine months after the end of the City's fiscal year. The City's current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Listed Events.* The City agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;

- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- 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
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(e) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Subsection (b) above on or prior to the date set forth in Subsection (b) above.

(f) *Termination/Modification.* The City's obligations to provide annual financial information and notices of certain listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (A) notice of such change shall be given in the same manner as for a listed event under Subsection (c), and (B) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or Beneficial Owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

(h) *No Default.* Except as otherwise disclosed in the City's official statement relating to the Bonds, the City is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its obligations.

Section 13. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 14. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 15. Effective Date of Ordinance. This ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

**ADOPTED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19th DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Ken Hearing, Mayor**

\_\_\_\_\_  
**Pacifica Law Group LLP, Bond Counsel**

**ATTEST/AUTHENTICATED:**

Published: \_\_\_\_\_

Effective: \_\_\_\_\_

\_\_\_\_\_  
**Susie Oppedal, City Clerk**

Date of Publication: \_\_\_\_\_

Effective Date: \_\_\_\_\_

CERTIFICATE

I, the undersigned, City Clerk of the City Council of the City of North Bend, Washington (the "City"), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. \_\_\_\_ (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 May 19, 2015, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its adoption and publication as provided by law; and

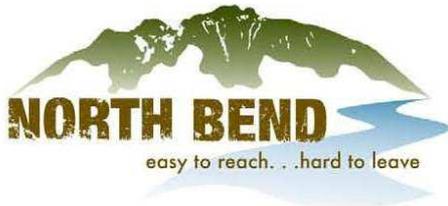
2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of May, 2015.

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Susie Oppedal, City Clerk





## City Council Agenda Bill

<b>SUBJECT:</b>		<b>Agenda Date: May 19, 2015</b>	<b>AB15-056</b>	
<p><b>An Ordinance Approving the Refinancing of Certain Water and Sewer Revenue Bonds in an Amount not to exceed \$10,000,000</b></p> <p>Cost Impact: N/A</p> <p>Fund Source: Storm, ULID</p> <p>Timeline: Immediate</p>		Department/Committee/Individual		
		Mayor Ken Hearing		
		City Administrator – Londi Lindell		
		City Attorney - Mike Kenyon		
		City Clerk – Susie Oppedal		
		Community & Economic Development – Gina Estep		
		Finance – Dawn Masko		X
		Public Works – Mark Rigos		
<b>Attachments:</b> Ordinance				
<p><b>SUMMARY STATEMENT:</b></p> <p>The City has been working with underwriter Jim Nelson from D A Davidson to refinance the majority of the 2006 Water and Sewer Revenue Bonds which were originally issued to finance several Priority 1 storm drain projects, and a portion of the 2012 Water and Sewer Revenue Bonds (ULID No. 6). Favorable market conditions indicate that the City could realize significant savings by refinancing these bonds now. The savings are currently estimated in excess of \$750,000.</p> <p>The Underwriter for this Water and Sewer Revenue Bond Issuance is D A Davidson and the Bond Counsel is Pacifica Law Group. The proposed term for these bonds is 17 years at an average borrowing rate of 4.00%. The City’s current bond rating for revenue debt is A+. The City will be undergoing a bond rating review in an effort to achieve the same AA rating as our LTGO debt.</p> <p>The City is seeking to refinance a portion of the 2006 Revenue Bonds (years 2017 thru 2026) and shorten the term by 2 years to 2024. The City is also seeking to refinance a portion of the 2012 ULID Bonds (maturity dates of 2020 thru 2032, but not year 2032). The refinancing bonds are set to retire by 2032.</p> <p>The Bonds will be sold at a negotiated sale based on favorable market conditions, with an expected delivery date of the 2015 LTGO Bonds of June 16, 2015.</p>				
<p><b>COMMITTEE REVIEW AND RECOMMENDATION:</b> The Finance &amp; Administration Committee has reviewed the issuance of the 2015 Water and Sewer Revenue Refunding Bonds and recommends passage.</p>				
<p><b>RECOMMENDED ACTION:</b> <b>MOTION to approve, AB15-056, an ordinance approving the issuance of new Water and Sewer Revenue Bonds and refunding portions of the existing 2006 Revenue Bonds and 2012 Revenue Bonds in a total amount not to exceed \$10,000,000, as a first and final reading.</b></p>				
<b>RECORD OF COUNCIL ACTION</b>				
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>		
May 19, 2015				



CITY OF NORTH BEND, WASHINGTON  
WATER AND SEWER REVENUE REFUNDING BONDS, 2015

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF NORTH BEND, WASHINGTON, PROVIDING FOR THE ISSUANCE OF WATER AND SEWER REVENUE REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$10,000,000 TO REFUND CERTAIN OUTSTANDING WATER AND SEWER REVENUE BONDS AND TO PAY COSTS OF ISSUING THE BONDS; AND DELEGATING THE AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

PASSED: May 19, 2015

PREPARED BY:

PACIFICA LAW GROUP LLP  
Seattle, Washington

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\* This Table of Contents is provided for convenience only and is not a part of this ordinance.

CITY OF NORTH BEND, WASHINGTON

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF NORTH BEND, WASHINGTON, PROVIDING FOR THE ISSUANCE OF WATER AND SEWER REVENUE REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$10,000,000 TO REFUND CERTAIN OUTSTANDING WATER AND SEWER REVENUE BONDS AND TO PAY COSTS OF ISSUING THE BONDS; AND DELEGATING THE AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

WHEREAS, the City of North Bend, Washington (the “City”), previously combined its water system with the City’s sewer system to create a combined system, pursuant to Ordinance No. 440 passed by the City Council on May 17, 1977, as amended by Ordinance No. 464 passed by the City Council on July 19, 1977, and the City further combined its storm and surface water drainage system into its combined waterworks utility, pursuant to Ordinance No. 1251 passed by the City Council on June 19, 2006 (together, the “System”); and

WHEREAS, the City has issued and has outstanding the following obligations of the System:

Designation	Authorizing Ordinance	Date of Ordinance	Principal Amount Outstanding as of March 1, 2015
Water and Sewer Revenue Bonds, 2006 (the “2006 Bonds”)	Ordinance No. 1251	June 19, 2006	\$ 1,050,000
Water and Sewer Revenue Refunding Bonds, 2010 (the “2010 Bonds”)	Ordinance No. 1388	May 4, 2010	1,765,000
Water and Sewer Revenue Bonds, 2012 (ULID No. 6) (the “2012 Bonds”)	Ordinance No. 1458	May 15, 2012	15,285,000

(The outstanding System bonds identified above are referred to as the “Outstanding Parity Bonds” and the authorizing ordinances identified above are referred to as the “Outstanding Parity Bond Ordinances”), and

WHEREAS, pursuant to Ordinance No. 1293 passed by the City Council on November 20, 2007, as amended by Ordinance No. 1312 passed by the City Council on June 3,

2008, ordering the formation of utility local improvement district (“ULID”) No. 6 (“ULID No. 6”) (the “City ULID No. 6 Ordinance”), after public hearings thereon, the City ordered the construction of certain improvements to the System in ULID No. 6 (the “ULID No. 6 Project”); and

WHEREAS, by Ordinance No. 1452 passed by the City Council on March 20, 2012, the City Council confirmed the assessments and assessment roll in ULID No. 6 in the total amount of \$19,020,359; and

WHEREAS, long-term financing for the construction of the ULID No. 6 Project was provided for by the issuance of the 2012 Bonds; and

WHEREAS, the Outstanding Parity Bond Ordinances authorize the City to issue Parity Bonds with a lien on revenues on a parity to that of the Outstanding Parity Bonds if certain conditions are met; and

WHEREAS, Ordinance No. 1251 provides that the 2006 Bonds maturing on or after September 1, 2017, may be defeased and/or refunded prior to their stated maturities at the option of the City on or after September 1, 2016, at a price of par plus accrued interest to their date of redemption; and

WHEREAS, Ordinance No. 1458 provides that the 2012 Bonds maturing on or after August 1, 2018, may be defeased and/or refunded prior to their stated maturities at the option of the City on or after August 1, 2017, at a price of par plus accrued interest to their date of redemption; and

WHEREAS, after due consideration it appears that all or a portion of the 2006 Bonds (the “2006 Refunding Candidates”) and the 2012 Bonds (the “2012 Refunding Candidates,” and together with the 2006 Refunding Candidates, the “Refunding Candidates”) may be defeased to maturity and/or refunded by the proceeds of the bonds authorized herein; and

WHEREAS, the Council deems it in the best interest of the City to issue one or more series of system revenue refunding bonds in the aggregate principal amount of not to exceed \$10,000,000 (the “Bonds”) to redeem and defease all or a portion of the Refunding Candidates (as described herein, the “Refunded Bonds”), to make a deposit to the debt service reserve account, if necessary, and to pay costs of issuing the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Administrator and Finance Director (each, a “Designated Representative”), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for the Bonds within the parameters set by this ordinance, in order to effect such a refinancing; and

WHEREAS, the City expects to receive a purchase contract from D.A. Davidson & Co. (the “Underwriter”) to underwrite the Bonds, and now desires to issue and sell the Bonds to the Underwriter as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions and Interpretation of Terms.

(a) *Definitions.* As used in this ordinance, the following words shall have the following meanings:

**2006 Bond Ordinance** means Ordinance No. 1251 of the City passed on June 19, 2006.

**2006 Bonds** means the “Water and Sewer Revenue Bonds, 2006,” authorized to be issued by the 2006 Bond Ordinance.

**2010 Bond Ordinance** means Ordinance No. 1388 of the City passed on May 4, 2010.

**2010 Bonds** means the “Water and Sewer Revenue Refunding Bonds, 2010,” authorized to be issued by the 2010 Bond Ordinance.

**2012 Bond Ordinance** means Ordinance No. 1388 of the City passed on May 15, 2012.

**2012 Bonds** means the “Water and Sewer Revenue Bonds, 2012 (ULID No. 6),” authorized to be issued by the 2012 Bond Ordinance.

**Acquired Obligations** means the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds.

**Annual Debt Service** means, in any calendar year, that year’s total of principal and interest requirements for the then-outstanding Parity Bonds (excluding the principal maturity of any Parity Bonds issued as term bonds), plus any mandatory sinking fund or mandatory bond redemption requirement for such Parity Bonds for that year, less all capitalized interest payable that year from the proceeds of such Parity Bonds.

**Assessment Bonds** means, as of its date of calculation, that portion of all Parity Bonds outstanding equal to the aggregate principal amount of nondelinquent ULID Assessments then remaining to be collected and paid into the Bond Fund plus the principal amount of ULID Assessments previously paid into and then on deposit in the Bond Fund.

**Average Annual Debt Service** means, in any calendar year, the sum of the Annual Debt Service of the then-outstanding Parity Bonds, divided by the number of years such Parity Bonds are scheduled to remain outstanding.

**Beneficial Owner** means any person that has or shares the power, directly or indirectly to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**Bond Fund** means the special fund known as the “North Bend 1979 Water and Sewer Revenue Bond Fund” previously created in the office of the Finance Director for the purpose of paying and securing the payment of the principal of and interest on the Parity Bonds.

**Bond Purchase Contract** means the contract for the purchase of the Bonds between the Underwriter and City, executed pursuant to Section 17.

**Bond Register** means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained for the Bonds in the manner required pursuant to Section 149(a) of the Code.

**Bond Registrar** means, initially, the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

**Bonds** mean the not to exceed \$10,000,000 aggregate principal amount of City of North Bend, Washington, Water and Sewer Revenue Refunding Bonds, 2015, or other series designation as approved by a Designated Representative, issued pursuant to this ordinance.

**Call Date** means the date(s) set forth in the Escrow Agreement for the redemption of the Refunded Bonds.

**City** means the City of North Bend, Washington, a municipal corporation duly organized and existing by virtue of the laws of the State of Washington.

**City Administrator** means the City Administrator, or the successor of such office.

**Code** means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

**Commission** means the Securities and Exchange Commission.

**Council** or **City Council** means the City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.

**Coverage Requirement** means an amount equal to 1.25 times the Annual Debt Service in that calendar year on all then-outstanding Parity Bonds. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, Coverage Requirement shall mean, in any calendar year, an amount of Net Revenue at least equal to 1.25 times the Annual Debt Service in that year on Parity Bonds that are not Assessment Bonds and, for Assessment Bonds, in any calendar year Coverage Requirement means an amount of ULID Assessments collections together with Net Revenue that is available after satisfying the Coverage Requirement on bonds that are not Assessment Bonds, at least equal to 1.00 times the Annual Debt Service in that year on such Assessment Bonds. Furthermore, in calculating the Coverage Requirement adjustments shall be made to Annual Debt Service for each calendar year by subtracting any amount scheduled to be received in that calendar year by the City as a federal credit payment*

*with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to build America bonds and similar “direct-pay” tax credit bond programs.*

**Covered Bonds** mean the Outstanding Parity Bonds, the Bonds and those Future Parity Bonds designated in the Parity Bond Ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account.

**Designated Representative** means the City Administrator and the Finance Director of the City and any successor to the functions of such offices. The signature of one Designated Representative shall be sufficient to bind the City.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 3.

**Escrow Agent** means U.S. Bank National Association, Seattle, Washington.

**Escrow Agreement** means the Escrow Deposit Agreement between the City and the Escrow Agent authorized to be entered into pursuant to Section 7 of this ordinance.

**Federal Tax Certificate** means the certificate executed by a Designated Representative setting forth the requirements of the Code for maintaining the tax exemption of interest on the Bonds, and attachments thereto.

**Finance Director** shall mean the City’s Assistant City Administrator/Finance Director or the successor to such officer.

**Future Parity Bond Authorizing Ordinance** means an ordinance of the City authorizing the issuance and sale and establishing the terms of Future Parity Bonds.

**Future Parity Bonds** means all revenue bonds and other obligations of the City for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the Bonds, the payment of which constitutes a lien and charge on the Net Revenue and ULID Assessments (if any) equal in rank with the lien and charge upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds.

**Government Obligations** mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

**Independent Utility Consultant** means either (1) an independent registered professional engineer experienced in the design, construction and operation of municipal utilities and licensed to practice in the State, or (2) an independent certified public accountant. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, Independent Utility Consultant shall mean a professional consultant experienced with municipal utilities of comparable size and character to the System.*

**Letter of Representations** means the blanket issuer letter of representations from the City to DTC.

**Maximum Annual Debt Service** means the maximum amount of Annual Debt Service which is scheduled to become due in any calendar year on all outstanding Parity Bonds.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions.

**Net Revenue** means the Revenue of the System less the Operating and Maintenance Expense.

**Operating and Maintenance Expense** means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition and all payments made to another agency for treatment or disposal of sewage or acquisition of water. Operation and Maintenance Expense shall exclude depreciation and any City-imposed utility taxes or payments in lieu of taxes. The payment of premiums on insurance policies are declared to be a normal part of Operating and Maintenance Expense. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, **Operating and Maintenance Expense** shall mean all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System; costs incurred in connection with the acquisition of water or the securing of water rights; payments to any public or private entity for water service, sewage treatment and disposal service or other utility service in the event that the City enters into a contract for such service; pro-rata budget allocations or charges for the City's administration expenses where those represent a reasonable distribution and share of actual costs; and any State-imposed taxes. Operating and Maintenance Expense shall exclude depreciation, taxes levied or imposed by the City, payments-in-lieu-of-taxes paid to the City, capital additions and capital replacements to the System.*

**Outstanding Parity Bond Ordinances** means, together, the ordinances authorizing the issuance of the Outstanding Parity Bonds, as described in the recitals to this ordinance.

**Outstanding Parity Bonds** means, together, the outstanding 2006 Bonds, 2010 Bonds and 2012 Bonds.

**Parity Bond Ordinances** means, as applicable to each series of Parity Bonds, the Outstanding Parity Bond Ordinances, this ordinance, and any Future Parity Bond Authorizing Ordinance.

**Parity Bonds** means any and all revenue bonds or other revenue obligations issued by the City which have a lien upon the Net Revenue and ULID Assessments to pay and secure the payment of the principal thereof and interest thereon equal to the lien created on the Net Revenue and ULID Assessments to pay and secure the payment of the principal of and interest

on the Bonds. Upon issuance of the Bonds, "Parity Bonds" shall include the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

**Parity Conditions** means, as conditions to the issuance of Future Parity Bonds, the requirements set forth in Section 14 of this ordinance.

**Principal and Interest Account** means the account of that name previously created in the Bond Fund for the payment of the principal of and interest on all Parity Bonds.

**Rate Stabilization Fund** means the fund of that name created pursuant to Ordinance No. 1388.

**Refunded Bonds** mean those Refunding Candidates designated by a Designated Representative for refunding pursuant to Section 7 and Section 17.

**Refunding Account** means the account by that name established pursuant to Section 7.

**Refunding Candidates** mean the outstanding 2006 Bonds and the 2012 Bonds.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

**Reserve Account** means the account of that name originally created in the Bond Fund.

**Reserve Requirement** means the dollar amount to be calculated with respect to all Covered Bonds, *and after the Outstanding Parity Bonds are fully redeemed or defeased, separately with respect to other Parity Bonds.*

(a) With respect to Covered Bonds, the Reserve Requirement means as of any date an amount equal to the least of (1) 1.25 times the Average Annual Debt Service of all then-outstanding Parity Bonds; (2) Maximum Annual Debt Service of all then-outstanding Parity Bonds; or (3) 10% of the proceeds of all then-outstanding Parity Bonds.

(b) *After the Outstanding Parity Bonds are fully redeemed or defeased, with respect to other series of Parity Bonds, the Reserve Requirement shall be equal to the amount, if any, specified in the Parity Bond Ordinance authorizing the issuance of such Parity Bonds.*

**Reserve Surety** means any bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement device obtained by the City equal to part or all of the Reserve Requirement for any Parity Bonds which is issued by an institution which has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of Moody's Investors Service, Inc. and Standard & Poor's Rating Services. *After the Outstanding Parity Bonds are fully redeemed or defeased, this definition shall read as follows: Reserve Surety means any bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement device obtained by the City equal to part or all of the Reserve Requirement for any*

*Parity Bonds* which is issued by an institution which has been assigned a credit rating at the time of issuance of the device in one of the three highest rating categories of Moody's Investors Service, Inc., Standard & Poor's Rating Services or Fitch, Inc., or any other rating agency then maintaining a rating on the Bonds.

**Revenue of the System or Revenue** means all the earnings and revenue received by the System from any source whatsoever, except assessments in any ULID of the City, general *ad valorem* taxes, grants from the State or federal governments, proceeds from the sale of the City property and bond proceeds. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, Revenue of the System or Revenue shall mean all of the earnings and revenues received by the City from the maintenance and operation of the System from any source whatsoever, including but not limited to: revenues from the sale, lease or furnishing of commodities, services, properties or facilities; all earnings from the investment of money in the Bond Fund, which earnings are deposited into the Principal and Interest Account; earnings from the investment of money in any maintenance fund or similar fund; all connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the System; and withdrawals from the Rate Stabilization Fund. However, the Revenue of the System shall not include: (a) revenues from general ad valorem taxes; (b) principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Revenue of the System) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (c) income and revenue which may not legally be pledged for revenue bond debt service; (d) improvement district assessments; (e) federal or state grants, and gifts from any source, allocated to capital project; (f) federal tax credit payments with respect to bonds issued as build America bonds or similar direct-pay tax credit bonds; (g) payments under bond insurance or other credit enhancement policy or device; (h) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (i) proceeds from the sale of System property; (j) earnings in any construction fund or bond redemption fund; (k) deposits to the Rate Stabilization Fund; or (l) revenue from any Separate System.*

**Rule** means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Separate System** means any water supply, sewage collection or treatment, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 15 of this ordinance.

**System** means the existing waterworks utility of the City, which is composed of the combined water system, sewage system and storm and surface water drainage system of the City, together with all additions thereto and betterments and extensions thereof heretofore or hereafter made.

**Term Bonds** means those Bonds designated as such by the Designated Representative pursuant to Section 4 of this ordinance.

**ULID** means a utility local improvement district of the City.

**ULID Assessments** means all assessments levied and collected in any ULID of the City created for the acquisition or construction of additions to and extensions and betterments of the System, if such assessments are pledged to be paid into the Bond Fund (less any prepaid assessments permitted by law to be paid into a construction fund or account). ULID Assessments shall include any installments of assessments and interest or penalties which may be due thereon and shall exclude any assessments paid during the prepayment period for any ULID.

**ULID No. 6** means Utility Local Improvement District No. 6, created by the ULID No. 6 Ordinance for the purpose of paying the costs of the ULID No. 6 Project.

**ULID No. 6 Ordinance** means Ordinance No. 1293 passed by the City Council on November 20, 2007, as amended by Ordinance No. 1312 passed by the City Council on June 3, 2008, ordering the formation of ULID No. 6.

**ULID No. 6 Project** means the improvements within ULID No. 6 as authorized in the ULID No. 6 Ordinance.

**Underwriter** means D.A. Davidson & Co., and its successors.

(b) **Interpretation.** In this ordinance, unless the context otherwise requires:

(1) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(2) Words of the masculine gender shall mean and include correlative words of the feminine and neutral genders and words importing the singular number shall mean and include the plural number and vice versa;

(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(5) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Parity Requirements; Authorization of Bonds and Bond Details.

(a) *Parity Requirements.* In accordance with the Outstanding Parity Bond Ordinances, which permit the issuance of additional Parity Bonds upon compliance with the conditions set forth therein, the City hereby finds and determines, as follows:

(a) The Bonds are being issued for lawful purposes of the City related to the System.

(b) There is not now and at the time of closing of the Bonds there shall not be any deficiency in the Bond Fund, the Principal and Interest Account or the Reserve Account.

(c) The Bonds shall be issued as Covered Bonds, and if necessary, this ordinance provides for payments into the Reserve Account of amounts and at the times required by the Outstanding Parity Bond Ordinances.

(d) The Bonds are being issued to refund prior to maturity the Refunded Bonds for debt service savings, and the issuance of the Bonds is not expected to require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on the Bonds over and above the aggregate amount required in such year for the principal of and interest on the Refunded Bonds.

The applicable conditions of the Outstanding Parity Bond Ordinances having been or to be complied with in connection with the issuance of the Bonds, the pledge contained herein of Net Revenue and ULID Assessments to pay and secure the payment of the Bonds shall constitute a lien and charge upon such Net Revenue and ULID Assessments equal in rank with the lien and charge upon the Net Revenue and ULID Assessments to pay and secure the payment of the Outstanding Parity Bonds.

(b) *Authorization of Bonds.* For the purpose of refunding the Refunded Bonds, funding the Reserve Account, if necessary, and paying costs of issuance of the Bonds, the City is hereby authorized to issue and sell water and sewer revenue refunding bonds in the aggregate principal amount of not to exceed \$10,000,000 (the "Bonds").

The Bonds shall be designated "City of North Bend, Washington, Water and Sewer Revenue Refunding Bonds, 2015" or other such designation as set forth in the Bond Purchase Contract and approved by a Designated Representative. The Bonds shall be dated as of their date of initial delivery; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest payable on the dates set forth in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 17. The Bonds of any of the maturities may be combined and issued as term bonds, subject to mandatory redemption as provided in the Bond Purchase Contract.

The Bonds shall be special obligations of the City payable only from the Bond Fund and shall be payable and secured as provided herein. The Bonds shall not be general obligations of the City, the State or any political subdivision thereof.

Section 3. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of a state fiscal agent. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated corporate trust office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 18), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3(h), but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of “Cede & Co.”, as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository’s successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such Bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner’s duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond

Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond 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 a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are held by a depository, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bonds until it is paid.

Section 4. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 17. The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in

the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 17.

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

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in book-entry form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then-unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in book-entry form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in book-entry form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

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

- (A) the redemption date,
- (B) the redemption price,

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) any conditions to redemption;

(E) that (unless such notice is conditional) on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 18 and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. \_ \$\_\_\_\_\_

STATE OF WASHINGTON

CITY OF NORTH BEND

WATER AND SEWER REVENUE REFUNDING BOND, 2015

INTEREST RATE: % MATURITY DATE: CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of North Bend, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from \_\_\_\_\_, 2015, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_ 1, 2015, and semiannually thereafter on the first days of each succeeding \_\_\_\_\_ and \_\_\_\_\_. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. \_\_\_\_\_ duly passed by the City Council on May 19, 2015 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like series, date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$\_\_\_\_\_ and is issued pursuant to the Bond Ordinance to provide a portion of the funds necessary to refund and defease certain water and sewer revenue bonds of the City, and to pay costs of issuance.

The bonds of this issue are subject to redemption prior to maturity as provided in the Bond Ordinance and the Bond Purchase Contract.

As security for the payment of the principal of, premium, if any, and interest on all Parity Bonds the City has pledged, in accordance with the provisions of the Bond Ordinance, Net Revenue and all ULID Assessments. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens and charges whatsoever, except that the amounts so pledged are of equal lien to the charges upon the Net Revenue and ULID Assessments which have been pledged to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds, and which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

The City hereby irrevocably covenants and agrees with the registered owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed. Reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

The bonds of this issue have [not] been designated by the City as “qualified tax-exempt obligations” for investment by financial institutions under Section 265(b) of the Code.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of North Bend, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this \_\_\_\_ day of \_\_\_\_\_, 2015.

[SEAL]

CITY OF NORTH BEND, WASHINGTON

By \_\_\_\_\_  
/s/ manual or facsimile  
Mayor

ATTEST:

\_\_\_\_\_  
/s/ manual or facsimile  
City Clerk

The Bond Registrar’s Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Water and Sewer Revenue Refunding Bonds, 2015, of the City of North Bend, Washington, dated \_\_\_\_\_, 2015.

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

By \_\_\_\_\_

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be

as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Bond, are the proper officers of the City, although at the original date of such Bond any such person shall not have been such officer of the City.

Section 7. Refunding Plan; Application of Bond Proceeds.

(a) *Refunding Plan.* For the purpose of realizing a debt service savings, the Council proposes to refund and defease the Refunded Bonds as set forth herein. The Refunded Bonds shall include all or a portion of the Refunding Candidates as designated by a Designated Representative and set forth in the Bond Purchase Contract. Proceeds of the Bonds and other available funds of the City shall be deposited with the Escrow Agent pursuant to the Escrow Agreement to be used immediately upon receipt thereof to defease the Refunded Bonds as authorized by the 2006 Bond Ordinance and the 2012 Bond Ordinance, as applicable, and to pay costs of issuance of the Bonds.

The net proceeds deposited with the Escrow Agent shall be used to defease the Refunded Bonds and discharge the obligations thereon by the purchase of certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (1) interest on the Refunded Bonds due and payable on and prior to the applicable Call Date; and
- (2) the redemption prices of the Refunded Bonds on the applicable Call Date.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

(b) *Escrow Agent/Escrow Agreement.* The City hereby appoints U.S. Bank National Association, Seattle, Washington, as the Escrow Agent for the Refunded Bonds (the "Escrow Agent"). A cash balance, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.

In order to carry out the purposes of this Section 7, each Designated Representative is authorized and directed to execute and deliver to the Escrow Agent the Escrow Agreement.

(c) *Call for Redemption of Refunded Bonds.* The City hereby calls the Refunded Bonds for redemption on their respective Call Date in accordance with the provisions of the 2006 Bond Ordinance and the 2012 Bond Ordinance authorizing the redemption and retirement of the 2006 Bonds and the 2012 Bonds, respectively, prior to their fixed maturities. Said defeasance and

call for redemption of the Refunded Bonds shall be irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of the 2006 Bond Ordinance and the 2012 Bond Ordinance. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the Finance Director, or, at the direction of the Finance Director, to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in this Section 7. All such sums shall be paid from the money and Acquired Obligations deposited with the Escrow Agent, and the income therefrom and proceeds thereof. All such sums so paid to said Finance Director shall be credited to the Refunding Account. All moneys and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested (but only at the direction of the Finance Director) and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

Section 8. Tax Covenants.

(a) *General.* The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required to maintain the exemption of the interest on the Bonds from federal income taxation.

The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds. The City covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code as set forth in the Federal Tax Certificate that will be executed at the closing of the Bonds.

(b) *Designation under Section 265(b).* In the Federal Tax Certificate the City may designate the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions if the City does not expect to issue more than \$10,000,000 in qualifying tax-exempt obligations in calendar year 2015.

Section 9. Payments into the Bond Fund. The Bond Fund has been previously created and established in the office of the Finance Director as a special fund of the City, consisting of two accounts, each held separate and apart from the other: the Reserve Account and the Principal and Interest Account. The City may create sinking fund subaccounts or other subaccounts in the Bond Fund for the payment or securing of the Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of any such Parity Bonds.

(a) The City hereby covenants and agrees that all ULID Assessments levied in ULID No. 6 of the City shall be deposited into the Principal and Interest Account of the Bond Fund.

(b) In addition to the required deposits for the Outstanding Parity Bonds and any Future Parity Bonds, so long as any of the Bonds are Outstanding, the Finance Director shall set aside and pay into the Bond Fund out of the Net Revenue, a fixed amount without regard to any fixed proportion, as follows:

(1) Into the Principal and Interest Account, on or before each debt service payment date, an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay interest coming due and payable on the next debt service payment date,

(2) Into the Principal and Interest Account, on or before each debt service payment date, an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay principal coming due and payable on the next debt service payment date, including mandatory redemption amounts due on that date with respect to any Term Bonds;

(3) Into the Reserve Account, on the date of issuance of the Bonds, an amount (from Parity Bond proceeds or any other source) that, together with the amount already in the Reserve Account, will be equal to the Reserve Requirement. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds and the 2010 Bonds, this Section 9(b)(3) shall read as follows: Into the Reserve Account, with respect to any Covered Bonds:*

(A) *on the date of issue of such Covered Bonds, an amount which, together with other money and Reserve Sureties on deposit in the Reserve Account, will be equal to the Reserve Requirement for the then outstanding Parity Bonds that are Covered Bonds;*

(B) *at least annually, regular installments of amounts that will cause the additional amount required to be deposited due to the issuance of Future Parity Bonds that are Covered Bonds to be accumulated by no later than five years from the date of such issue; or*

(C) *on the date of issue, one or more Reserve Sureties the face amount of which, together with any amount deposited under subsection (A), above, are equal to the Reserve Requirement for the outstanding Parity Bonds that are Covered Bonds.*

*Furthermore, after the Outstanding Parity Bonds are fully redeemed or defeased, into any other reserve account created in the future for the payment of debt service on Parity Bonds as set forth in the applicable Parity Bond Ordinance.*

(c) The City covenants and agrees that it will at all times that any Covered Bonds remain outstanding, maintain in the Reserve Account an amount (including the face

amount of any Reserve Surety permitted to be deposited therein) equal to the Reserve Requirement, except for withdrawals authorized in this subsection.

(1) Whenever there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Covered Bonds then outstanding, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may be withdrawn to redeem and retire, by payment of principal, premium, if any, and the interest due to such date of redemption, any outstanding Covered Bonds so long as the value of deposits remaining on deposit in the Reserve Account are equal to the Reserve Requirement.

(2) If the amount in the Principal and Interest Account is insufficient to make any debt service payment with respect to any Covered Bonds, such insufficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall be made up from the Net Revenue or ULID Assessments that are first available after making necessary provisions for the required payments into the Principal and Interest Account.

(d) All money in the Bond Fund may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in Government Obligations or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account). *For so long as the 2006 Bonds remain outstanding, investments held in the Reserve Account shall be valued at fair market value and marked to market at least once each calendar year, and investments held in the Reserve Account shall not have maturities extending beyond five years.*

(e) Income from the investments in the Principal and Interest Account shall be retained in that account. Income from investments in the Reserve Account shall be retained in that account until the amount therein is equal to the Reserve Requirement, and any excess shall be deposited into the Principal and Interest Account. If the value of the money and investments in the Reserve Account exceeds the Reserve Requirement, the excess shall be transferred to the Principal and Interest Account. In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal and/or interest on the Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Code. *Upon the maturity, redemption or defeasance of all of the Outstanding Parity Bonds, the City may, at any time, value the amount on deposit in the Reserve Account and any other reserve accounts securing the payment of Parity Bonds and may transfer any excess to the Principal and Interest Account as provided in this subsection (e).*

Section 10. Pledge of Net Revenue and Lien Position. The Net Revenue and all ULID Assessments are pledged for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens and charges whatsoever, except that the amounts so pledged are of equal lien to the charges upon the Net Revenue and ULID Assessments which have been pledged to pay and

secure the payment of the principal of and interest on the Outstanding Parity Bonds, and which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

Section 11. Covenants of the City. The City covenants and agrees with the Owner of each of the Bonds as follows:

(a) *Rates and Charges; Coverage.* The City will establish, maintain, revise as necessary, and collect rates and charges for services furnished by the System that will be sufficient to produce Net Revenue in each calendar year, which, together with ULID Assessments that are collected in such year and other revenue available therefor, will be at least equal to the Coverage Requirement.

(b) *Maintenance and Repair.* The City will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *ULID Assessments.* The City will collect promptly all ULID Assessments. Such ULID Assessments may be used to pay the principal of or interest on any bonds payable out of the Bond Fund without those ULID Assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds.

(d) *Sale or Transfer of System.* The City may sell, transfer or otherwise dispose of any or all of the works, plant, properties, facilities or other part of the System or any real or personal property comprising a part of the System only consistent with one or more of the following:

(1) The City in its discretion may carry out such a sale, transfer or disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property transferred are not material to the operation of the System, or shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System or are no longer necessary, material or useful to the operation of the System; or

(2) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property being transferred under this subparagraph (2) in any fiscal year comprises no more than 3% of the total assets of the System; or

(3) The City in its discretion may carry out such a transfer if the City receives from the transferee an amount equal to the greater of the following:

(A) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Revenue of the System from the portion of the System sold or disposed of for the preceding year bears to the total Revenue for that period; or

(B) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(C) An amount equal to the fair market value of the portion of the System transferred. As used herein, "fair market value" means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

The proceeds of any transfer under this subparagraph (3) shall be used, first, to promptly redeem (or shall be irrevocably set aside for the redemption of) Parity Bonds, and, if any proceeds remain, second, to provide for part of the cost of additions to and betterments and extensions of the System.

(e) *Books and Records.* The City will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the Registered Owners of the Bonds, at the written request of such Registered Owners, complete operating and income statements of the System in reasonable detail covering any calendar year not more than 120 days after the close of such calendar year and it will grant any registered owners of at least 25% of the then-outstanding Parity Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data of the City relating thereto. Upon request of any registered owner of any of the Parity Bonds, it also will furnish to such registered owner a copy of the most recently completed audit of the City's accounts by the State Auditor.

(f) *No Free Service.* The City will not furnish any service of the System to any customer whatsoever free of charge, except as permitted in aid of the poor and infirm in conformance with the State Constitution, and will take prompt legal action to enforce collection of all delinquent accounts.

(g) *Insurance.* The City will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the City as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of water and sewer systems to the full insurable value thereof, and also will carry adequate public liability insurance at all times.

(h) *Operating and Maintenance Expense.* The City will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 12. Flow of Funds. The City will use, pay out and distribute the Revenue of the System in the following order of priority:

- (a) To pay Operating and Maintenance Expense;

(b) To meet the debt service requirements with respect to the Parity Bonds by making payments into the Principal and Interest Account;

(c) To make required payments into the Reserve Account to secure the payment of any Covered Bonds, *and after the Outstanding Parity Bonds are fully redeemed or defeased, into any other reserve fund created in the future for the payment of debt service on Parity Bonds;*

(d) To meet the debt service requirements on any bonds or other obligations having a charge and lien on the Net Revenue and ULID Assessments (if any) junior to the Parity Bonds; and

(e) To redeem and retire any then-outstanding Parity Bonds or to purchase any or all of those Parity Bonds in the open market as provided in those bonds in the open market, or to make necessary betterments and replacements of or repairs, additions or extensions to the System, or for any other lawful purpose.

The City will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will have any priority over or which will rank on a parity with the payments required by the Parity Bond Authorizing Ordinances to be made out of the Revenue of the System and ULID Assessments, nor will it issue Parity Bonds except as permitted pursuant to the Parity Conditions and Section 14 of this ordinance.

Section 13. Rate Stabilization Fund. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, the following section shall become effective:* There is created and established in the office of the Finance Director, a Rate Stabilization Fund. The City may at any time, as determined by the Finance Director and consistent with this ordinance, deposit into the Rate Stabilization Fund amounts from Revenue of the System and any other money received by the System and available to be used for that purpose, excluding principal proceeds of any Future Parity Bonds. The Finance Director may at any time withdraw money from the Rate Stabilization Fund for inclusion in the Net Revenue for the current fiscal year of the System, except that the total amount withdrawn from the Rate Stabilization Fund in any calendar year may not exceed the total debt service of the System in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be included as Net Revenue. Earnings from investments in the Rate Stabilization Fund shall be deposited in that fund and shall not be included as Net Revenue unless and until withdrawn from that fund as provided in this section. The Finance Director may also deposit earnings from investments in the Rate Stabilization Fund into any System fund as authorized by ordinance, and such deposits shall be included as Net Revenue in the year of deposit. No deposit may be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant calendar year.

Section 14. Additional Bonds.

(a) *Future Parity Bonds; Parity Conditions.* The City covenants and agrees with the Owners of each of the Bonds that, for as long as any of the Bonds remain outstanding, the City

will not issue any bonds having a greater or equal priority of lien upon the Net Revenue and ULID Assessments to pay and secure the payment of the principal of and interest on the Parity Bonds except upon satisfaction of the conditions set forth below. Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

(b) The City reserves the right, upon compliance with the conditions set forth below, to issue Future Parity Bonds and to pledge that payments will be made out of the Revenue of the System into the Bond Fund and the accounts therein to pay and secure the payment of the principal of and interest on such Future Parity Bonds on a parity with the payments required to be made out of such moneys into the Bond Fund and its accounts to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding.

Future Parity Bonds may be issued only for the purposes of: first, providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments or other capital improvements to the System pursuant to a plan or plans of additions and betterments thereto hereafter adopted, or, second, refunding at or prior to their maturity, any part or all of any outstanding revenue bond anticipation notes, or revenue bonds, or other obligations payable out of the Revenue of the System.

(c) *Parity Conditions.* Future Parity Bonds may be issued only upon compliance with the following conditions:

(1) At the time of the issuance of any Future Parity Bonds there may be no deficiency in the Bond Fund, the Principal and Interest Account, the Reserve Account or the other funds and accounts held therein.

(2) The principal of and interest on any Future Parity Bonds must be payable out of the Bond Fund and, with respect to Covered Bonds, the Reserve Account must be funded, from Future Parity Bond proceeds or otherwise, at the Reserve Requirement upon issuance of such Future Parity Bonds. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, this conditions shall be amended to read as follows: With respect to Covered Bonds, the Future Parity Bond Authorizing Ordinance must provide for the deposit into the Reserve Account of any combination of Future Parity Bond proceeds, Reserve Sureties, or other money legally available, in the amount necessary (if any) to make the amount on deposit in the Reserve Account equal to the Reserve Requirement, which may include the deposit of approximately equal annual installments that will provide for full funding of the Reserve Requirement no later than five years after the date of issuance of the Future Parity Bonds that are Covered Bonds.*

(3) If Future Parity Bonds are to be issued as term bonds, the Future Parity Bond Authorizing Ordinance shall provide for a schedule of mandatory sinking fund redemption payments to be made into the Principal and Interest Account sufficient to amortize the principal of such term bonds on or before the maturity date thereof.

(4) The Future Parity Bond Authorizing Ordinance authorizing the issuance of such Future Parity Bonds shall provide that ULID Assessments levied in any ULIDs created

to pay part of the cost of improvements to the System for which such Future Parity Bonds are issued shall be paid into the Bond Fund.

(5) *Parity Certificate.*

(i) *Certificate of an Independent Utility Consultant.* The City shall have on file a certificate of an Independent Utility Consultant showing that, in his or her professional opinion, the “Adjusted Net Revenue” and the “Estimated Assessment Income” (as such terms are defined below) for each calendar year after the issuance of such Future Parity Bonds will equal at least 1.25 times the “Future Average Annual Debt Service” (as defined below). The Independent Utility Consultant may rely upon, and the Consultant’s certificate shall have attached to it, financial statements of the System, showing income and expenses for the period upon which the same is based. The Consultant’s certificate shall be conclusive and the only evidence required to show compliance with the provisions and requirements of these Parity Conditions; or

(ii) *Certificate of Finance Director.* Upon the maturity, redemption or defeasance of all of the Outstanding Parity Bonds, in lieu of the certificate of an Independent Utility Consultant, the City may have on file a certificate of the Finance Director showing that that Net Revenue and Estimated Assessment Income in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Future Parity Bonds then proposed to be issued, as determined from the financial statements of the System (which may not be audited), were not less than 1.25 times Future Average Annual Debt Service. In issuing such certificate the Finance Director shall reflect in the certificate the Net Revenue he or she estimates would have been collected in such 12-month period if the City Council at any time on or prior to the date of delivery of the Future Parity Bonds proposed to be issued had adopted any adjustment in the rates, fees and charges collected by the City for the services to the System if such new rates, fees and charges had been in effect for the entire 12 month period.

(6) *Refunding Bonds.* Notwithstanding the foregoing requirement for a Consultant’s certificate, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then-outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the Parity Bonds being refunded thereby, a consultant’s certificate is not required.

(d) *Definitions.* As used in these Parity Conditions, the following capitalized terms have the following meanings:

(1) “Future Annual Debt Service” means the amount required to be paid in a calendar year for (i) interest on all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued, plus (ii) the principal of all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued. Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, “Future Annual Debt Service” shall be further

*adjusted by subtracting the amounts scheduled to be received in that calendar year by the City as a federal credit payment with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to build America bonds and similar “direct-pay” tax credit bond programs.*

(2) “Future Average Annual Debt Service” means the total Future Annual Debt Service for the calendar years in which all Parity Bonds including the Future Parity Bonds proposed to be issued are outstanding divided by the number of such calendar years. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, “Future Average Annual Debt Service” shall be further adjusted by subtracting the amounts scheduled to be received in that calendar year by the City as a federal credit payment with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to build America bonds and similar “direct-pay” tax credit bond programs.*

(3) “Adjusted Net Revenue” means Net Revenue for a period of any 12 consecutive months out of the 18 months (*upon the maturity, redemption or defeasance of all of the Outstanding Parity Bonds, this period shall be any 12 consecutive months out of the 24 months*) immediately preceding the issue date of the proposed Future Parity Bonds for each calendar year after such issue date, for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, remain outstanding, which Net Revenue calculation may be adjusted by the Independent Utility Consultant to take into consideration certain changes in Net Revenue estimated to occur under the certain conditions, as follows:

(A) The additional Net Revenue, which would have been received if any change in rates and charges adopted prior to the date of the Consultant’s certificate and subsequent to the beginning of such eighteen-month period, had been in force during the full twelve-month period;

(B) The additional Net Revenue, which would have been received if any facility of the System, which became fully operational after the beginning of such twelve-month period had been so operating for the entire period;

(C) The additional Net Revenue estimated by such Independent Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System which are (a) under construction as of the date of the Consultant’s certificate, or (b) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(D) The additional Net Revenue estimated by such Independent Utility Consultant to be received if any customers added to the System during such twelve-month period were customers for the entire period; and

(E) The additional Net Revenue estimated to be received from anticipated growth in customers not to exceed 2% per year for a period of not more than ten years after delivery of such proposed Future Parity Bonds.

(4) "Estimated Assessment Income" for each calendar year shall be determined as follows:

(A) by deducting from the principal amount of unpaid ULID Assessments levied by the City in each applicable ULID and payable into the Bond Fund for estimated nonpayment an amount equal to 5% of such unpaid principal;

(B) by dividing the principal balance remaining after such deduction by the number of years in which installments on each such assessment roll may be paid without becoming delinquent; and

(C) by adding to the amount found for each year the interest due and payable on such installments.

(e) *Subordinate Bonds.* Nothing herein contained shall prevent the City from (1) issuing revenue bonds or other obligations which are a charge upon the Net Revenue junior or inferior to the payments required by Parity Bond Ordinances to be made out of the Net Revenue into the Bond Fund and the Accounts therein to pay and secure the payment of the then outstanding Parity Bonds, and (2) securing such junior lien revenue bonds by pledge of assessments levied in one or more ULIDs which shall have been created to construct the improvements to be paid for out of the proceeds of such junior lien revenue bonds.

Section 15. Separate Utility Systems. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds, the following section shall become effective:* 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 System, and any ULID assessments payable solely with respect to improvements to a Separate System, shall not be included in the Revenue of the System and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Revenue of the System nor the Net Revenue may be pledged to the payment of any obligations of a separate utility Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien on such revenue to the lien of the Parity Bonds.

Section 16. Defeasance. In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and

interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for within 20 days of the defeasance and to each party entitled to receive notice in accordance with Section 18.

Section 17. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. Market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Council. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representatives for a limited time the authority to approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds, whether to designate the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code, selection of the Refunded Bonds, and redemption rights.

Each Designated Representative is hereby authorized to determine whether to designate the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code, and to approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds, selection of the Refunded Bonds, and redemption rights for the Bonds in the manner provided hereafter so long as:

- (1) the aggregate principal amount of the Bonds does not exceed \$10,000,000,
- (2) the final maturity date for the Bonds is no later than August 1, 2032,
- (3) the Bonds are sold (in the aggregate) at a price not less than 95% and not greater than 125%,
- (4) the Bonds are sold for a price that results in a minimum net present value debt service savings over the Refunded Bonds of 4.00%,
- (5) the true interest cost for the Bonds (in the aggregate) does not exceed 4.00%, and
- (6) the Bonds conform to all other terms of this ordinance.

Subject to the terms and conditions set forth in this Section 17, the Designated Representatives are each hereby authorized to execute the Bond Purchase Contract. The signature of one Designated Representative shall be sufficient to bind the City.

Following the execution of the Bond Purchase Contract, a Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 17 shall expire 120 days after the effective date of this ordinance. If a Bond

Purchase Contract for the Bonds has not been executed within 120 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 17.

(b) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance, the proper officials of the City, including the Designated Representatives, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

(c) *Preliminary and Final Official Statements.* The Finance Director is hereby authorized to ratify and to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. The Finance Director is further authorized to ratify and to approve for purposes of the Rule, on behalf of the City, the final Official Statement relating to the issuance and sale of the Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 18. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners, including Beneficial Owners, of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2015 for the fiscal year ended December 31, 2014):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the Official Statement for the Bonds;

(2) a statement of authorized, issued and outstanding bonded debt secured by the Net Revenue of the System and ULID Assessments;

(3) debt service coverage ratios;

(4) rates for the System substantially as approved by the Council; and

(5) general customer statistics for the System substantially in the form provided in the Official Statement for the Bonds in the tables titled “Water System Accounts,” “Total Annual Water Consumption,” “Sewer System Accounts,” and “Stormwater System Accounts.”

Items (2)-(5) shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the end of nine months after the end of the City’s fiscal year. The City’s current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB’s internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City’s audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Listed Events.* The City agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;

- 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
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(e) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Subsection (b) above on or prior to the date set forth in Subsection (b) above.

(f) *Termination/Modification.* The City's obligations to provide annual financial information and notices of certain listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (A) notice of such change shall be given in the same manner as for a listed event under Subsection (c), and (B) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or Beneficial Owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

(h) *No Default.* Except as otherwise disclosed in the City's official statement relating to the Bonds, the City is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its obligations.

Section 19. Amendatory and Supplemental Ordinances. *Upon the maturity, redemption or defeasance of all of the outstanding 2006 Bonds and the 2010 Bonds, this section shall become effective:*

(a) This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this section.

(b) The City, from time to time, and at any time, without the consent of or notice to the Registered Owners of the Bonds, may 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 owner of any Parity Bonds;

(2) To impose upon the Bond Registrar (with its consent) for the benefit of the Registered Owners of the 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 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;

(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;

(7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on the Bonds from federal income taxation; and

(8) 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 requested by a bond insurer or provider of a Reserve Surety and which are not materially adverse to the registered owners of the Parity Bonds.

Before the City may pass any such supplemental ordinance pursuant to this subsection, there shall have been delivered to the City and the Bond Registrar an opinion of Bond Counsel stating that such supplemental ordinance is authorized or 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 exclusion from gross income for federal income tax purposes of interest on the Bonds.

(c) Except for any supplemental ordinance entered into pursuant to subsection (b) of this section, subject to the terms and provisions contained in this subsection (c) and not otherwise:

(1) Registered Owners of not less than 50% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except that, 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 of redemption price of any outstanding Parity Bond or a change in the redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon; (ii) a preference of priority of any Parity Bond or Parity Bonds or any other bond or bonds; or (iii) a reduction in the aggregate principal amount of Parity Bonds, the consent of the Registered Owners of Bonds of which is required for any such supplemental ordinance.

(2) If at any time the City shall pass any supplemental ordinance for any of the purposes of this subsection (c), the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first class United States mail to all registered owners of the then outstanding Bonds and to Moody's Investors Service, Inc. and Standard & Poor's, if the Parity Bonds are rated by those agencies. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all registered owners of the outstanding Parity Bonds.

(3) Within two years after the date of the mailing of such notice, the City may pass such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of the registered owners of the Bonds and (ii) an opinion of Bond Counsel stating that such supplemental ordinance is authorized or 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 exclusion from gross income for federal income tax purposes of interest on the Parity Bonds.

(4) If registered owners of not less than the percentage of Parity Bonds required by this subsection (c) have consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or from taking any action pursuant to the provisions thereof.

(d) Upon the execution and delivery of any supplemental ordinance pursuant to the provisions of this Section 19, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all registered 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.

Section 20. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 21. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 22. Effective Date of Ordinance. This ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

**ADOPTED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19TH DAY OF MAY, 2015.**

**CITY OF NORTH BEND:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
**Ken Hearing, Mayor**

\_\_\_\_\_  
**Pacifica Law Group LLP, Bond Counsel**

**ATTEST/AUTHENTICATED:**

Published: \_\_\_\_\_

Effective: \_\_\_\_\_

\_\_\_\_\_  
**Susie Oppedal, City Clerk**

CERTIFICATE

I, the undersigned, City Clerk of the City Council of the City of North Bend, Washington (the "City"), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. \_\_\_\_ (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 May 19, 2015, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its adoption and publication as provided by law; and

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

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of May, 2015.

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Susie Oppedal, City Clerk