



CITY COUNCIL MEETING AGENDA
Council Chambers, 1000 Laurel Street

June 10, 2019
Monday

Study Session
7:00 p.m.

- 1. Call to Order and Flag Salute**
- 2. Roll Call of Councilmembers**
- 3. Presentations**
 - A. FBLA Presentation
- 4. Regular Agenda**
 - A. **Electric Substation Loan Ordinance 1970-19**
 - B. **Pedestrian Interactions with Occupants of Vehicles and Aggressive Begging Ordinance 1969-19**
 - C. **Milton Municipal Code Clean Up**

5. Executive Session # 1

Executive Session for planning or adoption the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4) for approximately 15 minutes.

6. Executive Session # 2

Executive Session for the discussion of legal risks related to a proposed action pursuant to RCW 42.30.110(1)(i)(iii) for approximately 10 minutes.

7. Adjournment

Council may add and take action on other items not listed on this agenda.

If you need ADA accommodations, please contact City Hall at (253) 517-2705
at least 24 hours prior to the meeting.

Thank you.

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Agenda Item # 4A

To: Mayor Styron Sherrell and City Council Members
From: Tara Dunford, CPA, Finance Director
Date: June 10, 2019
Re: **Presentation – Electric Substation Loan**

ATTACHMENTS: Draft Ordinance 1970-19

TYPE OF ACTION:

Information Only Discussion Action Public Hearing

Recommendation/Action: None.

Fiscal Impact/Source of Funds: This will provide funding for new electric substation.

Cynthia Weed, Attorney with K&L Gates, will provide overview of Council action necessary to approve electric substation loan.

Summary. The City of Milton, Washington (the “City”) is proposing to issue its tax-exempt Electric Revenue Bond, 2019 (the “Bond”) in the form of a non-revolving line of credit in the not to exceed principal amount of \$5,000,000. The drawings under the Bond will finance a substation replacement and upgrades to substation feeders and related projects (in accordance with the 2019-2023 Capital Improvement Plan and Rate Study). Debt service on the Bond will be paid solely from the electric revenues of the City, and no property tax revenues will be used to pay debt service. The ordinance authorizing the Bond will be presented to the City Council for final approval on June 17, 2019.

Bond Details. The City has received an offer from Washington Federal N.A. to purchase the Bond. The Bond will be issued as a non-revolving line of credit with a Draw Period and a Term Loan Period. At the end of the Draw Period (December 1, 2020), the Outstanding Principal Balance shall be converted to a fully amortizing loan, and a schedule of principal and interest payments shall be prepared by the Bank and copies provided to the City.

- *Draw Period.* During the Draw Period, the City will request draws from the Bank in the minimum amount of \$100,000 each, up to and not to exceed \$5,000,000. Within the Bond Ordinance the City Council delegates the management of the non-revolving line of credit to the Finance Director. During the Draw Period (from the Closing Date of the Bond through December 1, 2020) the Bond will accrue interest at a rate of 3.21% on the Outstanding Principal Balance, payable commencing on December 1, 2019 and semiannually thereafter on each June 1 and December 1 until the end of the Draw Period.
- *Term Loan Period.* During the Term Loan Period (December 1, 2020 through December 1, 2039) the Bond shall be repayable in semiannual installments of interest on

each June 1 and December 1, commencing June 1, 2021. During the Term Loan Period, principal on the Bond shall be repayable in annual installments on each December 1, commencing December 1, 2021, with the final payment of all principal and interest due on the Final Maturity Date (December 1, 2039).

- The Bond is subject to an interest rate reset on December 1, 2028 and again on December 1, 2033, pursuant to the Rate Reset as described in the Bond Ordinance.
- The Bond is subject to prepayment *without penalty* on December 1, 2028 or December 1, 2033, or *with penalty* on any other business day as described in the Bond Ordinance.

Related Costs. The costs related to the issuance of the Bond are the Bank/Bank Counsel Fee of \$7,500 and Bond Counsel Fee of \$10,000. These costs will be paid from Bond proceeds.

CITY OF MILTON, WASHINGTON

ELECTRIC REVENUE BOND, 2019

ORDINANCE NO. 1970-19

AN ORDINANCE OF THE CITY OF MILTON, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF AN ELECTRIC REVENUE BOND TO EVIDENCE A NON-REVOLVING LINE OF CREDIT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$5,000,000 FOR THE PURPOSE OF ACQUIRING, CONSTRUCTING AND INSTALLING CERTAIN ADDITIONS AND BETTERMENTS TO AND EXTENSIONS OF THE CITY'S ELECTRIC UTILITY; PROVIDING THE DATE, FORM, TERMS AND MATURITY OF THE BOND; AUTHORIZING THE DESIGNATED CITY REPRESENTATIVE AUTHORITY TO MANAGE THE NON-REVOLVING LINE OF CREDIT; APPROVING THE SALE OF SUCH BOND; AND RESERVING THE RIGHT TO ISSUE REVENUE BONDS ON A PARITY WITH THE BOND UPON COMPLIANCE WITH CERTAIN CONDITIONS.

PASSED: JUNE 17, 2019

PREPARED BY:

K&L GATES LLP
Seattle, Washington

CITY OF MILTON
ORDINANCE NO. 1970-19
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Exhibit A – Purchase Offer
Exhibit B – Form of Request for Draw

* This Table of Contents and the Cover Page are for convenience of reference and are not intended to be a part of this ordinance.

ORDINANCE NO. 1970-19

AN ORDINANCE OF THE CITY OF MILTON, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF AN ELECTRIC REVENUE BOND TO EVIDENCE A NON-REVOLVING LINE OF CREDIT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$5,000,000 FOR THE PURPOSE OF ACQUIRING, CONSTRUCTING AND INSTALLING CERTAIN ADDITIONS AND BETTERMENTS TO AND EXTENSIONS OF THE CITY'S ELECTRIC UTILITY; PROVIDING THE DATE, FORM, TERMS AND MATURITY OF THE BOND; AUTHORIZING THE DESIGNATED CITY REPRESENTATIVE AUTHORITY TO MANAGE THE NON-REVOLVING LINE OF CREDIT; APPROVING THE SALE OF SUCH BOND; AND RESERVING THE RIGHT TO ISSUE REVENUE BONDS ON A PARITY WITH THE BOND UPON COMPLIANCE WITH CERTAIN CONDITIONS.

WHEREAS, the City of Milton, Washington (the "City"), now owns and operates an electric utility system (as further defined herein, the "Electric Utility" or "Utility"); and

WHEREAS, the City is authorized to issue revenue bonds to finance the cost of additions, improvements and betterments to the Electric Utility to include the installation and replacement of a new substation, as set forth in the City's 2019-2023 Capital Improvement Plan and Rate Study, (the "Projects"); and

WHEREAS, to provide funds to pay part of the costs of such improvements, it is deemed necessary and advisable that the City establish a non-revolving line of credit in exchange for its electric revenue bond in the principal amount of not to exceed \$5,000,000 (the "Bond") to pay a portion of the costs of the Projects; and

WHEREAS, the City has received the offer of Washington Federal N.A., Seattle, Washington (the "Bank"), dated April 22, 2019, as amended by communication of the Bank dated June 5, 2019, to purchase the Bond, which by this reference is incorporated herein and is attached as Exhibit A (the "Purchase Offer"), and the City Council (the "Council") wishes to accept such offer on the terms and conditions set forth therein and herein;

WHEREAS, the Council has determined to delegate to the Designated City Representative (as defined below) certain matters relating to the management of the line of credit evidenced by the Bond;

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

Section 1. Definitions. As used in this ordinance the following definitions shall apply unless a different meaning clearly appears from the context:

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the ordinance authorizing their issuance as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of discounted principal that has accreted since the date of issue. In each case, the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such Balloon Maturity Bonds.

Annual Debt Service means the total amount of Debt Service for any Parity Bond or series of Parity Bonds or other subordinate lien evidences of indebtedness payable from Revenue of the System in any fiscal year or Base Period. Annual Debt Service shall be calculated net of any federal subsidy legally available to pay the principal of or interest on Parity Bonds in the year of calculation.

For purposes of satisfying the Reserve Requirement, the rate covenants in Section 10(b), and the Future Parity Bonds test in Section 11(c), Annual Debt Service may be reduced by the amount of any Debt Service Offsets.

For Parity Bonds bearing interest at other than a fixed rate, Annual Debt Service is calculated as provided in Section 10(b)(2), Section 11(g), or Section 12(a), as applicable.

Average Annual Debt Service means the sum of the Annual Debt Service for the remaining years to the last scheduled maturity of the applicable series of Parity Bonds divided by the number of those years.

Balloon Maturity Bonds means any Future Parity Bonds, other than Term Bonds, the entire principal amount of which is due at maturity without Serial Bond payments or Sinking Fund redemption payments.

Bank means Washington Federal, N.A., Seattle, Washington, and any business successor thereto, as the original registered owner and shall include any subsequent registered owner as permitted herein.

Base Period means any consecutive 12-month period selected by the City out of the 36-month period next preceding the date of issuance of an additional series of Future Parity Bonds.

Bond means the City of Milton, Washington Electric Revenue Bond, 2019 in the principal amount of not to exceed \$5,000,000, authorized herein.

Bond Register means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of the Bond or nominee of such owner and the principal amount outstanding.

Bond Registrar means the Finance Director whose duties include registering and authenticating the Bond, maintaining the Bond Register, transferring ownership of the Bond, and paying the principal of and interest on the Bond. The term **Bond Registrar** also shall include any successor Bond Registrar appointed by the Treasurer as permitted by law.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bond or the date that is five years after the date of issuance of the Bond, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bond.

Capital Appreciation Bonds means any Future Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Capital Appreciation Bonds. If so provided in the ordinance authorizing their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Future Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

City means the City of Milton, Washington, a political subdivision duly organized and existing under and by virtue of the laws of the State of Washington.

Closing means the date of issuance and delivery of the Bond to the Bank.

Code means the federal Internal Revenue Code of 1986, as amended, and applicable regulations.

Commission means the United States Securities and Exchange Commission.

Consultant means at any time an independent municipal financial consultant appointed by the City to perform the duties of the Consultant as required by this ordinance. For the purposes of delivering any certificate required by Section 11 hereof and making the calculation required by Section 11 hereof, the term Consultant shall also include any independent public accounting firm or engineer appointed by the City to make such calculation or to provide such certificate.

Costs of Maintenance and Operation means all reasonable expenses incurred by the City in causing the Utility of the City to be operated and maintained in good repair, working order and condition, but does not include any depreciation or taxes levied or imposed by the City or

payments to the City in lieu of taxes, but includes payments made to any other municipal corporation or other entity for electrical energy, capacity or service. Resource Obligations may constitute Costs of Maintenance and Operation as provided in Section 12(a) of this ordinance.

Council means the general legislative body of the City as the same shall be duly and regularly constituted from time to time.

Credit Facility means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations of the City. There may be one or more Credit Facilities outstanding at any time.

Debt Service means, for any period of time,

(a) with respect to any outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the ordinance authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(b) with respect to any outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Fixed Rate Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Fixed Rate Bonds, plus (3) all interest payable during such period on any such outstanding Fixed Rate Bonds and with respect to Fixed Rate Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Fixed Rate Bonds on the date specified in the ordinance authorizing such Fixed Rate Bonds; and

(c) with respect to all other series of Parity Bonds, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate for the Base Period determined as follows: (A) if any variable rate bonds have been outstanding for at least twelve (12) months, assume that the Parity Bonds bear interest at the higher of the actual rate borne by the Parity Bonds on the date of calculation or the average rate borne by the Parity Bonds over the twelve (12) months immediately preceding the date of calculation, and (B) if the Parity Bonds have been outstanding for less than twelve (12) months or are not yet outstanding, assume that the Parity Bonds bear interest at the higher of the actual rate borne by the Parity Bonds on the date of calculation or (X) if interest on the Parity

Bonds is excludable from gross income under the applicable provisions of the Code, the average rate set forth on the Securities Industry and Financial Markets Association Municipal Swap Index over the twelve (12) months immediately preceding the date of calculation, or (Y) if interest is not so excludable, the average rate on Federal Securities with maturities comparable to the rate reset period (iii) to provide for essentially level annual debt service of principal and interest over such period.

Debt Service shall be net of any principal and/or interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized by ordinance. Debt Service shall exclude the payments required to be made with respect to revenue bond anticipation notes to the extent that the ordinance authorizing their issuance provides that the bond anticipation notes will be funded with the proceeds of Future Parity Bonds.

Debt Service Offset means federal interest subsidy payments, designated as such by the City and not included in Gross Revenue that are legally available to pay debt service on Parity Bonds.

Designated City Representative means the Mayor, the Finance Director, or any City employee designated by either of them.

Draw or Draws means incremental draws, in the amount of not less than \$100,000, on the Bond as requested by the City.

Draw Period means that period commencing on the date of Closing and ending on December 1, 2020.

Electric Utility or Utility means the electric supply and distribution system owned and operated by the City, identified as the "Light Utility" by City ordinance, and all additions thereto and betterments and extensions thereof at any time made.

Event of Default means the declaration by the Bank of an event of default as a result of a reasonable determination by the Bank that there has been: (i) nonpayment of principal, interest, fees or other amounts as provided in this ordinance and the Bond; or (ii) a failure by the City to comply with any of its obligations or to perform any of its duties, under this ordinance or the Bond, (other than a failure as described in subsection (i) herein or a failure under this subsection (ii) for which the City has received written notice within the preceding twelve (12) months), for a period of 30 days after written notice to the City by the Bank specifying such failure and requesting that it be remedied; provided, however, that if the failure stated in the notice cannot be correct within such 30 day period, it shall not constitute an Event of Default so long as correction action is immediately instituted by the City which the Bank deems in the Bank's discretion to be sufficient to cure the Event of Default and thereafter the City continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practicable; or (iii) a material misrepresentation by the City in this ordinance or the Bond.

Federal Securities means direct obligations of (including obligations issued or held in book-entry form on the books of), or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Final Maturity Date means December 1, 2039.

Finance Director means the Finance Director of the City or the officer of the City who may succeed to the duties of such office.

First Rate Reset Date means December 1, 2028.

Fiscal Year means a calendar year unless changed pursuant to applicable law.

Fitch means Fitch Ratings, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **Fitch** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated City Representative.

Fixed Rate Bonds means those Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under an ordinance in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the ordinance authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

Future Parity Bonds means any and all Electric Utility revenue bonds or other obligations of the City issued after the date of the issuance of the Bond, the payment of principal of and interest on which constitutes a lien and charge on the Net Revenue of the Utility equal in rank with the lien and charge on such revenue required to be paid into the Revenue Bond Fund to pay and secure the payment of principal of and interest on the Bond.

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

Gross Revenue of the Utility or **Gross Revenue** means all of the earnings and revenues received by the City from the maintenance and operation of the Utility and all earnings from the investment of money on deposit in the Revenue Bond Fund, except government grants, utility local improvement district assessments, City taxes, and earnings or proceeds from any investments in a trust, defeasance or escrow account created to defease or refund Utility obligations (until commingled with other earnings and revenues of the Utility) or held in a special account for the purpose of paying a rebate to the United States Government under the Code.

Interest Rate means (i) from the Closing Date through and including the First Rate Reset Date, a rate of 3.21% per annum; (ii) from the First Rate Reset Date through and including the Second Rate Reset Date, the Reset Rate, calculated as of the First Rate Reset Date; and (iii) from

the Second Rate Reset Date through and including the Final Maturity Date, the Reset Rate, calculated as of the Second Rate Reset Date.

Loan Draw Record means the administrative records kept by the Bank to record the date and dollar amounts of the draws on the Bond and the loan repayments made by the City.

Maximum Annual Debt Service means highest dollar amount of Annual Debt Service in any fiscal year or Base Period for all outstanding Parity Bonds and/or for all subordinate lien evidences of indebtedness secured by Gross Revenue of the Utility, as the context requires.

Moody's means Moody's Investors Service, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***Moody's*** shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P and Fitch) designated by the Designated City Representative.

Net Proceeds, when used with reference to the Bond, means the principal amount of the Bond, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds, if any, deposited in the Reserve Account.

Net Revenue of the Utility or ***Net Revenue*** means the Gross Revenue less Costs of Maintenance and Operation and deposits into the Rate Stabilization Fund, plus withdrawals from the Rate Stabilization Fund.

Original Issue Discount Bonds means Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the ordinance authorizing their issuance.

Outstanding Principal Balance of the Bond means on any particular day the aggregate dollar amount of all Draws that the City has made under the Bond to that day.

Parity Bonds means the Bond and any Future Parity Bonds.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such

use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Projects means the plan of improvements to the System as provided in Section 2 of this ordinance.

Rate Covenant means Net Revenue in each fiscal year at least equal to 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on all Parity Bonds, subtracting from scheduled debt service the amount of ULID Assessments collected in such year. Furthermore, in determining compliance with the Rate Covenant, Net Revenues are subject to adjustment to reflect the following: (1) Revenue and Costs of Maintenance and Operation may be adjusted, regardless of then applicable generally accepted accounting principles, for certain items (e.g., to omit unrealized gains or losses in investments) to more fairly reflect the Utility's annual operating performance, and (2) scheduled debt service shall be calculated net of any federal subsidy legally available to pay the principal of or interest on Parity Bonds in the year of calculation and thereafter, such federal subsidy shall no longer be included in the definition of Gross Revenue of the Utility. Scheduled debt service shall exclude the payments required to be made with respect to revenue bond anticipation notes to the extent that the ordinance authorizing their issuance provides that the bond anticipation notes will be funded with the proceeds of Future Parity Bonds.

Rate Reset Date means the First Rate Reset Date and the Second Rate Reset Date, respectively.

Registered Owner means the financial institution in whose name the Bond is registered on the Bond Register.

Request for Draw or Draws means incremental draws for the Projects as requested by the Designated City Representative.

Reserve Account means the account of that name created in the Revenue Bond Fund for the purpose of securing the payment of the principal of and interest on Parity Bonds.

Reserve Insurance means, in lieu of cash and investments, any bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement device obtained by the City to satisfy part or all of the Reserve Requirement for any Parity Bonds then outstanding; provided, however, that any such bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement is provided by an entity that, at the time it issues the bond insurance, letter of credit, guaranty, surety bond, or similar credit enhancement, is rated in one of the two highest rating categories by Moody's or S&P or both Moody's and S&P if such entity is rated by both or their comparably recognized business successors.

Reserve Requirement means the least of: (1) Maximum Annual Debt Service on all Parity Bonds, (2) 10% of the net proceeds of the Parity Bonds, and (3) 125% of Average Annual Debt Service for all Parity Bonds; provided, however, that for so long as the Bank is the

Registered Owner, item (3) shall be equal to Average Annual Debt Service. In calculating Annual Debt Service for purposes of the Reserve Requirement, the interest rate for Parity Bonds bearing interest at other than a fixed rate shall be the rate applicable at the time of computation, unless that rate is less than an interest rate equal to the yield to maturity that is the higher of (i) the average of the SIFMA Municipal Swap Index over the 60-month period immediately preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap Index over the 12-month period immediately preceding the date of computation, as determined within ten days prior to the date of computation. The amount of the Reserve Requirement may be recalculated from time to time as principal of Parity Bonds is paid or Future Parity Bonds are issued.

Reset Rate means the most recently available monthly average of the 5-year swap rate (the “Swap Rate”) as displayed in the Bloomberg Financial Markets system (or if such system is no longer available, a comparable index as determined by the Bank), plus 1.85%, multiplied by the calculation of 100 minus the highest marginal tax rate applied to subchapter C corporations, expressed as a decimal, which rate will be in effect from one Rate Reset Date until the next Rate Reset Date. The Reset Rate shall be calculated 15 days prior to the Rate Reset Date.

Resource Obligation means an obligation of the Electric Utility to pay the following resource costs:

(a) costs associated with the purchase of energy, capacity, capability, reserves, conservation, or other services under a contract; or

(b) costs associated with generation, transmission, distribution or conservation facilities (including any common undivided interest therein) hereafter acquired, purchased or constructed by the City and declared by the Council to be a separate utility system, which costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate electric utility system.

Revenue Bond Fund means the “Utility Bond Redemption Fund,” which name of fund may be changed prior to closing, as directed by the Finance Director, authorized to be created in the office of the Designated City Representative for the sole purpose of paying and securing the payment of the principal of, premium, if any, and interest on Parity Bonds.

Revenue Fund means the City of Milton Electric Utility Operations Fund maintained in the office of the City and shall include cash accounts therein.

Rule means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934.

Second Rate Reset Date means December 1, 2033.

Serial Bonds means Parity Bonds other than Term Bonds.

Sinking Fund Requirement means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity in that Fiscal Year as established by the ordinance, resolution, bond purchase contract, or other proceedings for the sale of those Term Bonds.

S&P means Standard & Poor's Ratings Services, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***S&P*** shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's and Fitch) designated by the Designated City Representative.

Term Bonds means any Parity Bonds identified as such in the ordinance, resolution, bond purchase contract, or other proceedings for the sale thereof, the payment of the principal of which is fully provided for by a Sinking Fund Requirement.

Term Loan Period means that period commencing December 1, 2020 and ending on the Final Maturity Date or the date on which all principal of and interest on the Bond is fully paid, if earlier.

Treasurer means the Finance Director of the City or any successor to the functions of the Finance Director.

2019-2023 Capital Improvement Plan and Rate Study or ***Plan*** means the Electric System Capital Plan and Rate Study of the City, as adopted by Ordinance No. 1964-19, on May 6, 2019, and applicable to the capital construction of electrical facilities expected to occur in the years 2019 through 2023.

ULID means a utility local improvement district of the City.

ULID Assessments means the assessments levied in all ULIDs, the assessments in which are payable into the Revenue Bond Fund, and shall include installments thereof and interest and any penalties thereon.

Rules of Interpretation. In this ordinance, unless the context otherwise requires:

(a) 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;

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

(c) 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;

(d) 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

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

Section 2. Plan of Improvements. The Council hereby finds that the public interest, welfare and convenience require the construction, acquisition and installation of the Electric Utility improvements described in this Section 2 and that these improvements are legally required and/or economically sound, and will contribute to the conduct of the business of the Utility in an efficient manner.

The following plan for the design, acquisition, construction and installation of additions and betterments to the Utility is hereby specified and adopted:

The City will undertake various improvement projects including (a) substation replacement and (b) upgrades to substation feeders and related projects, all as outlined in the 2019-2023 Capital Improvement Plan and Rate Study. If funds are available, the City may make other improvements to the Electric Utility. These improvements are referred to collectively herein as the “Projects”.

The City will provide all equipment, connections and appurtenances together with all work as may be incidental and necessary to complete the Projects. The Project facilities will be integrated into the Electric Utility as required to provide a fully operational facility.

The City may make such changes in or additions to the Projects or in the construction or design of other facilities of the Electric Utility as may be found necessary or desirable. Implementation or completion of any specified improvement will not be required if the Council determines that, due to substantially changed circumstances, it has become advisable or impractical. If the Projects have either been completed, or their completion duly provided for, or their completion found to be impractical, the City may apply the Bond proceeds or any portion thereof to other improvements to the Electric Utility, as the Council in its discretion may determine. If proceeds of sale of the Bond, plus any other money of the City legally available, are insufficient to accomplish all of the Projects authorized by this section, the City shall use the available funds to pay the cost of those portions of the Projects that the Council deems most necessary and in the best interest of the City.

The City shall acquire by purchase, lease or condemnation, all property, both real and personal, or any interest therein, or rights-of-way and easements that may be found necessary to acquire, construct and install the Projects.

Section 3. Authorization of the Bond; Bond Details; Delegation to the Designated City Representative. For the purpose of establishing a line of credit, the City shall issue its electric revenue bond, initially in the form of a non-revolving draw down obligation to provide funds to pay the costs of the Projects and to pay costs of issuance during the Draw Period and converting to an amortizing obligation during the Term Loan Period following the end of the Draw Period, in the principal amount of not to exceed \$5,000,000 (the “Bond”).

(a) *Bond Details.* The Bond shall be designated as the “City of Milton, Washington Electric Revenue Bond, 2019,” shall be dated as of the date of its original issuance, shall be issued as a single instrument, fully registered form in the denomination of not to exceed \$5,000,000; provided that the principal amount due and owing thereunder shall be measured by the total drawings made, as evidenced by the Loan Draw Record attached to the Bond; and shall be numbered N-1.

(b) *Draw Period.* The Outstanding Principal Balance shall bear interest at the Interest Rate. Interest on each Draw shall be determined from the date the Bank honors such Draw. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest that has accrued during the Draw Period on the Outstanding Principal Balance of the Bond shall be repayable in semiannual installments of interest on each June 1 and December 1, commencing December 1, 2019. The City may utilize a Draw to pay interest on the Outstanding Principal Balance; however, any Draw used to pay interest will be added to the Outstanding Principal Balance. Payments of principal may be paid at any time during the Draw Period, but not re-borrowed.

(c) *Term Loan Period.* During the Term Loan Period, the Bond shall bear interest at the Interest Rate. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Outstanding Principal Balance of the Bond shall be repayable in semiannual installments on each June 1 and December 1, commencing June 1, 2021. Principal of the Bond shall be repayable in annual installments on December 1 of each year, commencing December 1, 2021. The final payment of all principal and interest due on the Final Maturity Date. The Bank shall provide an amortization schedule of principal and interest prior to the commencement of the Term Loan Period to the City.

(d) *Put Option and Reset Rate.* The Bank will have the right, at its sole discretion and regardless of whether or not a default or an Event of Default has occurred and is continuing, to require (with 180 days advance notice to the City) prepayment in full of the Outstanding Principal Balance and accrued but unpaid interest on the Bond on each Rate Reset Date. If the Bank’s option is not exercised on each Rate Reset Date, interest on the Bond will be recalculated according to the Reset Rate, and paid until the next Rate Reset Date or the Final Maturity Date.

(e) *Draws.* The Bond is a non-revolving obligation. During the Draw Period, the available principal of the Bond shall be disbursed as borrowings from time to time by the Bank upon request from the City (each such disbursement herein referred to as a “Draw”), as provided in Section 5 of this ordinance, up to a maximum principal amount outstanding of \$5,000,000. Draws shall be recorded on the Loan Draw Record attached to the Bond, or in such other form as

the City and the Bank may agree. Interest on each Draw shall accrue from the date of that Draw and shall be computed on the basis as described above on the principal amount of the Draw outstanding for the actual number of days the principal amount of the Draw is outstanding.

(f) *Delegation to the Designated City Representative.* The Designated City Representative is hereby authorized to determine for the City the amount and the timing of Draws and repayments under the Bond during the Draw Period.

Section 4. Sale of Bond. The City hereby ratifies and confirms its acceptance of the Purchase Offer attached as Exhibit A, to purchase the Bond on the terms specified therein and in this ordinance. The proper officials of the City are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Bond and the items required to be delivered to the Bank under the terms of the Purchase Offer and for proper use and application of the proceeds of sale thereof. In accordance with the Purchase Offer, the City will pay the Bank a fee of \$2,500 and a bank counsel legal fee of \$5,000.

Section 5. Procedures for Draws on the Bond. At any time during the Draw Period, a request for a Draw on the Bond established hereunder may be made in writing by the Designated City Representative, in the form attached hereto as Exhibit B, must be delivered to the Bank. Draw requests may be mailed to the Bank or sent as attachments to email addressed to the Bank at pete.sullivan@wafd.com. Draws may be made on any business day in amounts of not less than \$100,000. Draws must be received by 11:00 a.m. for same day funding. The Bank will then notify the City of its intent to wire transfer a Draw (including the dollar amount of the Draw and the date on which the Draw amount will be transferred to the account of the City maintained at the Bank). The City hereby delegates to the Designated City Representative the authority to make a written request for Draws in accordance with the terms and provisions of this ordinance in the amounts and at the times necessary to accomplish each component of the Projects. At the end of the Draw Period no further Draws shall be permitted, in order that the Bond amortization schedule be completed prior to the first principal and interest payment date during the Term Loan Period.

Section 6. Registration, Transfer and Payments.

(a) *Appointment of Bond Registrar.* The City hereby requests that the Finance Director act as the Bond Registrar. The duties of the Bond Registrar hereunder are limited to authenticating the Bond and to remitting money to the Bank on the payment dates as provided therein. The Finance Director may determine at any time that she no longer wishes to act as Bond Registrar and thereupon appoint a successor Bond Registrar, which may be the fiscal agent for the State of Washington. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bond in accordance with the provisions of the Bond and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance.

(b) *Bond Register.* The Bond shall be in registered form as to both principal and interest.

(c) *Registered Ownership.* The Bond Registrar, in its discretion, may deem and treat the Registered Owner of the Bond as the absolute owner thereof for all purposes, and the Bond Registrar shall be affected by any notice to the contrary. Payment of the Bond shall be made only as described in this section. All such payments made as described in this section 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.

(d) *Transfer.* The Bond is transferable only in whole (i) to a successor in interest (through merger, corporate reorganization or purchase of the Bank) or (ii) to a “qualified institutional buyer” as such term is defined in Rule 144A of the Securities Act of 1933. The Bank will not transfer the Bond to a subsequent investor unless the Bank causes such investor to receive such information regarding the City and the Bond as is necessary to comply with applicable securities laws.

(e) *Payment.* Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Installments of principal of and interest on the Bond shall be paid by check, wire, or electronic transfer to the Bank; *provided, however,* that the final installment of principal on the Bond shall be payable only upon presentation and surrender of the Bond by the Bank to the Bond Registrar.

Section 7. Prepayment.

(a) *Prepayment Without Penalty.* The City reserves the right to prepay the Bond in advance of the Final Maturity Date, in whole, on a Rate Reset Date, with no prepayment penalty.

(b) *Prepayment With Penalty.* The City reserves the right, on any other business day other than a business day mentioned in Section 7(a) above, to prepay principal of and interest on the Bond in advance of the scheduled payments, in whole or in part, on any business day, and upon 30 days’ prior written notice to the Bank; *provided* that the prepayment will be subject to a make-whole premium that is equal to the sum of interest on the Bond that would have accrued to the next upcoming Rate Reset Date.

Section 8. Revenue Fund; Flow of Funds.

(a) *Revenue Fund.* There has heretofore been created by the City a special fund of the City known as the “Electric Utility Operations Fund”, into which shall be deposited the Gross Revenue of the Utility. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City.

(b) *Priority of Payments from the Revenue Fund.* The Gross Revenue of the Utility shall be deposited in the Revenue Fund and shall be used for the following purposes only in the following order of priority:

First, to pay the Costs of Maintenance and Operation (including Resource Obligations, to the extent permitted in accordance with Section 12(a) of this ordinance);

Second, to make all payments required to be made into the Revenue Bond Fund to pay interest on any Parity Bonds;

Third, to make all payments required to be made into the Revenue Bond Fund to pay principal of any Parity Bonds at maturity or upon the mandatory redemption of any Term Bonds;

Fourth, to make all payments required to be made pursuant to a reimbursement agreement or other agreement in connection with obtaining any Reserve Insurance, if the ordinance, resolution or other proceedings of the City authorizing the Reserve Insurance provides for such reimbursement;

Fifth, to make all payments required to be made into or for the benefit of the Reserve Account (including paying the costs of obtaining Reserve Insurance therefor);

Sixth, to make all payments required to pay and secure the payment of principal of and interest on any revenue obligations of the City having a lien upon Net Revenue of the Utility junior and inferior to the lien thereon to pay and secure the payment of principal of and interest on the Parity Bonds; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the Utility, or to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Utility, to make deposits into the Rate Stabilization Fund, or for any other lawful City purposes.

The City may transfer any money from any funds or accounts of the Utility legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds, to meet the required payments to be made into the Revenue Bond Fund.

Section 9. Payments into Revenue Bond Fund. A special account of the City known as the “Utility Bond Redemption Fund” (the “Revenue Bond Fund”) is hereby authorized to be created in the office of the Finance Director for the sole purpose of paying and securing the payment of Parity Bonds.

(a) *Payments into Revenue Bond Fund.* As long as any Parity Bond remains outstanding, the City agrees to deposit into the Revenue Bond Fund out of money in the Revenue Fund, on or before the date due, the amounts necessary, together with money already in the Revenue Bond Fund (including ULID Assessments), to pay the principal of, premium, if any, and interest on the Bond, including any Sinking Fund Requirement for Term Bonds, as the same become due and payable. ULID Assessments are also required to be deposited into the Revenue Bond Fund, as provided in Section 10(k).

Money in the Revenue Bond Fund shall be held for the benefit of the owners of all Parity Bonds then outstanding and payable equally and ratably and without preference or distinction as between different series, installments or maturities.

(b) *The Reserve Account.*

(1) Establishment. The City hereby agrees that a special account to be known as the “Utility Reserve Account” (the “Reserve Account”) shall be maintained for the purpose of securing the payment of principal of and interest on the Bond and any Future Parity Bonds. Prior to or upon the issuance of the Bond, the City will deposit into the Reserve Account funds sufficient to satisfy the Reserve Requirement for the Bond. The City covenants and agrees that if it issues any Future Parity Bonds it will provide in each ordinance authorizing the issuance of the Future Parity Bonds that, on or before the dates of issuance of the Future Parity Bonds, the City will set aside and pay into the Reserve Account out of the proceeds of the Future Parity Bonds or out of any other funds on hand and legally available for this purpose, an amount that, together with other money already in the Reserve Account and otherwise required to be paid therein, will at least equal the Reserve Requirement.

The City further covenants and agrees that it will at all times maintain an amount in the Reserve Account at least equal to the Reserve Requirement, except for withdrawals therefrom authorized by this ordinance, so long as any Parity Bonds remain outstanding.

(2) Maintenance of Reserve Requirement. The Reserve Requirement may be maintained by deposits of cash or Reserve Insurance, or a combination of the foregoing. All amounts other than Reserve Insurance held in the Reserve Account may be invested in any legal investments for City funds, as provided in (d) below. In computing the amount on hand in the Reserve Account, Reserve Insurance shall be valued at the face amount thereof. As used herein, the term “cash” includes U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier’s check. The deposit to the Reserve Account may be satisfied initially by the transfer of qualified investments to that account.

(3) Withdrawals From Reserve Account. If the balances on hand in the Reserve Account are sufficient to satisfy the Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Revenue Bond Fund, including the Reserve Account to pay the principal of and interest on all outstanding Parity Bonds, the money in the Reserve Account may be used to pay such principal and interest. As long as the money left on deposit in the Reserve Account is equal to the Reserve Requirement, money in the Reserve Account may be transferred to the Revenue Bond Fund and used to pay the principal of and interest on Parity Bonds as the same become due and payable. The City also may transfer out of the Reserve Account any money required in order to prevent any Parity Bonds from becoming “arbitrage bonds” under the Code.

If a deficiency in the Revenue Bond Fund for the payment of debt service on Parity Bonds occurs, the deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency with respect to the Parity Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Reserve Insurance in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for the Reserve Insurance provides.

In making the payments and credits to the Reserve Account required by this Section 9(b), to the extent that the City has obtained Reserve Insurance for specific amounts required pursuant to this section to be paid out of the Reserve Account, the amounts so covered by Reserve Insurance will be credited against the amounts required to be maintained in the Reserve Account by this Section 9(b).

(4) Replenishment. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up within one year of the date of withdrawal from Net Revenue (or out of any other money on hand legally available for such purpose) after making necessary provision for the payments required to be made by paragraphs First through Fourth in Section 8 of this ordinance.

Any Reserve Insurance shall not be cancelable on less than five years' notice to the City. In the event of any cancellation, the Reserve Account shall be funded in an amount calculated as if the Parity Bonds that remain outstanding had been issued on the date of that cancellation and by depositing that amount into the Reserve Account from Gross Revenue on or prior to the date that is twelve months following the date of cancellation.

If the City elects to meet the Reserve Requirement by using Reserve Insurance, the City may contract with the entity providing such Reserve Insurance that the City's reimbursement obligation, if any, to such entity be made from Net Revenue after making necessary provision for the payments required to be made by paragraphs First through Third in Section 8 of this ordinance.

(5) Future Parity Bonds. In the event the City issues any Future Parity Bonds, the City will provide in the ordinance authorizing the issuance of the same for payment into the Reserve Account out of proceeds of such Future Parity Bonds, Net Revenue of the Utility or ULID Assessments (or, at the option of the City, out of any other funds on hand and legally available therefor) approximately equal additional annual installments so that by five years from the date of issuance of such Future Parity Bonds there will have been paid into the Reserve Account an amount that, together with the money already on deposit therein, will be at least equal to the Reserve Requirement. Such annual payments into the Reserve Account shall be made not later than December 20 of each year.

(c) *Priority of Lien of Payments into Revenue Bond Fund*. The amounts so pledged to be paid into the Account and the accounts therein from the Revenue Fund are hereby declared to be a prior lien and charge on the Gross Revenue of the Utility superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation and equal in rank to the lien and charge on Gross Revenue of the Utility to pay and secure the payment of any Future Parity Bonds.

(d) *Application and Investment of Money in Revenue Bond Fund*. Money in the Revenue Bond Fund may be kept in cash or any legal investments for City funds. Investments in the Revenue Bond Fund shall mature prior to the date on which such money is needed for required interest or principal payments or having a guaranteed redemption price prior to

maturity. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds.

(e) *Sufficiency of Revenues.* The Council hereby finds that in fixing the amounts to be paid into the Revenue Bond Fund and the accounts therein out of Gross Revenue of the Utility, it has exercised due regard for the Costs of Maintenance and Operation of the Utility and has not obligated the City to set aside and pay into the Revenue Bond Fund and the accounts therein a greater amount of Gross Revenue than in its judgment will be available over and above the Costs of Maintenance and Operation.

Section 10. Bond Covenants.

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

(b) *Rate Covenant.* The City will establish, maintain and collect such rates and charges for service of its Electric Utility for so long as any Parity Bonds are outstanding as will maintain the Rate Covenant.

(c) *Payment of Costs of Maintenance and Operation.* After making or providing for the payments from the Revenue Fund as required by Section 8(b) hereof, there shall be maintained in the Revenue Fund sufficient money to enable the City to meet the Costs of Maintenance and Operation of the Utility on a current basis.

(d) *Sale or Disposition of the System.* The City will not sell or otherwise dispose of the Utility in its entirety unless, simultaneously with such sale or other disposition, all Parity Bonds are redeemed and retired, or defeased pursuant to the provisions of this ordinance.

The City will not sell, lease, mortgage, or in any manner encumber or otherwise dispose of any part of the Utility that is used, useful or material in the operation of the Utility, unless provision is made for the replacement thereof or for payment into the Revenue Bond Fund of the greatest of the following:

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

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

(3) An amount that will be in the same proportion to the net amount of any Parity Bonds then outstanding (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire Utility immediately prior to the sale or disposition.

Notwithstanding any other provision of this subsection (d), the City may sell or otherwise dispose of any of the works, plant, properties or facilities of the Utility or any real or personal property comprising a part of the same (i) with a value less than 5% of the net utility plant of the Utility or (ii) that is unserviceable, inadequate, obsolete or unfit to be used in the operation of the Utility, or no longer necessary, material to or useful to the operation of the Utility, without making any deposit into the Revenue Bond Fund.

(e) *Liens or Encumbrances.* The City will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Utility or the Gross Revenue of the Utility, or any part thereof, prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Gross Revenue of the Utility, or any part thereof, or upon any funds in the hands of the City, prior to or superior to the lien of the Parity Bonds, or which might impair the security of the Parity Bonds.

(f) *Insurance.* The City will, as needed, and to the extent insurance coverage is available at reasonable cost with responsible insurers, keep, or cause to be kept, the Electric Utility and the operation thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Utility, or any part thereof, and against accidents, casualties or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by municipalities operating like utilities. In lieu of such insurance coverage, the City may self-insure or participate in a joint intergovernmental insurance pool for coverage similar to the coverage described in the preceding sentence.

(g) *Books and Accounts.* The City will keep proper books of account for the Utility as required by this ordinance in accordance with the rules and regulations prescribed by the Division of Municipal Corporations of the Office of the State Auditor of the State of Washington, or other State department or agency succeeding to the duties of the State Auditor's office, and if no such rules or regulations are prescribed, then in substantial accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Council or other federal agencies having jurisdiction over electric public utility companies owning and operating properties similar to the electric properties operated by the City (whether or not the City is at that time required by law to use such system of accounts). The City shall cause its books of account to be audited by the Office of the State Auditor or other state agency as may be authorized and directed by law to make such audit. The City shall endeavor to obtain annual audits no later than 270 days after the close of each fiscal year, and a copy of each audit shall be delivered promptly to the Bank.

(h) *No Free Service.* The City will not furnish or supply or permit the furnishing or supplying of electric energy or any other commodity, service or facility furnished by or in connection with the operation of the Utility free of charge to any person, firm or corporation, public or private, and the City will promptly enforce the payment of any and all accounts owing to the City and delinquent; provided, however, that to the extent permitted by law, the City may loan money and may provide commodities, services or facilities free of charge or at a reduced charge in connection with a plan of conservation of electric energy or senior citizen or indigent ratepayer discounts adopted by the Council.

(i) *Additions and Improvements.* The City will not expend any of the revenues derived by it from the operation of the System or the proceeds of any indebtedness payable from the Gross of the Utility for any extensions, betterments or improvements to the System that are not legally required or economically sound, and that will not properly and advantageously contribute to the conduct of the business of the System in an efficient manner.

(j) *Collection of Delinquent Accounts.* The City will, on or before April 1 of each calendar year, determine all accounts that are delinquent and will take all necessary action to enforce payment of such accounts including those remedies available pursuant to RCW Chapter 35.21, as amended, or its successor statute, if any, against those property owners whose accounts are delinquent.

(k) *Collection and Application of ULID Assessments.* The City will promptly collect all ULID Assessments and deposit them into the Revenue Bond Fund to be used to pay the principal of and interest on Parity Bonds. However, nothing in this ordinance or this section shall be construed to prohibit the City from issuing electric utility revenue bonds junior in lien to the Parity Bonds and pledging as security for their payment assessments levied in any utility local improvement district that may have been created specifically to pay part of the cost of improvements to the Utility for which those junior lien bonds are specifically issued.

(l) *Collection of Delinquent ULID Assessments.* The City will, on or before April 1 of each calendar year, determine all ULID Assessments or installments thereof that are delinquent and will take all necessary action to enforce payment of such ULID Assessments, including real property foreclosure actions pursuant to RCW Chapter 35.50, as amended, or its successor statute, if any, against the property owners whose ULID Assessments are delinquent.

Section 11. Issuance of Future Parity Bonds.

The City covenants and agrees that so long as any Bonds are outstanding, it will not issue any bonds with a lien on Gross Revenue superior to the lien on Gross Revenue of the Parity Bonds. The City reserves the right to issue Future Parity Bonds if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds:

(a) There must be no deficiency in the Revenue Bond Fund.

(b) The ordinance providing for the issuance of the Future Parity Bonds must provide for the payment of the principal thereof and interest thereon out of the Revenue Bond Fund.

(c) The ordinance authorizing the issuance of the Future Parity Bonds must provide for satisfaction of the Reserve Requirement in accordance with Section 9(b).

(d) The ordinance authorizing the issuance of the Future Parity Bonds must provide for payments into the Revenue Bond Fund sufficient to satisfy the Sinking Fund Requirement for any Term Bonds to be issued.

(e) Except as provided in Subsection (f) below, the City must have on file a parity certificate satisfying the requirements of one of the following two options:

(1) A certificate from a Consultant showing that in his or her professional opinion the Net Revenue of the Utility for any 12 consecutive calendar months out of the immediately preceding 24 calendar months (which may be adjusted as hereafter provided), is equal to at least 1.25 times the Annual Debt Service (after deducting from Annual Debt Service the amount of ULID Assessments, if any, allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the assessment roll) for each Fiscal Year in which any Parity Bonds plus the Future Parity Bonds proposed to be issued will be outstanding.

The certificate, in estimating the Net Revenue of the Utility available for debt service, shall use the historical Net Revenue of the Utility for any 12 consecutive months out of the 24 months immediately preceding the month of delivery of the Future Parity Bonds. Net Revenue of the Utility may be adjusted to reflect:

(i) Any changes in rates in effect and not being charged or expressly committed by ordinance to be made in the future;

(ii) Income derived from customers of the Utility that have become customers during the 12 consecutive month period or thereafter adjusted to reflect one year's net revenue from those customers;

(iii) Revenue from any customers to be connected to the Utility who have paid the required connection charges;

(iv) Revenue received or to be received which is derived from any person, firm, corporation or municipal corporation under any executed contract for electrical utility service, which revenue was not included in the historical Net Revenue of the Utility; and

(v) The Consultant's estimate of the Net Revenue of the Utility to be derived from customers to connect within 30 days after the date of the certificate to any additions to and improvements and extensions of the Utility to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extension of the Utility then under construction and not fully connected to the facilities of the Utility when such additions, improvements and extensions are completed.

(2) A certificate of the City's Finance Director showing that in his or her professional opinion the Net Revenue of the Utility for any 12 consecutive calendar months out of the immediately preceding 24 calendar months (with no adjustments made to Net Revenue), is equal to at least 1.25 times the Annual Debt Service (after deducting from Annual Debt Service the amount of ULID Assessments, if any, allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the assessment roll) for each Fiscal Year in which any Parity Bonds plus the Future Parity Bonds proposed to be issued will be outstanding.

(f) If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding Parity Bonds, no parity certificate as described in subsection (e) shall be required if the amount required for the payment of the principal and interest in such year for the refunding bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of such refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

(g) In calculating Annual Debt Service for purposes of this Section 11, if the interest rate on any Parity Bonds is other than a fixed rate, the rate applicable at the time of computation shall be used unless that rate is less than an interest rate equal to the yield to maturity that is the higher of (i) the average of the SIFMA Municipal Swap Index over the 60-month period immediately preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap Index over the 12-month period immediately preceding the date of computation, as determined within ten days prior to the date of computation or, if such computation is being made in connection with the certificate required by this section, then within ten days prior to the date of that certificate.

Section 12. Other Obligations of the Electric Utility.

(a) Resource Obligations.

(i) A Resource Obligation may be included in Costs of Maintenance and Operations (to the extent provided in Subsection 12(a)(ii)), if the following requirements are met when the Resource Obligation is incurred:

(1) No default has occurred with respect to any payment of principal of or interest on any Parity Bonds;

(2) The Finance Director has on file a Consultant's certificate stating that acquisition of the additional resource is consistent with sound electric utility practice and the estimated cost of the Resource Obligation is reasonable; and

(3) The Finance Director has on file a Consultant's certificate stating that estimated annual Net Revenues for the second full Fiscal Year after (A) the date of initial operation of the facilities to be financed as a Resource Obligation or (B) the date of first delivery

of the resource under a contract the costs of which are to be declared to be a Resource Obligation, will be at least equal to 1.25 times Maximum Annual Debt Service for Parity Bonds in any future Fiscal Year. In calculating Annual Debt Service for purposes of this Section 12, if the interest rate on any Parity Bonds is other than a fixed rate, the rate applicable at the time of computation shall be used unless that rate is less than an interest rate equal to the yield to maturity that is the higher of (i) the average of the SIFMA Municipal Swap Index over the 60-month period immediately preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap Index over the 12-month period immediately preceding the date of computation, as determined within ten days prior to the date of computation or, if such computation is being made in connection with the certificate required by this section, then within ten days prior to the date of that certificate.

(ii) A Resource Obligation (1) is included in Costs of Maintenance and Operation for any month in which power and energy or other goods and services from the resource were made available to the Electric Utility during that month, regardless of whether the Electric Utility actually scheduled or received power or energy or other goods and services from the resource during that month, and otherwise (2) is payable from Gross Revenue on a parity of lien with the Parity Bonds.

(iii) No Resource Obligation may be subject to acceleration upon the occurrence of a default thereunder.

(b) *Junior Lien Obligations.* Nothing herein contained prevents the City from (i) issuing revenue bonds or other obligations that are a charge upon the Gross Revenue of the Utility junior or subordinate to the payments required to be made into the Revenue Bond Fund to pay and secure payment of the Parity Bonds or (ii) pledging the payment of assessments from a utility local improvement district into a fund or account created to pay and secure the payment of such junior lien bonds as long as those assessments are levied for improvements constructed from the proceeds of sale of such junior lien bonds, nor shall anything herein contained prevent the City from issuing revenue bonds to refund maturing revenue bonds of the City for the payment of which money is not otherwise available. No junior lien obligation may be subject to acceleration upon the occurrence of a default thereunder.

Section 13. Tax Covenants. 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 Bond and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bond.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the date of delivery of the Bond to the Bank, would have caused the Bond as an “arbitrage bond” within the meaning of such term as used in Section 148 of the Code.

The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The City will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bond.

(b) *Private Person Use Limitation for Bond.* The City covenants that for as long as the Bond is outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bond to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bond in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bond are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bond in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the Projects financed or refinanced with the proceeds of the Bond or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Projects financed or refinanced with the proceeds of the Bond, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bond used for the state or local governmental use portion of the Projects financed or refinanced with the proceeds of the Bond to which the Private Person Use of such portion of the Projects financed or refinanced with the proceeds of the Bond relates. The City further covenants that it will comply with any limitations on the use of the Projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bond. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bond.

(c) *Designation under Section 265(b) of the Code.* The City hereby designates the Bond as a “qualified tax-exempt obligation” for investment by financial institutions under Section 265(b)(3) of the Code. The City does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during 2019 (excluding obligations permitted by the Code to be excluded for purposes of the City’s qualification as a qualified small issuer).

(d) *Modification of Tax Covenants.* The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bond. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City’s bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bond.

Section 14. **Form of Bond.** The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. N-1

not to exceed \$5,000,000
(or as much thereof as is
shown on the attached
Loan Draw Record)

STATE OF WASHINGTON

CITY OF MILTON
ELECTRIC REVENUE BOND, 2019

INTEREST RATE: Initially 3.21%, then the Reset Rate, as provided herein

FINAL MATURITY DATE: DECEMBER 1, 2039

REGISTERED OWNER: WASHINGTON FEDERAL N.A.
425 PIKE STREET
SEATTLE, WA 98101

TAX IDENTIFICATION #: 91-1661606

PRINCIPAL AMOUNT: NOT TO EXCEED FIVE MILLION and NO/100 DOLLARS (or
as much thereof as is shown on the attached Loan Draw Record)

THE CITY OF MILTON, WASHINGTON, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (herein called the “City”), hereby acknowledges itself to owe and for value received, promises to pay to the Registered Owner identified above, or registered assigns, the Outstanding Principal Balance (as defined in the hereinafter defined Bond Ordinance) of this bond, in an amount not to exceed the Principal Amount specified above.

This bond is issued pursuant to Ordinance No. ____-19 of the City (the “Bond Ordinance”) to finance the costs of capital improvements to the City’s Electric Utility and paying costs of issuance. Capitalized terms appearing on this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

Draw Period. During the Draw Period, the Outstanding Principal Balance on any particular day shall be the aggregate of all funds that the City has Drawn from the date of this bond to that day less the aggregate of all principal payments made by the City on or before that day. Drawings shall be permitted hereunder from the date hereof during the Draw Period until the end of the Draw Period. Following the end of Draw Period, the Term Loan Period will commence, and the Outstanding Principal Balance shall be converted to a fully amortizing loan, and a schedule of principal and interest payments shall be prepared by the Registered Owner and attached to this bond (copies of which shall also be provided to the City). Draws shall be recorded on the Loan Draw Record attached to this bond, or in such other form as the City and the Registered Owner may agree. During the Draw Period, the Outstanding Principal Balance shall bear interest at the Interest Rate, shall be calculated on the basis of a basis of a 360-day year consisting of twelve 30-day months, and shall accrue from the date of each Draw on the principal amount of such Draw outstanding. During the draw period, interest on the Outstanding Principal Balance of this bond shall be paid semiannually on each June 1 and December 1, commencing December 1, 2019. The City may utilize a Draw to pay interest on the Outstanding Principal Balance; however, any Draw used to pay interest shall be added to the Outstanding Principal Balance. The City may pay principal on the Outstanding Principal Balance at any time during the Draw Period as provided in the Bond Ordinance.

Term Loan Period. During the Term Loan Period, this bond shall bear interest on unpaid principal at the Interest Rate, and shall be calculated on the basis of a basis of a 360-day year consisting of twelve 30-day months. During the Term Loan Period, this bond shall be repayable in semiannual installments of interest on each June 1 and December 1, commencing June 1, 2021. During the Term Loan Period, principal on this bond shall be repayable in annual installments on each December 1, commencing December 1, 2021, with the final payment of all principal and interest due on the Final Maturity Date. The Registered Owner shall provide an amortization schedule of principal and interest prior to the commencement of the Term Loan Period to the City and to be attached hereto as Exhibit A.

The Registered Owner of this bond has the right, at its sole discretion and regardless of whether or not a default or an Event of Default has occurred and is continuing, to require (with 180 days advance notice to the City) prepayment in full of the Outstanding Principal Balance and accrued but unpaid interest on this Bond on each Rate Reset Date. If the Bank’s option is not exercised on each Rate Reset Date, interest on this Bond will be recalculated according to the Reset Rate, and paid until the next Rate Reset Date or the Final Maturity Date, whichever the case may be.

Both principal of and interest on this bond are payable in lawful money of the United States of America. The Finance Director of the City is acting as the initial registrar, authenticating agent and paying agent for this bond (the “Bond Registrar”). Upon the final

payment of principal and interest of this bond, the Registered Owner shall present and surrender this bond to the Bond Registrar.

This bond may be prepaid as provided in the Bond Ordinance.

This bond may be transferred only in whole to a financial institution and only if endorsed in the manner provided in the Bond Ordinance and surrendered to the Bond Registrar. The Registered Owner will not transfer this bond to a subsequent investor unless the Registered Owner causes such investor to receive such information regarding the City and this bond as is necessary to comply with applicable securities laws.

The principal of and interest on the Bond are payable solely out of the special fund of the City known as the “Electric Utility Revenue Bond Fund” (the “Revenue Bond Fund”), established by Ordinance No. _____ of the City and renamed and continued by the Bond Ordinance. The Bond is a special limited obligation of the City and is not an obligation of the State of Washington or any political subdivision thereof other than the City. The Bond is not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City or the State of Washington or any other subdivision thereof is pledged to the payment of the Bond.

Under the Bond Ordinance, the City is obligated to set aside and pay into the Revenue Bond Fund out of Gross Revenue of the Utility certain fixed amounts sufficient to pay when due the principal of and interest on the Bond, as provided in the Bond Ordinance. To the extent provided by the Bond Ordinance, the amounts pledged to be paid from Gross Revenue of the Utility into the Revenue Bond Fund and accounts therein are a lien and charge thereon equal in rank to the lien and charge upon Gross Revenue of the Utility of the amounts required to pay and secure the payment of any Future Parity Bonds, and superior to all other liens and charges of any kind or nature, except the Costs of Maintenance and Operation of the Electric Utility.

The City has further bound itself to maintain the Utility in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for as long as the Bond is outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due.

The pledge of revenue of the Electric Utility and other obligations of the City under the Bond Ordinance may be discharged at or prior to the maturity or redemption of the Bond upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The City has designated this bond as a “qualified tax-exempt obligation” for purchase by financial institutions pursuant to Section 265(b) of the Internal Revenue Code. This bond is not private activity bond.

This bond is not a general obligation of the City. The City hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and 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.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the City of Milton has caused this bond to be signed with the facsimile or manual signature of the Mayor, to be attested by the facsimile or manual signature of the City Clerk, and the manual or facsimile seal of the City to be impressed or imprinted hereon, all as of this ____ day of _____, 2019.

CITY OF MILTON, WASHINGTON

By _____ /s/ facsimile or manual
Mayor

ATTEST:

_____/s/ facsimile or manual
City Clerk

The Certificate of Authentication for the Bond shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 2019

This bond the bond described in the within-mentioned Bond Ordinance and is the Electric Revenue Bond, 2019, of the City of Milton, Washington dated _____, 2019.

FINANCE DIRECTOR OF THE CITY OF
MILTON, as Bond Registrar

By _____
Authorized Signer

Section 15. Execution of Bond. The Bond shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk, and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

The Bond shall be valid only if the Certificate of Authentication in the form hereinbefore recited has been manually executed by or on behalf of the Bond Registrar. Such Certificate of Authentication shall be conclusive evidence that the Bond as authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bond shall cease to be an officer or officers of the City before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bond 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. The Bond may also 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 16. Defeasance. In the event that money and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bond in accordance with its terms, are set aside in a special account of the City to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Revenue Bond Fund for the payment of the principal of and interest on the Bond so provided for, and such Bond or portion thereof shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and such Bond shall be deemed not to be outstanding hereunder.

Section 17. Lost, Stolen or Destroyed Bond. In case the Bond shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond of like date, number and tenor to the Bank thereof upon the Bank's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon its filing with the City evidence satisfactory to the City and the Bond Registrar that such Bond was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the City and Bond Registrar with indemnity satisfactory to the City.

Section 18. No Undertaking to Provide Ongoing Disclosure. The Bond is not subject to the Rule, and the City makes no undertaking regarding ongoing disclosure with respect to the Bond.

The City shall provide the Bank its annual financial statements (including audited statements when received) for as long as the Bond is outstanding and held by the Bank, within 270 days after the close of each Fiscal Year.

Section 19. Amendments.

(a) The Council from time to time and at any time may pass an ordinance or ordinances supplemental hereof, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City in this ordinance, other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the holders of any Parity Bonds, or to surrender any right or power herein reserved.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance or any ordinance authorizing future Parity Bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect, in any material respect, the interest of the holders of Parity Bonds.

Any such supplemental ordinance may be adopted without the consent of the holders of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) With the consent of the holders of not less than 65% in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected; or

(2) Reduce the aforesaid percentage of bondholders required to approve any such supplemental ordinance, without the consent of the holders of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of bondholders under this subsection (b) to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

For the purpose of consenting to amendments under this Section 19(b) except for amendments that alter the interest rate on any Parity Bonds, the maturity date, interest payment dates, purchase upon tender or redemption of any Parity Bonds, the issuer of a Credit Facility shall be deemed to be the sole Registered Owner of the Parity Bonds that are payable from such Credit Facility and that are then outstanding.

(c) Upon the passage of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and all holders of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

(d) Parity Bonds executed and delivered after the execution of any supplemental ordinance passed pursuant to the provisions of this section may have a notation as to any matter provided for in such supplemental ordinance, and if such supplemental ordinance shall so provide, new bonds so modified as to conform, in the opinion of the Council, to any modification of this ordinance contained in any such supplemental ordinance, may be prepared and delivered without cost to the holders of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds with all unmatured coupons and all matured coupons not fully paid, in equal aggregate principal amounts.

Section 20. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 21. Effective Date. This ordinance shall be effective five days from its passage and publication as required by law.

PASSED by the Milton City Council the ____ day of June, 2019, and approved by its Mayor, the ____ day of June, 2019.

SHANNA STYRON SHERRELL, MAYOR

ATTEST/AUTHENTICATED:

TRISHA SUMMERS, CITY CLERK

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY:

CYNTHIA M. WEED, K&L GATES LLP
BOND COUNSEL

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
PUBLISHED:
EFFECTIVE DATE:
ORDINANCE NO.: 1970-19

EXHIBIT A
PURCHASE OFFER

Washington Federal.
invested here.

Pete Sullivan
Vice President
425 Pike Street
Seattle, WA 98101
206-626-8111
pete.sullivan@wafd.com

April 22, 2019

Tara Dunford
Finance Manager
City of Milton
1000 Laurel Street,
Milton, WA 98354

Sent via email to: tdunford@cityofmilton.net

Regarding: \$5,000,000 Line of Credit that Converts to a Term Loan

Dear Ms. Dunford:

We enclose a summary of terms and conditions outlining the proposed terms under which Washington Federal may extend credit to the City of Milton. Please note that this is not a commitment to lend.

Washington Federal appreciates the opportunity to provide our financing proposal. Please call Pete Sullivan at 206-626-8111 to discuss any questions or comments you may have regarding our proposal. We look forward to working with you.

Sincerely,



Pete Sullivan
Vice President

Parties to the Transaction:

BORROWER: City of Milton (the "Borrower")

LENDER: Washington Federal N.A. (the "Bank")

The Facility:

FACILITY: Line of Credit Converting to Term Loan (the "Credit Facility")

FACILITY AMOUNT: \$5,000,000 (not to exceed)

CLOSING DATE: May 31, 2019 (estimated)

ADVANCES Advances under the Credit Facility may be requested on any banking day.

REPAYMENT/MATURITY: **Draw Period – Closing to 12/1/2020**
The Borrower must pay the Credit Facility in semi-annual payments of accrued interest (June 1, December 1).

- Principal payments are not required during the draw period.
- The draw period ends on 12/1/2020.

Term Loan Period – 12/1/2020 to 12/1/2039

Interest on the Credit Facility shall be paid semi-annually on each June 1 and December 1, beginning June 1, 2021.

Equal principal payments on the Credit Facility shall be repaid annually each year on December 1, beginning December 1, 2021.

The Credit Facility will mature, and all unpaid principal and interest will be due and payable at a Put Option or at maturity on December 1, 2039.

PREPAYMENT: The Borrower may prepay the Credit Facility at any time prior to maturity with a prepayment fee. The prepayment fee shall be in an amount sufficient to compensate the Bank for any loss incurred by it as a result of the prepayment, including any loss arising from the liquidation or reemployment of funds obtained by it to maintain the funds used to purchase the Credit Facility.

Without penalty, the Borrower has the option to pay the Credit Facility in full on 12/1/2028 and again on 12/1/2033.

INTEREST CALCULATION: All calculations of interest shall be made on a 30 day month and a 360 day year.

SECURITY: The Credit Facility will be secured by a parity interest in all rates, charges and receipts arising from the operation or ownership of the Electric System, after the payment of Costs of Maintenance and Operation of the System (the "Net Revenue").

The Credit Facility constitutes a lien and charge upon the pledged revenue prior and superior to any charges whatsoever, except that the lien is on parity with the Borrowers senior lien bonds.

CONVERSION TO TERM LOAN: On 12/1/2020, the balance of the line of credit will automatically convert to an 18 year fully amortizing term loan, provided the Borrower is not in default.

PUT OPTION: The maturity date of the Credit Facility will be 12/1/2039; provided however that the Bank will have the right, at its sole discretion and regardless of whether or not a default or an event of default has occurred and is continuing, to require (with 180 days of advance notice) prepayment in full of all principal and accrued but unpaid interest on its Credit Facility on 12/1/2028. If the Bank's Put Option is not exercised on 12/1/2028, the right shall be repeated on 12/1/2033.

Fees and Expenses:

ORIGINATION FEE: \$2,500
BANK COUNSEL FEE: \$5,000 – Hillis, Clark, Martin & Peterson

Rates:

INTEREST RATE: This rate is set and locked till closing.
3.49% – A Tax Exempt Rate

INTEREST RATE RESET: If the Put Option is waived, the Interest Rate will be reset based on the 5-year Bloomberg Swap Rate (or comparable index), plus 1.85%, multiplied by the calculation of 100 minus the highest marginal tax rate applied to subchapter C corporations, expressed as a decimal (currently 0.79).

EXPIRATION: This proposal letter shall automatically expire on May 31, 2019.



Covenants and Financial Reporting Requirements:

- COVENANTS: Usual and customary for transactions of this type, including:
- (a) The Borrower shall establish, maintain and collect rates and charges that shall be sufficient to provide Net Revenues equal to at least 1.25 times the annual maximum debt service on the outstanding System Bonds.
 - (b) A Reserve Account will be maintained equal to the average Annual Debt Service of all Parity Bonds Outstanding; provided that the Reserve Account Requirement shall not exceed the least of (i) Maximum Annual Debt Service; (ii) 125% of Average Annual Debt Service; (iii) 10% of the proceeds of the stated principal amount of such Parity Bonds.
 - i. The funds in the Reserve Account need to be held at Washington Federal.
- REPORTING REQUIREMENTS: The Borrower shall provide the following information and statements in form and content acceptable to the Bank:
- (a) Within 270 days after the close of each financial year of the Borrower, the complete audited financial statements of the Borrower.

Description of Basic Terms and Conditions

- DOCUMENTATION: Documentation will be usual and customary for transactions of this type, including:
- (a) A copy of the Resolution passed by the Council/Board authorizing the issuance of the Credit Facility;
 - (b) A receipt of the original signed Note or Bond at closing;
 - (c) The resolution or financing/bond purchase agreement ("Agreement"), prepared by bond counsel and subject to approval by Bank Counsel.
 - i. The Agreement will include, but is not limited to, the terms and conditions outlined herein, as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies;
 - (d) An unqualified legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel that:
 - i. The resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; and
 - ii. The resolution and all documents related to the Credit Facility constitute a legally binding obligation of the



- Borrower and enforceable according to their terms (subject to standard exceptions).
- iii. Opinion of counsel that the term portion of the loan under the revolving line of credit option will be treated in parity with all other senior lien holders at the time of conversion.

EVENTS OF DEFAULT: Usual and customary in transactions of this type including, without limitation the following:

- (a) Nonpayment of principal, interest, fees or other amounts; or a
- (b) Failure to perform or observe covenants/reporting requirements set forth in the loan documentation;
- (c) The Borrower must maintain a debt rating of A3 or comparable.

Description of the Process:

THE PROPOSAL: This summary of terms is not a commitment. It represents a willingness on the part of the Bank to seek approval to provide the commitment indicated herein and consummate a transaction based on the terms and conditions outlined in the proposal and is subject to:

- (a) Final credit approval (see "Credit Process" below),
- (b) Such any due diligence as Bank may require, and
- (c) Agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

CREDIT PROCESS: The credit process will take approximately 4-weeks from the point at which the Bank is officially awarded the transaction and has in its possession all materials necessary to undertake a full credit analysis.

Washington Federal is a Seattle based, FDIC insured financial institution with total assets in excess of \$16 billion. Washington Federal and assigned contacts have specific experience in lending to governmental issuers.

Contacts:

BANK: Washington Federal N.A.
Pete Sullivan
425 Pike Street
Seattle, WA 98101
206-626-8111
pete.sullivan@wafd.com

BANK COUNSEL: Hillis Clark Martin & Peterson P.S.
Brandon Pond
999 Third Avenue, Suite 4600
Seattle, Washington 98104
206.470-7623



brandon.pond@hcmp.com

Agreement by the Borrower:

By signing below, the Borrower agrees to engage the Bank to provide the Credit Facility pursuant to the terms and conditions stated in this proposal, including the Borrower's responsibility for the Bank's legal fees even if closing & funding does not occur.

Please evidence your agreement with the foregoing by signing and returning a copy of this document to the Bank.

Accepted and Agreed to:

City of Milton

Signature: _____ **Date:** _____

Printed Name: _____

Disclosure:

The transaction contemplated by this term sheet is an arm's length, commercial transaction between you and the Bank, in which the Bank (i) is acting solely as a principal and for its own interest; (ii) is not acting as a municipal advisor or financial advisor to you; (iii) has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to you with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto; and (iv) is not recommending that you take any action with respect to the transaction contemplated by this term sheet, and before taking any action with respect to the contemplated transaction, you should discuss the information contained herein with your own legal, accounting, tax, financial and other advisors, as it deems appropriate.

The only obligations the Bank has to you with respect to the transaction contemplated hereby are set forth in this term sheet. If you would like a municipal advisor in this transaction that has legal fiduciary duties to you, you are free to engage a municipal advisor to serve in that capacity. This term sheet is provided to you pursuant to and in reliance upon the "bank exemption" provided under the municipal advisor rule of the Securities and Exchange Commission, Rule 15Ba1-1 *et seq.*

PLEASE BE ADVISED THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.



From: [Pete Sullivan](#)
To: [Kurtz, Traci](#); tdunford@cityofmilton.net; brandon.pond@hmp.com
Cc: [Weed, Cynthia](#)
Subject: RE: City of Milton, Washington Electric Revenue Bond, 2019 - Draft Bond Ordinance [KLG-USW_Active01.FID701488]
Date: Wednesday, June 05, 2019 11:50:55 AM
Attachments: [image001.png](#)

My only comment on this round of docs is regarding the interest rate. In the term sheet and in the docs, we have a 3.49% rate. Since the term sheet was issued, rates have lowered considerably. To account for this change, we'd like to reduce the City's rate to **3.21%**. The **3.21%** will be locked and held until closing.

It's our please to be able to work with the City of Milton and we look forward to the years ahead.

Pete

Pete Sullivan
VP, Relationship Manager – Municipal Lender
Commercial Banking

Washington Federal.
invested here.

425 Pike Street, Seattle, WA 98101
Office: 206-626-8111
pete.sullivan@wafd.com

Washington Federal (the "Bank") is providing the information contained in this email for discussion purposes only in connection with a proposed arm's-length commercial banking transaction between you and the Bank. In providing this information, the Bank: (i) is acting for its own financial and other interests that may differ from yours; (ii) is not acting as your financial advisor and has no fiduciary duty to you in connection with these materials; and (iii) is not recommending any action with respect to the information contained in this document. Before acting on this information, it should be discussed with the financial and legal, accounting, tax and other advisors you deem appropriate.

Confidentiality Notice: This email and its attachments are confidential. If you received this email in error, please notify the sender and delete immediately. Thank you. Washington Federal NMLSR Company #410394



EXHIBIT B

CITY OF MILTON, WASHINGTON
ELECTRIC REVENUE BOND, 2019
REQUEST FOR DRAW NO. __

TO: WASHINGTON FEDERAL N.A.
425 PIKE STREET
SEATTLE, WA 98101
-or-
By email
Addressed to: pete.sullivan@wafd.com

On behalf of the City of Milton, Washington (the “City”), I hereby certify that:

1. I am the Designated City Representative of the City, and that I am authorized to request this Draw under Ordinance No. ____-19 of the City authorizing issuance of the Electric Revenue Bond, 2019 (the “Bond Ordinance”) and to make the representations on behalf of the City set forth herein. Terms not otherwise defined herein shall have the meanings set forth in the Bond Ordinance.

2. The amount of this Draw is \$_____.

3. The Draw will be expended for costs of the Projects or costs of issuance of the Bond.

4. Please disburse the Draw to the City on [insert date] by depositing funds as follows:

Bank Name:	[insert]
ABA Number:	[insert]
Account Name:	[insert]
Account number:	[insert]

Dated this __ day of _____, 20__.

CITY OF MILTON, WASHINGTON

By: _____

Name: _____
as Designated City Representative

CERTIFICATE

I, the undersigned, City Clerk of the City Council, of the City of Milton, Washington (the “City”) and keeper of the records of the City Council (the “City Council”), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. ____-19 of the City Council (the “Ordinance”), duly passed at a regular meeting thereof held on the 17th day of June, 2019.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the adoption of the Ordinance; that all other requirements and proceedings incident to the proper adoption of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of June, 2019.

City Clerk

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Agenda Item #: 4B

To: Mayor Styron Sherrell and City Council Members
From: Tony Hernandez, Police Chief
Date: June 5, 2019
Re: Information Only – Pedestrian Interactions with Occupants of Vehicles and Aggressive Begging

ATTACHMENTS: 1. Draft Ordinance 1969-19, Chapter 9.35

TYPE OF ACTION:

Information Only Discussion Action Public Hearing

Recommendation/Action: None – First Read

Fiscal Impact/Source of Funds: This item has no budget impact.

Issue: Certain roadways or roadway types in the City of Milton have higher accident rates and require increased driver attention. The purpose of this ordinance is to promote the City’s fundamental interest in public peace, health, and safety, by regulating certain pedestrian interaction with occupants of vehicles being operated upon certain designated roadways which have been found to pose substantial risks to vehicular and pedestrian safety due to high traffic volumes. Furthermore, aggressive begging or solicitation in specific public areas such as, automated teller machines, entrances and exits from buildings, is especially troublesome because persons cannot readily escape from the undesired conduct, which often carries with it an implicit threat to both persons and property as well as incidental to the aggressive begging activities imperiling of the health, safety and welfare of the citizens.

Discussion: The City of Milton recognizes the constitutional right of persons to solicit and beg, in a peaceful and non-threatening manner. However, aggressive begging in certain places becomes disruptive, or as incident to the aggressive begging, enters a roadway blocking vehicular traffic or blocking pedestrian traffic creating a public safety hazard for the public or emergency responders. Individuals who approach or follow pedestrians, making repetitive requests for donations of money despite refusals, or escalate in begging using abusive or profane language, or make unwanted physical contact create the loss of access to and enjoyment of public places but also enhanced a sense of fear, intimidation, and disorder as well as actual danger to the health, safety and welfare of citizens. (See Attached)

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ORDINANCE NO. 1969-19

AN ORDINANCE OF THE CITY OF MILTON, WASHINGTON, ADDING A NEW CHAPTER 9.35 TO THE MILTON MUNICIPAL CODE TO CODIFY REGULATIONS PERTAINING TO PEDESTRIAN INTERACTIONS WITH OCCUPANTS OF VEHICLES AND BEGGING; PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the City of Milton recognizes that begging including but not limited to solicitation may be an activity protected by the First Amendment to the United States Constitution; and

WHEREAS, the City Council finds that regulation of aggressive begging, begging at sensitive areas or times, as well as obstructing vehicle traffic promotes public safety and protects residents, drivers and visitors; and

WHEREAS, the City Council finds that the regulation of aggressive begging protects residents and visitors from dangerous and abusive behavior that no one should have to endure; and

WHEREAS, the City Council finds that the regulation of begging at sensitive areas or times helps protect residents and visitors at sensitive areas or times where they may be more vulnerable or not positioned well to handle an interaction of that type; and

WHEREAS, the City Council finds that the regulation of pedestrian interactions with vehicles will result in safe traffic flow, prevention of traffic congestion, safety of pedestrians, and safety of vehicle passengers and drivers; therefore;

THE CITY COUNCIL OF THE CITY OF MILTON, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Findings. The recitals set forth above are hereby adopted as the Milton City Council's findings in support of this ordinance.

Section 2. A new Milton Municipal Code Section 9.35 is hereby added to the municipal code as follows:

9.35.010 Purpose.

9.35.020 Definitions.

9.35.030 Unlawful pedestrian interaction with occupants of vehicles on a prohibited roadway – Exceptions.

9.35.040 Aggressive Begging

9.35.050 Begging Restricted

9.35.060 Violation – Penalty.

9.35.010 Purpose.

Certain roadways or roadway types in Milton have statistically higher accident rates and require increased driver attention. The purpose of this section is to promote the city's fundamental interest in public peace,

health, and safety, by regulating certain pedestrian interaction with occupants of vehicles that are being operated upon certain designated roadways which have been found to pose substantial risks to vehicular and pedestrian safety due to high volume traffic, limited or no parking, historical accident data, and/or other safety factors. The aggressive begging sections are meant to discourage aggressive begging that is coercive, with actual or implied threats, or menacing actions or if a beggar uses physical force or extreme aggressive action.

9.35.020 Definitions.

In this chapter:

“Aggressive begging” means: (1) begging with intent to intimidate another person into giving money or goods by any means including repeated requests for money while approaching or following the person from whom funds are being requested; (2) continuing to solicit from a person or continuing to engage that person after the person has given a negative response to such soliciting; (3) following a person with intent to solicit money or other things of value; (4) begging with use of false, misleading information, where the person knew or reasonably should have known of the falsity or misleading nature of the information; (5) begging with or involving activities that are unsafe or dangerous to any person or property; (6) begging in a manner that exploits children; or (7) willfully providing or delivering, or attempting to provide or deliver unrequested or unsolicited services or products with a demand or exertion of pressure for payment in return.

“Automated teller machine” means a machine, other than a telephone: (1) that is capable of being operated by a customer of a financial institution; (2) by which the customer may communicate with the financial institution a request to withdraw, deposit, transfer funds, make payment, or otherwise conduct financial business for the customer or for another person directly from the customer’s account or from the customer’s account under a line of credit previously authorized by the financial institution for the customer; and (3) the use of which may or may not involve personnel of a financial institution.

“Begging” means asking for money or goods as a charity, whether by words, bodily gestures, signs or other means.

“Enter” means to cross the vertical plane of the edge of a prohibited roadway with any part of a person’s body, any implement or device, or any extension thereof.

“Exploit” means using in an unethical, selfish or abusive manner or in any other manner that seeks an unfair advantage.

“Financial institution” means any banking corporation, credit union, foreign exchange office. For purposes of this section, it shall also include any check cashing business.

“Interact” means actual physical contact or the giving or receiving of any item from one person to another.

“Intimidate” means to coerce or frighten into submission or obedience or to engage in conduct which would make a reasonable person fearful or feel compelled.

“On and off ramps” refers to the areas commonly used to enter and exit public highways from any City roadway or overpass.

“Overpass” means an elevated section of roadway which passes over another roadway.

“Prohibited roadway” means any roadway designated in this chapter as being historically or inherently more associated with vehicle and/or pedestrian accidents or high traffic volumes or complicated roadways requiring full driver attention.

“Public place” means: (1) any public road, alley, lane, parking area, sidewalk, or other publicly owned building, facility or structure; (2) any public playground, school ground, recreation ground, park, parkway, park drive, park path or rights-of-way open to the use of the public; or (3) any privately owned property adapted to and fitted for vehicular or pedestrian travel that is in common use by the public with the consent, expressed or implied, of the owner or owners.

“Public transportation facility” means a facility or designated location that is owned, operated, or maintained by a city, county, county transportation authority, public transportation benefit area, regional transit authority, or metropolitan municipal corporation within the state for the purpose of facilitating bus and other public transportation.

“Public transportation vehicle” means any vehicle that is owned by a city, county, county transportation authority, public transportation benefit area, regional transit authority, or metropolitan municipal corporation within the state for the purpose of facilitating bus and other public transportation.

“Roadway” has the meaning given that term in RCW 46.04.500, as currently adopted or as it may be amended in the future.

“Roundabout” means a circular intersection where drivers travel counterclockwise around a center island.

“Vehicle” has the meaning given that term in RCW 46.04.670, as currently adopted or as it may be amended in the future.

9.35.030 Unlawful pedestrian interaction with occupants of vehicles on a prohibited roadway – Exceptions.

A. It shall be unlawful for any pedestrian to enter a prohibited roadway and interact with or to verbally engage an occupant of any operating vehicle.

B. Exceptions. It is not a violation under this section if the person entering a prohibited roadway:

1. Contacts a vehicle occupant when the vehicle is legally parked;
2. Is summoning aid in an emergency; or
3. Is a law enforcement officer in the performance of official duties.

C. Prohibited roadways within the city are designated as:

1. In or within 200 feet of any roundabout.
2. Within 500 feet of any 4-way intersection which contains a traffic control light or stop sign.

2. Within 200 feet of an overpass.

9.35.040 Aggressive Begging

It is unlawful for any person to engage in aggressive begging in any public place in the City, as those terms are defined by this chapter.

9.35.050 Begging Restricted

Begging shall be deemed a violation of this section under the following conditions: (A) within 25 feet of an ATM machine or financial institution; (B) within 15 feet of any (1) occupied handicapped parking space, or (2) bus stop, train station or in any public parking lot or structure or walkway dedicated to such parking lot or structure; (C) before sunrise or after sunset at any public transportation facility or on any public transportation vehicle or (D) while a person is under the influence of alcohol or controlled substances.

9.35.060 Violation – Penalty.

Violation of this section shall be a misdemeanor, punishable by a fine up to \$1,000 or by a jail sentence of up to 90 days, or by both such fine and jail time.

Section 3. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 4. Publication. This ordinance shall be published by an approved summary consisting of the title.

Section 5. Effective Date. This ordinance shall become effective and be in full force five (5) days after passage, approval, and publication as provided by law.

PASSED by the Council and approved by the Mayor of the City of Milton, this ____ day of _____, 2019.

CITY OF MILTON

Mayor Shanna Styron Sherrell

ATTEST/AUTHENTICATED:

Trisha Summers, City Clerk

APPROVED AS TO FORM:

Ogden Murphy Wallace, City Attorney

Published:

Effective Date:

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Agenda Item # 4C

To: Mayor Styron Sherrell and City Council Members
From: W. Scott Snyder, City Attorney
Date: June 10, 2019
Re: **MMC Code Review**

ATTACHMENTS: Memorandum

TYPE OF ACTION:

Information Only Discussion Action Public Hearing

Issue: W. Scott Snyder, City Attorney of Ogden Murphy Wallace, will review proposed Milton Municipal Code changes.

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MEMORANDUM

DATE: June 5, 2019

TO: Mayor Shanna Styron-Sherrell
City Council Members
City of Milton

cc: Tony Hernandez, Police Chief
Trisha Summers, City Clerk

FROM: W. Scott Snyder, Office of the City Attorney 

RE: Revisions to City Ordinance – Recodification

Over the past several months, I have exchanged emails with the City Clerk, Ms. Summers and the Mayor regarding the updating of your City Code. Much like the City Council’s discussion of “preventive maintenance” with respect to City-owned structures, the City’s Codes, particularly regarding your organizational structure have not been maintained and are out of date. We have provided band-aid approaches in the past to deal with the restructuring to eliminate the position of City Administrator and divide the duties among designated department heads.

Other changes in the City’s organizational structure have not been reflected by changes in your City Code.

The City Clerk received a quote from Code Publishing to review your Code and recodify it. See Appendix A. As my communications with the Mayor and City Clerk indicate, my reservation about this process is that it will focus on inconsistencies between your City Code and state law and not on inconsistencies between your organization as it is structured and the provisions of your City ordinances. It would be difficult for Code Publishing to determine how code varies from practice as opposed to state law.

Recodification is an extensive process that looks at all portions of your code. Given your budget and your other priorities, I suggested to the Mayor and City Clerk that we review with City Council a cost saving way of addressing the inconsistencies within your code.

The purpose of this memo is to outline an alternative approach. As this memo discusses there is a lot of detail in your City Code which is not required by state statute and which gets in the way of your hiring process. Cities of your size compete to attract qualified candidates. A candidate's skill set may not necessarily fit into the existing position embedded in your Code. Some individuals may have new skill sets which the City can utilize but not in the positions formally designated. The City Council has funded and prior Mayors have hired to fill new positions without changing the Code. I suggest that as an alternative to truing your Code up with the current City structure, considering eliminating unnecessary provisions and use the budget and annual salary ordinance instead. This would allow a much more simplified approach to the ever-evolving structure of City government.

RECOMMENDATIONS

1. Repeal:

Chapter 2.20	City Clerk – Treasurer;
Chapter 2.45	Planning and Community Development Department;
Chapter 2.08	City Attorney;
Chapter 2.46	Public Works Department
Chapter 2.84	Personnel – Classification Plan
Chapter 2.86	Personnel – Pay Plan and Compensation; and
Chapter 2.82	Personnel – Appointive Offices and Employees

For your reference Appendix B contains copies of the ordinances suggested for repeal.

2. Replace the Repealed chapter with a single chapter which designates those positions for which the City Council authorizes appointment by the Mayor and requires confirmation. This single chapter can be easily updated in the future.
3. Use the budget and the annual salary ordinance as the City Council's control over salaries, positions and the organization.

DISCUSSION

RCW 35A.12.020 authorizes the Mayor to fill the appointive offices provided for by "charter or ordinance." The only statutorily required appointed positions are those of a City Clerk and a chief law enforcement officer. The statute also authorizes the City to provide for legal counsel by appointment or contract. Pursuant to RCW 35A.12.090 the Mayor has the hiring and firing authority regarding employees subject to civil service, collective bargaining agreements and the annual salary ordinance.

The City Council may either establish qualifications by ordinance for the appointive positions or require confirmation "... where qualifications have not been established by ordinance." RCW 35A.12.090.

My recommendation is that the City Council delete the extraneous organizational detail from its Code. This recommendation should not be seen as asking you to relinquish your authority. The Mayor may only hire for positions that are authorized and paid for in accordance with the City's annual salary ordinance. The City Council approves the annual salary structure in the budget. If there are structural changes during the course of the year, it can either be addressed in the normal budget process or by budget amendment, but no position may be established or paid that does not appear in your annual salary ordinance. As you are aware, most City employees' salaries are established by collective bargaining agreements. The City's management positions are the primary positions addressed in the annual salary ordinance and removing the detail from the codified ordinances does not limit your authority under the budget process. The City Council's budgetary authority is explicit:

1. "The salary or salary range for each office, position or job classification shall be set forth separately together with the title or position designation thereof." RCW 35.A.33.050.
2. Statute however recognizes the need for cities to be nimble and provide an expedited way of adjusting the salaries and positions without the formal amendment of the budget. As RCW 35A.33.050 provides:

"Notwithstanding the appropriations for any salary, or salary range of any employee or employees adopted in the final budget, the legislative body of any code city may, by ordinance, change the wages, hours and conditions of employment of any and all appointive offices as sufficient funds are available for appropriation to such purposes."

CONCLUSION

My recommendation is to remove unnecessary duplicative detail from your codified ordinances. This would allow the City to be more nimble when hiring and avoid both the cost of recodifying your ordinances now and in the future. Taking this approach would likely reduce the City's costs from tens of thousands of dollars to less than \$750.

WSS/gjz

Attachments

APPENDIX A

EXECUTIVE SUMMARY

Overview of Our Firm

- Code Publishing Company (CPC) is a legal document publisher for local governments nationwide – we offer codification and publishing services in print and online media.
- For the past 29 years, we have provided our clients with a unique blend of expertise, innovation, and service.
- More than 530 cities, counties, service districts, towns, villages and Native American tribes across the continental U.S., Alaska, and Canada use our codification services. Their populations range from 150 residents to 1.5 million – we are equipped to manage any scale.
- The key to our success is exceptional customer service and product design, both in print and online. We will make your code look good.

Expertise

- CPC is a streamlined company of about 20 employees; our organizational structure is flat, so all of our employees work closely together to ensure projects are completed accurately and on schedule, every time.
- Skilled editors and proofreaders are at the core of what we do. With support from modern desktop publishing systems and custom software to maximize efficiency, our staff makes certain that no detail goes overlooked.
- Our centralized location in Seattle, Washington, allows not only thorough and efficient communication among current employees, but also offers the promise of the most qualified future hires. Projected as the next Silicon Valley, Seattle attracts a wealth of technical, editorial, and legal experts.

Innovation

- We have consistently led the industry in providing new features and options for municipal codes on the web because we are always searching for new ways to serve our customers.
- CPC's code format allows constant innovation; it is text based and frameless, ADA compatible, and works seamlessly with all browsers and mobile devices.
- Our web offerings are designed to make browsing and searching the code easy, and we tailor the look and feel of web-based code to meet your needs.

Services and Support

- We are available to answer your questions from 6:00 a.m. to 6:00 p.m. (Pacific Time) every day.
- CPC staff can answer questions about codification, help with technical issues, and research older versions of the code. We archive everything, including print supplements, full codes, and web content files.

How to Begin

- After a consultation where we determine the kind of service your municipality requires, we will send you an agreement. Once the agreement is signed, and you have sent Code Publishing Company any other required materials (lists of ordinances, contact information, etc.), we will create a project in our database for information-tracking purposes. Weekly internal reports ensure that all projects are maintained and tracked, so your project never gets overlooked.

SCOPE OF SERVICES – RECODIFICATION WITH LEGAL REVIEW

Recodification is the process of reviewing your code for textual errors and outdated provisions, reformatting, and repaginating it. To complete this extensive process, Code Publishing Company shall provide codification and updating services, including but not limited to: recodifying and republishing the existing code, a comprehensive legal review (optional), printing and print subscription services, creation of electronic files, publishing services for new amendments to supplement the printed code, and code archiving.

Once we receive all required materials for the initial project, our editorial staff begins reviewing the code for style and organization. Along with any suggestions on reorganization, we will develop a style sheet for your code to create a unified, professional look. After establishing column and margin formatting, we will also review capitalization, punctuation, and other style elements in the text. Our editorial staff will analyze commonalities among code chapters and create a consistent overall style for your code. We will send our completed style and organization proposal for your review and verification. (See Reformatting, Renumbering and Reorganizing below.)

After the style and organization are confirmed, we start editing and formatting your code. We will apply page formatting, repagination, and style changes; look for faulty language and provisions, from word usage to duplicate or conflicting language; and fix erroneous cross-references throughout the code. After adding, editing and proofreading any new ordinances, we will generate and/or continue historical footnotes describing the date and number of the legislation affecting a given law. We will also add to or create an ordinance table describing the action and listing the disposition of every ordinance passed since the establishment of your municipality. Our editorial review ensures accuracy and provides a holistic overview of your code.

At this point, the code is proofread word-for-word. The code is returned to the editor to make any changes, then sent back and forth between proofer and editor at least one more time, until we are confident that all errors have been caught. Finally, the code is checked for page style and to ensure everything is included. After this final proofreading process, we will create a draft proof copy which will be sent to you, along with a list of questions brought up by our editorial review. These steps ensure that the manuscript undergoes several rounds of proofreading with our various departments – by the time you receive the document, it will have been reviewed by many expert eyes.

We will make any changes or revisions before publishing the final code, at a fraction of the cost of regular supplements. After you have finished your review and answered our questions, the final publication process for the printed code includes creating a subject matter index, which allows you to locate all instances of a topic in your code easily.

Around the same time, you will have a consultation about your goals for the online code. We will then begin converting the editorial files for webhosting. During this process, we will print and assemble copies of the code, with tab dividers and binders, if requested. When you receive the document, all you need to do is pass an ordinance adopting the new code as your official law. We will deliver the print copies, within four weeks of receiving the proof back from you.

Both our printed code books and online files are designed with the understanding that your code is a living document that will have many additions and revisions over time.

We understand the need for high editorial standards in your code and fully stand behind all of our work. Our entire staff operates in one central office, meaning that we can deliver consistent quality and thorough communication.

Code Publishing has the flexibility to give you personalized attention throughout the process, and will always be there to answer potential questions, every step of the way. We can split the initial costs over two budget cycles and work on your schedule. With Code Publishing, your code is in good hands.

Reformatting, Renumbering and Reorganizing

Consider the following items regarding our format when evaluating proposals:

- **Better use of space:** Why pay for more pages? Our standard layout fits more text on the page without sacrificing quality. Save on printing now and later.
- **Section listings:** Note the addition of our section listing (i.e., digest or table of contents) at the top of the chapter. This basic formatting difference saves time when reading.
- **Expandable numbering system:** CPC uses an expandable decimal numbering system to allow an easier insertion of new sections to the code. A non-expandable numbering system may result in a hard-to-follow or illogical sequence in future updates.

Reformatting – Page Design

Code Publishing offers many different options for your code's column style, formatting and font. Our most popular layout is the standard two-column with 11-point font. This maximizes the number of words on each page, reducing the page count (codification and pricing is based on the number of pages), thereby saving you money on both the initial product and revisions. It is also the easiest to read and most attractive. We also offer a one-column style. These layouts can always be customized to your liking.

Renumbering

The most versatile numbering format is the three-tiered system, providing a number for the title, chapter, and section (see description below). The expandable decimal numbering system allows for expansions within the code as new ordinances are added. For instance, inserting a new section between 3.04.010 and 3.04.020 (e.g., 3.04.015) is easier than placing one between 3-4-1 and 3-4-2.

When a reformatted code is renumbered, CPC provides parallel reference tables to original code numbers. This eliminates inconsistent section numbering. This system allows for flexibility when adding new provisions to the code.

Reorganizing

If you are not happy with your code's current organizational structure, we can reorganize it. CPC's standard code organization is based on subject matter, which is more accessible than an alphabetical structure. Most codes today are organized by subject. A typical CPC code has three divisions: Title, Chapter and Section, which fit nicely with our standard numbering system (above):

- **Title:** A grouping of ordinances related by topic (business regulations, land use, traffic, criminal code, etc.). Some titles may consist of one single, comprehensive ordinance (typically subdivision, zoning/uniform development codes), depending on the length and organization of the ordinance.
- **Chapter:** Usually a single ordinance (with its amendments). A number of ordinances whose subject matter is related are codified as chapters within a title. The chapter may have one or more sections, depending on the length and nature of the ordinance it codifies.
- **Section:** Usually a single section of an ordinance. An individual section of an ordinance is codified as a section within the code chapter unless the section is unusually lengthy, in which case ordinance subsections will become separate sections in the code. Individual sections of the code should contain one principle, topic, or idea; this aids the user in quickly finding the subject or section being researched or referred to.

Optional Legal Review

Legal staff can also perform a review of your code if requested. The legal review applies principles of statutory construction and applicable common law. The review encompasses state and federal constitutional questions, case law conflicts, and court interpretations. The code is scrutinized for vagueness, fair notice to citizens, free speech infringement, danger of selective enforcement, and equal protection in view of fundamental rights. The attorney reviews all sections of the code for consistency, archaic language, and internal conflicts, and to ensure accurate references to state statutes. Outdated fees are noted. The municipality will receive a detailed written report, including a thorough analysis and basis for amending or revising ordinances as necessary. The report is formatted and proofread by an editor. We provide both print and electronic versions of the review.

UPDATE SERVICE – WEB HOSTING AND SUPPLEMENTS

“Update service” refers to a broad range of editing and formatting services that CPC provides. CPC’s update service includes, but is not limited to: codification of new ordinances, creation of files for a web-based code, publishing of supplements to the printed code, subscription services and code archiving.

Web-Based Code Updates

Web updates include ordinances, history notes, and the disposition table(s), as well as validating internal cross-references and citations to state statutes.

All of our customers receive online on-demand updates, meaning that new ordinances will be incorporated into the online code on their effective date or within a week of our receiving them. With Code Publishing Company, you can be certain your ordinances are always up to date online.

We are also able to host PDF files of the new ordinances, linked from the sections they will be affecting, with services like OrdAlert; or to highlight recently updated sections using CodeTrak. There are many other features and enhancements available. (See “Your Code on the Web” above.)

Print Code Updates – Supplements

During the print supplement process, we update the code’s preface, statutory references, and index. We also create a directions page detailing how to remove obsolete pages and add new pages to reflect the changes. Formatting and editorial styles are kept consistent. There are no annual fees, storage fees, or minimums.

Turnaround time for a print supplement is two to six weeks, including shipping. Update schedules are set according to customer preference; for example, monthly, quarterly, semi-annually, annually, or on an “as-needed” basis, etc. The frequency is something you can determine during the initial consultation period or re-evaluate later.

Procedure

As new ordinances are passed, a municipal staff member will upload new ordinances to a unique web site managed by CPC. Receipt is confirmed through email, and then the project is assigned to an editor. After checking with the municipality to ensure all ordinances have been received, the editor selects the affected areas of the code, changes the text, updates the index and ordinance table, assigns the revised code pages to a proofreader, notifies the municipality of any concerns, and provides a supplement proof copy if requested. Our experienced legal editors are exceptionally meticulous, and will send you lists of all errors they find. At least three legal editors and proofreaders will have reviewed the ordinances and amended the code by the end of this process, safeguarding against mistakes. Any concerns will be brought to your attention right away. Your staff can continue comfortably with its work knowing that the code has been modified to reflect the new ordinance(s).

CODE PUBLISHING COMPANY

Tracking Ordinances

Our project management system organizes ordinances by their applicable effective dates. If ordinances are not to be codified at time of upload, appropriate hyperlinks to the PDF files of pending ordinances are listed at the end of the ordinance table and marked as "Not Codified" or "Pending Codification." Future projects are created for ordinances with unique circumstances (e.g., a sunset clause) that require changes to the code. Please see www.codepublishing.com/WA/Bellevue/?BellevueOT.html#newords for an example.

Archiving Services

Code Publishing Company archives each version of the code as it is supplemented or updated. Each time a print volume is updated, the supplement is archived as a PDF file. There is no additional charge for this service. Whole code PDF files are also created after each supplement.

Subscriptions and Public Access

Code Publishing Company does not assert the right to generate revenues by selling any part of our client codes – printed, electronic or otherwise – to outside subscribers unless a client so requests. Most CPC clients ask that we handle outside subscriptions, which are priced at \$0.10 per impression for copies. It is a service we provide for our customers; we do not make a profit from these sales. CPC provides the online version of the codes we publish free of charge to the public.

Recent trends in the publishing industry indicate that most users of local jurisdiction codes are using web-based versions, rather than relying on a printed copy. For that reason, we provide immediate updates to the online code, thus reducing the need for printed copies. Additionally, since printed copies tend to become obsolete quickly, lose their pages easily, and require precious staff time during updating processes, we now provide users with the ability to print whole or selected portions of the code directly from the web.

Contact Information

Code Publishing Co. / 9410 Roosevelt Way NE / Seattle, WA 98115-2844

Telephone: (206) 527-6831

Web site: www.codebook.com

Product tour: www.codebook.com/tour

Personnel:

Margaret Bustion, President

mbustion@codepublishing.com

Steven Jones, Production Manager

stevenj@codepublishing.com

Brooke Hanford, Customer Service/Sales

brookeh@codepublishing.com

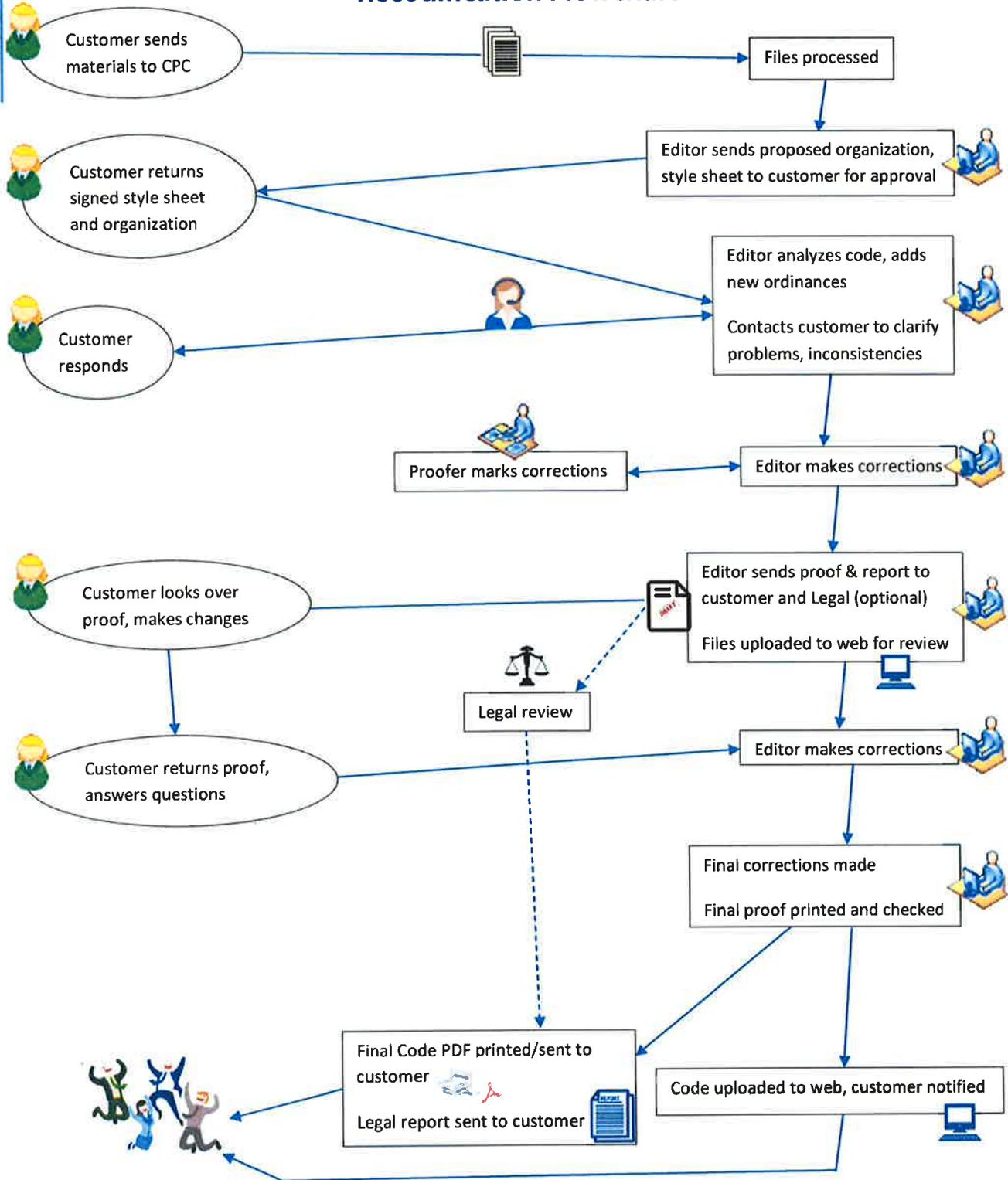
TIMELINES AND WORKFLOW

Recodification, Web Hosting and Updating

Initial Conversion, Recodification, and Hosting

	Delivery
<p>Initial Setup</p> <ul style="list-style-type: none"> The client uploads electronic files (in both word processing format and scanned PDF) of the existing code and each signed original ordinance/resolution to CPC. The client receives confirmation of receipt from CPC by email. Files converted to publishing system for print and online versions. 	2 weeks
<p>Preparation</p> <ul style="list-style-type: none"> Editor reviews materials and provides page layout, formatting style and proposed organization to be approved by the client. 	2 weeks
<p>Publishing the Recodified Code of Ordinances</p> <ul style="list-style-type: none"> Editor organizes code material, marks up manuscript, renumbers, creates and reviews text files. Editor applies page layout and consistent formatting style. Editor creates ordinance table, reads and edits code for textual errors, updates cross-references, sends draft copy to proofing. Proofer marks corrections, returns project to editor. Editor makes corrections, sends back to proofing. Final corrections made and checked. Code is printed, given a final check and stamped as "Proof Copy"; sent to the client with list of questions, comments. 	3 months
<p>Legal Review (Optional)</p> <ul style="list-style-type: none"> CPC attorney reviews the code. Report of completed review sent to the client. Addressed by the client as time permits; completion not required for publishing the code. 	3 months (concurrent with publishing)
<p>Review of Proof</p> <ul style="list-style-type: none"> Regular contact maintained with the client while it is reviewing the proof copy. The client returns proof copy and answers to questions. Editor makes changes to code resulting from the client's answers/requests, incorporates material passed since proof sent. Editor calls or emails client to clarify questions. 	3 months
<p>Print and Bind – Final Steps</p> <ul style="list-style-type: none"> Code is indexed. Code is given a final proof. Books shipped and client invoiced. Manuscript stored. Editor places stylesheet page in the front of master copy of the code. 	2 - 4 weeks
<p>Web Hosting: HTML Files Created</p> <ul style="list-style-type: none"> Code converted to HTML and uploaded to public server. Requested enhancements are added. Online code is proofed and client is notified. CPC contacts the client to ensure satisfaction. 	1 week
Web Updates and Traditional Supplements	
<p>Preparation</p> <ul style="list-style-type: none"> The client uploads electronic files (in both word processing format and scanned PDF) of each new signed original ordinance/resolution or other document to CPC. Receipt of files is confirmed by CPC via email to the client prior to codification. 	1 day
<p>Updates</p> <ul style="list-style-type: none"> New ordinances are edited, proofed, codified into the online code as they are passed. 	3 - 5 days of receipt or on effective date
<p>Traditional Supplements</p> <ul style="list-style-type: none"> Editorial updates to the printed code version are prepared, including indexes, tables, history notes and cross-references. Scheduled per client request. Requested copies printed, shipped, and/or PDF files uploaded; client invoiced. 	4 - 6 weeks

Recodification Flowchart



WEB-BASED FEATURES AND ENHANCEMENTS

A Current, Up-to-Date Online Code 24/7

Standard Online Hosting Package, 45 per month

- **Online On-Demand (OLOD)** – Ordinances codified online in 3 to 5 days. Save countless hours processing record requests and updating unwieldy codebooks. A great way to transition to a paperless code.
- **[Our Standard Features](#)** – Robust searching (including Boolean, advanced and saved searches); fastest loading and navigation; synchronized table of contents; mobile/ADA access.
- **[Print/Save Selections](#)** – Print or save sections as RTF, PDF, Kindle, iPad, HTML, text.
- **[Bookmark and SHARE](#)** – Share links to sections via email, Facebook, Twitter, etc.
- **[Continuous Table Headers](#)** – Headers remain fixed while scrolling through a long table. View [video](#) with comparisons.
- **[OrdSearch](#)** – Click the ordinance number to find all sections where it is codified.
- Links to [internal](#) and [state](#) code section citations, and to [Uncodified Ordinances](#).
- **[Scope Searching](#)** – Search one or more titles or documents.
- **Custom Interface** – Customized look and feel, with banner, menus, colors and photos to match your website.
<https://durham.municipal.codes>
<https://olathe.municipal.codes>

Additional Enhancements Package, 65 per month*

- **[Archival and Compare Versions](#)** – View and search previous versions of the code, and compare sections with markup (redlining) of changes.
- **[CodeTips](#)** – Hover over section cites to display pop-up text previews.
- **[eNotes](#)** – Add a “sticky note” to any code section and share with others.
- **[Zoning Definitions](#)** – Hover over terms to display pop-up box definition. Preferred by planners.
- **[OrdTrak](#)** – From the ordinance table or history note to the original ordinance on your website. Price applies when ordinance filenames are consistent and programmatic (e.g., ord1658.pdf, ord1689.pdf, etc.).
- **Tracking Ordinances and Updates**
 - [OrdAlert](#)** – Highlights sections affected by ordinances pending codification with an “**Amended**” yellow alert in the table of contents and the code. Alerts are hyperlinked to PDF files of new ordinances. PDF files and alerts are removed after codification. No searching for ordinances in a “Pending Ordinances” folder. **15 per ordinance**
 - [CodeTrak](#)** – Highlights sections containing recently codified ordinances with a “**Revised**” yellow alert in the table of contents and the code. Alerts are removed when the next supplement is printed. Pairs well with OLOD. **15 per month**

*A la carte options available. The Enhancements Package is added to the Standard Package price.

**RECODIFICATION AND WEB HOSTING
CITY OF MILTON, WA**

September 4, 2018

Code Publishing Company shall recodify and republish the Milton Municipal Code, as described in the attached Scope of Services.

Editorial Recodification:	One-Time Set-up Fees
Editorial Rate* (est. 700 pages): 17.00 per page	<u>11,900.00 (est.)</u>
New ordinances (added after delivery of proof)	<u>10.00 per code page</u>
Graphics, maps, tables, diagrams	<u>No charge</u>

* Includes non-substantive editorial changes to include proper style, grammar, and numerical consistency; comprehensive subject matter index; proofreading; maps, diagrams, charts, etc.; statutory references.

Legal Review: (est. 47 hours, 75.00 per hour)	<u>3,525.00</u>
------------------------------------------------------	-----------------

Website Development Services:	
Conversion of code files to HTML and publication on a custom web interface	<u>No charge</u>

Printing, Binding and Shipping (optional):	
Printing and handling (est. 700 pages): 0.15 per impression	<u>105.00 (est.) per copy</u>
Shipping	<u>Included</u>
Binders, tab dividers (min. order 25)	<u>At cost</u>
PDF file for in-house printing/archives	<u>No charge</u>

Web Hosting Services:	
Standard Web Hosting Package	<u>45.00 per month</u>

Supplement Service:	Supplement Fees
Editorial rate	<u>22.50 per page</u>
Updating the web-based code or additional work	<u>75.00 per hour</u>
Graphics, maps, tables, diagrams (additional charge per page)	<u>15.00 per affected page</u>
Printed copies	<u>0.15 per impression</u>
Shipping	<u>Included</u>
PDF file for in-house printing/archives	<u>No charge</u>

No startup costs. No "per supplement" charges. No extra charges or higher page rates if printed or electronic supplements are requested more often. All prices are estimates; final invoice is based on actual number of pages. Payments for recodified codes may be stretched over two budget cycles. Please call if any of our services can be modified to better suit your needs.

TERMS AND CONDITIONS

Terms

In consideration for services, customer shall compensate the Code Publishing Company (CPC) the sum(s) set forth in the written proposal or services addendum, attached to and made a part of this Agreement. Additional service(s) provided by CPC following the execution of this Agreement shall be compensated at the current price(s) in effect for CPC's services at the time of performance of the services, unless otherwise agreed to between the parties and set forth in this Agreement.

Payment and Invoice Requirements

CPC shall invoice the customer upon delivery of the newly codified ordinances, printed supplements, and/or electronic services elected by the customer consistent with the terms set forth in the attached proposal or services addendum. Additional services agreed to between the parties shall be invoiced following service delivery. Payments shall be made by the customer to CPC within thirty (30) days of receipt of said invoice by the customer.

For Original Codification and Recodification, a progress payment of 90 percent of the total is due upon delivery of the text proof. The balance will be billed upon delivery of the completed code(s) or within 90 days, whichever comes first, or upon other arrangements as specified in writing by the customer. Additional services are to be paid upon delivery including supplements. Invoices are due and payable within 30 days.

Responsibility of Customer

The customer shall provide two copies of each document to be codified: a signed version (scanned PDF is acceptable) and a word processing version. All proofing is against the signed version. There is a two-dollar per document page charge for scanning and OCR work when a word processing version is not provided.

Code to Remain Property of Customer

The code produced by CPC shall be the exclusive and sole property of the customer and the customer may use said code for any purposes it deems appropriate including copying, distributing, or selling copies of said code.

Indemnification

CPC shall indemnify, defend, and hold harmless the customer, its officers, employees, agents, assigns, and representatives from any and all costs, claims, judgments or awards of damages arising out of any negligent acts or omissions of CPC, its officers, employees, agents, assigns, and representatives in performing the terms of this Agreement.

The customer shall indemnify and hold harmless CPC, its officers, employees, agents, assigns, and representatives for any claims caused by delays to the codification process that may arise from the failure of the customer to supply CPC promptly with all necessary materials and/or information required for the completion of codification, supplementation, and web hosting services.

Insurance

CPC shall procure and maintain, for the duration of this Agreement, general commercial liability insurance for the benefit of CPC and the customer against claims arising from or in connection with the performance of the terms of this Agreement by CPC, its officers, employees, agents, assigns, and representatives. The general commercial liability insurance policy limit amounts shall be no less than \$1,000,000 each occurrence and \$2,000,000 general aggregate coverage. Proof of insurance coverage shall be maintained by CPC and provided upon request by the customer.

Termination of Agreement

This Agreement may be terminated by either party upon sixty (60) days' advance written notice. The customer is required to remunerate to CPC payment for all services performed by CPC up to the date that the services performed by CPC are to discontinue. The customer acknowledges that CPC shall have a lien against all materials provided by the customer to CPC for codification to secure payment for services due until full payment for services performed by CPC has been received.

Effective Date

This Agreement is effective upon the signatures of both parties to this Agreement from the most recent date signed by either of them and shall remain in effect continuously until terminated by either party.

AUTHORIZATION/AGREEMENT

The City of Milton, WA, hereby agrees to the procedures set forth in the attached Cost Proposal dated September 4, 2018, and Terms and Conditions pages. All pricing is subject to increase after a term of three years from the date of this agreement.

CODE PUBLISHING COMPANY

CITY OF MILTON, WA

By: _____
Margaret O. Bustion, President

By: _____

Dated: _____

Dated: _____

Please sign and return two copies of these pages (via USPS) or email to:

Code Publishing Company
9410 Roosevelt Way NE
Seattle, WA 98115

OR

cpc@codepublishing.com

APPENDIX B

Chapter 2.45 PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

Sections:

- [2.45.010](#) Established.
- [2.45.020](#) Director – Appointment and confirmation.
- [2.45.030](#) Land use administrator – Designation.
- [2.45.040](#) SEPA responsible official – Designation.

2.45.010 Established.

The council recognizes and approves the establishment of the planning and community development department, which department shall be responsible for the provision of municipal services including but not limited to services in such areas as permitting, buildings and construction, administrative zoning and subdivision review and enforcement, and environmental protection review and enforcement. (Ord. 1741 § 6, 2009; Ord. 1647 § 2, 2005).

2.45.020 Director – Appointment and confirmation.

The council recognizes and approves the establishment of the planning and community development director position. The director of planning and community development shall be appointed by the mayor, which appointment shall be subject to confirmation by a majority vote of the city council. (Ord. 1741 § 6, 2009; Ord. 1647 § 2, 2005).

2.45.030 Land use administrator – Designation.

The council recognizes and approves the designation of the director of planning and community development or his/her designee as the land use administrator with oversight and administrative approval of the city's development regulations pursuant to MMC Titles [15](#) through [17](#). (Ord. 1741 § 6, 2009).

2.45.040 SEPA responsible official – Designation.

The council recognizes and approves the designation of the director of planning and community development or his/her designee as the SEPA responsible official with oversight and administrative approval of the city's environmental regulations pursuant to MMC Title [18](#). (Ord. 1741 § 6, 2009).

The Milton Municipal Code is current through Ordinance 1967, passed May 20, 2019.

Disclaimer: The City Clerk's Office has the official version of the Milton Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

Chapter 2.20 CITY CLERK-TREASURER

Sections:

2.20.010 City clerk.

2.20.020 Treasurer – Finance director.

2.20.010 City clerk.

The city clerk is the custodian of the city seal. Among other duties that may be assigned by the mayor from time to time, the city clerk performs a variety of professional support work developing, implementing and overseeing the services, programs and activities of the city clerk's office, and managing city council meetings including legal notices, agenda packet preparation, ordinances, resolutions, contracts, and minutes. The clerk's appointment is confirmed by the city council. (Ord. 1934 § 1, 2018; Ord. 1886 § 3, 2016. Formerly 2.82.002).

2.20.020 Treasurer – Finance director.

The treasurer or finance director compiles, organizes, and publishes the city budget, including monthly and quarterly reports, and fully detailed annual statements, maintains the fiscal records and systems of the city and supervises department staff, directs the accounting and reporting operations and the cash management functions and monitors financial trends and budgeted revenues and expenditures. (Ord. 1934 § 1, 2018; Ord. 1886 § 3, 2016. Formerly 2.82.003).

The Milton Municipal Code is current through Ordinance 1967, passed May 20, 2019.

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Chapter 2.08 CITY ATTORNEY

Sections:

2.08.010 Appointment authorized.

2.08.010 Appointment authorized.

The mayor is empowered to appoint an attorney in accordance with the provisions of RCW 35A.12.020 subject to confirmation by the city council. (Ord. 1934 § 3, 2018; Ord. 160 § 1, 1934).

The Milton Municipal Code is current through Ordinance 1967, passed May 20, 2019.

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Chapter 2.46 PUBLIC WORKS DEPARTMENT

Sections:

2.46.010 Established.

2.46.020 Director – Appointment and confirmation.

2.46.010 Established.

The council recognizes and approves the establishment of the public works department, which department shall be responsible for the provision of municipal services including but not limited to services in such areas as engineering, parks, facilities and fleet maintenance, streets and utilities. (Ord. 1647 § 3, 2005; Ord. 1271 § 1, 1995).

2.46.020 Director – Appointment and confirmation.

The council recognizes and approves the establishment of the public works director position. The director of public works shall be appointed by the mayor, which appointment shall be subject to confirmation by a majority vote of the city council. (Ord. 1647 § 3, 2005; Ord. 1271 § 2, 1995).

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Chapter 2.84 PERSONNEL – CLASSIFICATION PLAN

Sections:

- 2.84.010 Creation and maintenance of classifications.
- 2.84.020 Reallocation or reclassification of positions.

2.84.010 Creation and maintenance of classifications.

The chief administrative officer shall be responsible for the preparation and continued maintenance of a classification plan so that it will describe on a current basis the duties of each position and class to which each such position is allocated. Permanent positions will be included in the same class if:

- A. They are so similar in respect to duties and responsibilities that the same descriptive title may be used;
- B. Substantially the same requirements as to education, experience, knowledge, and ability are demanded of applicants;
- C. Substantially the same tests of fitness may be used in choosing qualified appointees;
- D. The same schedule of compensation can be made to apply with equity. The chief administrative officer shall authorize one person to maintain the classification system and to centralize the personnel recordkeeping system. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.84.020 Reallocation or reclassification of positions.

- A. Revision of class specifications and reallocations within the classification plan shall be made as often as is necessary to provide current information on positions and classes. It shall be the duty of the chief administrative officer or his or her designated representative to examine the nature of all positions and to allocate them to existing or newly created classes, to make such changes in the classification plan as are made necessary by changes in the duties and responsibilities of existing positions, and to periodically review the entire classification plan and recommend appropriate changes in the allocations or in the classification plan. Creation of a classification plan, reclassification of existing positions, or alteration or omission of existing classifications shall be subject to the approval of the chief administrative officer in consultation with the department head involved.
- B. When a new position is requested by a department head or the duties of an old position are changed, the department head shall submit to the chief administrative officer a written description of the duties of the position. After investigation, the chief administrative officer may approve or amend the class specification and allocate or reallocate the position to a class, provided, if a new position is created, approval shall be secured from the council.
- C. A permanent full-time employee, or his designated representative, who considers his position improperly classified shall first submit a request in writing for reclassification of his or her position to his or her department head who shall review the request and transmit it with written recommendations to the chief administrative officer. If the department head finds the request is not justified, he or she shall so advise the employee of the decision and so advise the employee of the right to appeal under the grievance procedures. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

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Chapter 2.86 PERSONNEL – PAY PLAN AND COMPENSATION

Sections:

- 2.86.010 Preparation of pay plan.
- 2.86.020 Appointee compensation.
- 2.86.030 Pay period.
- 2.86.040 Part-time.
- 2.86.050 Payment upon classification change.
- 2.86.060 Overtime.
- 2.86.070 Meals necessitated by overtime work.
- 2.86.080 Call-back.
- 2.86.090 Overtime management.

2.86.010 Preparation of pay plan.

A. The chief administrative officer shall prepare and keep current a compensation plan to consist of a series of salary ranges graduated by standard increments between two or more steps within each range or within groups of ranges. In preparing such a plan, salary ranges shall be designated for each class of positions and by such continued designation, the compensation plan and the classification plan shall be directly connected to each other. The salary range for a class will be determined with due regard to the ranges of other classes, the ability of eligible applicants, and prevailing rates of pay for similar positions offered by other employers. The chief administrative officer shall, from time to time, cause comparative studies to be made of all factors affecting the level of salary ranges and recommend such changes in the salary range as appear to be justified. Such adjustments shall be made by increasing or decreasing the salary range, the appropriate number of steps or ranges as provided in the basic salary schedule, and the rate of pay for each employee affected shall be adjusted the appropriate number of steps or ranges in conformance with the adjustment of the approved salary for that class.

B. The salary established for a position shall represent the total remuneration for an employee occupying the position except for fringe benefits, official travel, and other approved expenses. No employee shall receive pay from the city in addition to the salary and fringe benefits authorized in these rules and the current budget as adopted by the council. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.020 Appointee compensation.

Upon initial appointment to a position the employee shall receive the minimum salary for the class to which the position is allocated; however, in cases where unusual difficulty in filling the vacancy is experienced or when the appointee is exceptionally qualified, the chief administrative officer may cause the appointment to be made at a salary step above the minimum, but not more than the maximum for the class. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.030 Pay period.

Employees are to be paid twice a month, once on the twentieth of the month for the pay period from the first to the fifteenth, and then once on the fifth of the following month for the pay period from the sixteenth to the end of the month. New monthly employees working less than a calendar month will be paid at a rate per hour determined by dividing the annual salary by 2,080 hours for the actual day or hours worked. Eight hours shall constitute one day and in no instance will more than the monthly rate be provided except for overtime payments. Permanent monthly employees after the probationary period is completed who have used all accumulated sick

leave and vacation leave will lose pay at a rate determined by dividing the annual salary by 2,080 hours on a basis of eight hours for each day lost. (Ord. 1619 § 1, 2004; Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.040 Part-time.

Whenever an employee works for a period less than the regular number of hours a day, days a week, or weeks a month, the amount paid shall be on an hourly basis. The exact hourly wage will be determined by dividing the annual salary by 2,080 hours. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.050 Payment upon classification change.

Upon promotion an employee shall henceforth be paid at the amount of the higher salary range which is one step above the rate he or she had been paid in the lower class; however, if the salary ranges do not overlap, he or she shall be paid at the minimum of the higher salary range. Upon demotion an employee shall be paid at the step of the lower salary range which most closely corresponds to the step of the salary range for the class from which he or she is being demoted. When an employee's salary is changed due to demotion or promotion, all accrued salary and overtime pay shall be diverted to cash at the rate earned. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.060 Overtime.

Overtime shall be paid only upon the approval of the department head for each hour worked beyond the normal working day of eight hours at a basic rate of time and one-half for each hour worked. Eight hours of work shall constitute a day's work for all regular and probationary full-time employees. The lunch period shall not be considered part of the eight hours of work. The department head may approve the employee's requests for compensatory time off in lieu of cash at the same rate of time and one-half for each hour worked. All such approvals shall be in writing.

A. Exceptions – Police Department. Members of the police department shall be eligible for pay at the rate of time and one-half the employee's regular hourly rate of pay for hours worked in excess of a scheduled eight-hour workday or a scheduled 40-hour rate workweek.

B. Lunch period for members of the police department shall be considered part of an eight-hour shift.

C. Meals necessitated by overtime work will not apply to members of the police department unless the overtime is necessitated by emergency, so urgently necessary that its nonperformance will cause serious loss or damage to the city.

D. The police chief shall qualify for overtime as above, for time worked. This shall not include administrative duties that he/she is required to perform. That shall qualify as compensatory time. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.070 Meals necessitated by overtime work.

City officers and employees who are authorized to work for two or more consecutive hours beyond normal working hours as determined by any such officer's or employee's department head and who purchase a meal in connection with performing such overtime work shall be reimbursed for the actual reasonable cost of each such meal, not to exceed the rate set forth within the city of Milton's travel, meals, and lodging reimbursement policies (MMC 2.74.080). (Ord. 1724 § 2, 2008; Ord. 1659 § 1, 2006; Ord. 1386 § 3, 1998; Ord. 1368 § 1, 1998; Ord. 933 § 2, 1983).

2.86.080 Call-back.

Employees called back to work shall receive a minimum of two hours pay at overtime rate for the work for which they are called back. This provision shall not apply to hours worked which are annexed consecutively to the end

of the working day or within one hour of the beginning of the regularly scheduled working day; provided, however, there shall be a minimum of one hour overtime paid for any work performed within one hour of the beginning of the working day. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.86.090 Overtime management.

A. For some positions, overtime is considered part of the job responsibility, therefore, does not justify overtime pay. Compensation for overtime shall not be granted to the following positions:

Job Code 120

Job Code 645

Job Code 700

B. Compensatory time off with pay will be granted personnel in the above classifications. Compensatory time accumulated shall not exceed 40 hours at any one time. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

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Chapter 2.82 PERSONNEL – APPOINTIVE OFFICES AND EMPLOYEES

Sections:

- 2.82.001 Position qualifications and appointments.
- 2.82.004 Public works – community development director.
- 2.82.005 Police chief.
- 2.82.006 Public records officer.
- 2.82.007 Personnel director – Human resource officer.

2.82.001 Position qualifications and appointments.

The mayor shall make all appointments to city appointive offices and employments, subject to applicable civil service rule or regulation. Qualifications for offices and employments shall be as determined by the mayor, subject to any statutory required qualifications or labor agreement. (Ord. 1886 § 3, 2016).

2.82.004 Public works – community development director.

Among other duties that may be assigned by the mayor from time to time, the public works – community development director plans, organizes, directs, and evaluates day-to-day functions of city's planning, development, parks, facilities, and utilities divisions. Supervises administration, engineering, transportation, and operations. Formulates, evaluates and administers short- and long-range plans for all areas. Represents city for regional planning, mandates, and funding opportunities. Directs preparation and control of the department budgets and capital improvement plans. Serves as the city's land use administrator and SEPA administrator. Develops and implements strategies and programs to promote economic development efforts. (Ord. 1886 § 3, 2016).

2.82.005 Police chief.

Among other duties that may be assigned by the mayor from time to time, the police chief plans, organizes, directs and controls the functions of the police department. Develops and implements policies, procedures and practices to protect life and property through law enforcement and crime prevention work. The chief ensures the efficient and economical use of department funds, including grant moneys, work force, facilities and time; accomplishes short-term and long-range planning; and performs law enforcement work as necessary to maintain public peace and order, to protect life and property, to prevent crime, to make investigations and to apprehend violators of the law. (Ord. 1886 § 3, 2016).

2.82.006 Public records officer.

The city shall appoint a public records officer who shall serve at the pleasure of the mayor. Such officer shall be responsible for the city's compliance with the Public Records Act and Public Disclosure Act. This position may be combined with another position. (Ord. 1934 § 4, 2018).

2.82.007 Personnel director – Human resource officer.

The city shall appoint a personnel director or human resource officer who shall serve at the pleasure of the mayor. Such officer shall be charged with overseeing all matters relating to the employment and termination of city employees and officers including the negotiating and management of collective bargaining agreements. This position may be combined with another position. (Ord. 1934 § 4, 2018).

**The Milton Municipal Code is current through Ordinance
1967, passed May 20, 2019.**

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Chapter 5.24 POOL, BILLIARD TABLE GAMES AND VIDEO GAMES*

Sections:

- 5.24.010 License – Required.
- 5.24.020 Ineligible persons.
- 5.24.030 License – Term.
- 5.24.040 License – Fees.
- 5.24.050 License – Transfer.
- 5.24.060 License – Revocation.
- 5.24.070 Penalty for violation.

*Prior legislation: Ord. 907.

5.24.010 License – Required.

It is unlawful for any person, firm or corporation to open, maintain, carry on or conduct any shuffleboard, automatic baseball, bowling alley games, or video games, whether manually run or operated or automatic, which are maintained for public use for hire without first having obtained a license pursuant to the provision of this chapter. (Ord. 1434 § 1, 1999).

5.24.020 Ineligible persons.

In addition to the general qualifications of licenses set forth in this title, no license for the operation of billiard tables, pool tables, shuffleboards, video games or automatic baseball or bowling alley games shall be granted or issued to the following persons:

- A. Any person who has been convicted of violation of federal, state or city laws or ordinances regulating the manufacture, transportation, possession or sale of narcotics or intoxicating liquors or of any crime involving moral turpitude;
- B. Any person who names another person to have the active management of such place where billiard tables, pool tables, shuffleboards, video games and automatic baseball or bowling alley games are maintained for public use for hire, who has been convicted as described in subsection A of this section or had a similar license previously revoked;
- C. Any person where in the opinion of the council the location for the place where billiard or bowling alley games are maintained for public use for hire is not proper or for the best interest of public safety or morals. (Ord. 1434 § 1, 1999).

5.24.030 License – Term.

Licenses issued pursuant to this chapter shall be valid for the calendar year, or balance thereof, in which application is received, and the license fee provided for in this chapter shall be payable annually. There shall be no reduction of any license fee because of the fact that an application is received late in the calendar year or for any other reason. No license issued shall be transferable. (Ord. 1434 § 1, 1999).

5.24.040 License – Fees.

- A. The license fees for conducting any place where billiard tables, pool tables, shuffleboards, video games, automatic baseball or bowling alley games, whether manually or automatically operated, are maintained shall be and are fixed as follows:

1. For each video game: \$38.50 per annum payable in advance, nontransferable;
2. For each billiard table or pool table: \$27.50 per annum payable in advance, nontransferable;
3. For each automatic baseball table, bowling table or shuffleboard table: \$44.00 per annum, payable in advance, nontransferable.

B. The license fee required in this section shall be in addition to any state or city license fee required by other ordinances. (Ord. 1921 § 3, 2017; Ord. 1907 § 3, 2016; Ord. 1434 § 1, 1999).

5.24.050 License – Transfer.

Licenses issued pursuant to the terms of this chapter shall not be assignable in the event of sale or transfer of such business to other ownership except upon the application and approval by the city for such transfer or assignment. (Ord. 1434 § 1, 1999).

5.24.060 License – Revocation.

A. If any person, firm or corporation licensed under this chapter violates any provision of this chapter or any other city ordinance or provision thereof or violates any of the rules or regulations set forth in this chapter, the license of said person, firm or corporation shall be revoked or suspended by the mayor and council; provided, that said person, firm or corporation may request a hearing before the council by giving written notice of appeal to the clerk within 15 days of receipt of notice of revocation or suspension.

B. The mayor and council retains the authority to suspend said license as provided for in this section for any term they deem appropriate and if a license is revoked or suspended under this section, the license fee shall be forfeited and not refundable. (Ord. 1434 § 1, 1999).

5.24.070 Penalty for violation.

Every person, firm or corporation who violates any of the provisions of this chapter shall, in addition to the procedure of revocation or suspension provided for in this chapter, upon conviction thereof, be punished by a fine not exceeding \$250.00, or by imprisonment for a period of not more than 90 days or both such fine and imprisonment. (Ord. 1434 § 1, 1999).

The Milton Municipal Code is current through Ordinance 1967, passed May 20, 2019.

Disclaimer: The City Clerk's Office has the official version of the Milton Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

Chapter 2.84 PERSONNEL – CLASSIFICATION PLAN

Sections:

2.84.010 Creation and maintenance of classifications.

2.84.020 Reallocation or reclassification of positions.

2.84.010 Creation and maintenance of classifications.

The chief administrative officer shall be responsible for the preparation and continued maintenance of a classification plan so that it will describe on a current basis the duties of each position and class to which each such position is allocated. Permanent positions will be included in the same class if:

- A. They are so similar in respect to duties and responsibilities that the same descriptive title may be used;
- B. Substantially the same requirements as to education, experience, knowledge, and ability are demanded of applicants;
- C. Substantially the same tests of fitness may be used in choosing qualified appointees;
- D. The same schedule of compensation can be made to apply with equity. The chief administrative officer shall authorize one person to maintain the classification system and to centralize the personnel recordkeeping system. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

2.84.020 Reallocation or reclassification of positions.

- A. Revision of class specifications and reallocations within the classification plan shall be made as often as is necessary to provide current information on positions and classes. It shall be the duty of the chief administrative officer or his or her designated representative to examine the nature of all positions and to allocate them to existing or newly created classes, to make such changes in the classification plan as are made necessary by changes in the duties and responsibilities of existing positions, and to periodically review the entire classification plan and recommend appropriate changes in the allocations or in the classification plan. Creation of a classification plan, reclassification of existing positions, or alteration or omission of existing classifications shall be subject to the approval of the chief administrative officer in consultation with the department head involved.
- B. When a new position is requested by a department head or the duties of an old position are changed, the department head shall submit to the chief administrative officer a written description of the duties of the position. After investigation, the chief administrative officer may approve or amend the class specification and allocate or reallocate the position to a class, provided, if a new position is created, approval shall be secured from the council.
- C. A permanent full-time employee, or his designated representative, who considers his position improperly classified shall first submit a request in writing for reclassification of his or her position to his or her department head who shall review the request and transmit it with written recommendations to the chief administrative officer. If the department head finds the request is not justified, he or she shall so advise the employee of the decision and so advise the employee of the right to appeal under the grievance procedures. (Ord. 1386 § 3, 1998; Ord. 933 § 2, 1983).

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