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
TABLE OF CONTENTS*

		Page
Section 1.	Definitions	2
Section 2.	Plan of Improvements	11
Section 3.	Authorization of the Bond; Bond Details; Delegation to the Designated City Representative	12
Section 4.	Sale of Bond	13
Section 5.	Procedures for Draws on the Bond	13
Section 6.	Registration, Transfer and Payments	13
Section 7.	Prepayment	14
Section 8.	Revenue Fund; Flow of Funds	14
Section 9.	Payments into Revenue Bond Fund	15
Section 10.	Bond Covenants	18
Section 11.	Issuance of Future Parity Bonds	20
Section 12.	Other Obligations of the Electric Utility	22
Section 13.	Tax Covenants	23
Section 14.	Form of Bond	25
Section 15.	Execution of Bond	29
Section 16.	Defeasance	29
Section 17.	Lost, Stolen or Destroyed Bond	29
Section 18.	No Undertaking to Provide Ongoing Disclosure	29
Section 19.	Amendments	30
Section 20.	Severability	31
Section 21.	Effective Date	32

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 17th day of June, 2019, and approved by its Mayor, the 17th 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

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
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, Tracy; tdunford@cityofmilton.net; brandon.pond@hamp.com
Cc: Wood, 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

Member FDIC

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.

Trishe Summers

City Clerk