CITY OF BONNEY LAKE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2015

ORDINANCE NO. 1507

AN ORDINANCE of the City Council of the City of Bonney Lake, Pierce County, Washington, authorizing the issuance and sale of limited tax general obligation refunding bonds of the City in an aggregate principal amount not to exceed $9,000,000 to refund certain outstanding obligations of the City; delegating authority to the City Administrator and Finance Director to approve final terms of the bonds; providing for the disposition of the bond proceeds; appointing a refunding trustee and execution of an escrow agreement to accomplish the refunding; and providing for the annual levy of taxes to pay the principal of and interest on the bonds.

PASSED: February 10, 2015

Prepared by:

K&L GATES LLP
Seattle, Washington
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* This table of contents is not a part of this ordinance; it is included for convenience of the reader only.
ORDINANCE NO. 1507

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $9,000,000 TO REFUND CERTAIN OUTSTANDING OBLIGATIONS OF THE CITY; DELEGATING AUTHORITY TO THE CITY ADMINISTRATOR AND FINANCE DIRECTOR TO APPROVE FINAL TERMS OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE BOND PROCEEDS; APPOINTING A REFUNDING TRUSTEE AND EXECUTION OF AN ESCROW AGREEMENT TO ACCOMPLISH THE REFUNDING; AND PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS.

WHEREAS, the City of Bonney Lake, Washington (the “City”), now has outstanding $8,105,000 principal amount of its Limited Tax General Obligation Bonds, 2008 (the “2008 Bonds”), issued pursuant to Ordinance No. 1264 of the City, passed on December 1, 2007 (the “2008 Bonds Ordinance”), as follows:

<table>
<thead>
<tr>
<th>Maturities (December 1)</th>
<th>Principal Amounts</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 305,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>2016</td>
<td>320,000</td>
<td>4.00</td>
</tr>
<tr>
<td>2017</td>
<td>330,000</td>
<td>4.00</td>
</tr>
<tr>
<td>2018</td>
<td>345,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2019</td>
<td>365,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2020</td>
<td>380,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2021</td>
<td>395,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2022</td>
<td>415,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2027</td>
<td>2,350,000</td>
<td>4.25</td>
</tr>
<tr>
<td>2032</td>
<td>2,900,000</td>
<td>4.40</td>
</tr>
</tbody>
</table>

; and

WHEREAS, in accordance with the 2008 Bonds Ordinance, the 2008 Bonds maturing on and after December 1, 2018, may be redeemed prior to their stated maturities, in whole or in part, on December 1, 2017, or any date thereafter, at a price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, the City now has outstanding a principal balance of $738,850.38 on its Conditional Sale Contract with Motorola Inc. dated April 18, 2008 (the “2008 Contract”), which is payable in approximately equal semiannual installments of principal and interest (at an interest rate of 4.54%) on June 1 and December of each year with a final payment due on June 1, 2018; and
WHEREAS, the 2008 Contract permits the City to prepay its obligation in full, without prepayment penalty, on any installment payment date; and

WHEREAS, as a result of changed market conditions, it appears to the City Council (the “Council”) that debt service savings may be obtained by refunding all or a portion of the 2008 Bonds and offering to prepay the 2008 Contract (the “Refunding Candidates”) through the issuance of limited tax general obligation refunding bonds of the City in an aggregate principal amount not to exceed $9,000,000 (the “Bonds”); and

WHEREAS, to effect the refunding of the Refunding Candidates most advantageously to the City and its taxpayers, it is hereby found necessary and advisable that a refunding trustee be appointed and that certain Government Obligations be purchased from proceeds of sale of the Bonds and certain money of the City; and

WHEREAS, the Council wishes to delegate authority to the City Administrator and Finance Director to approve the sale of the Bonds to D.A. Davidson & Co. and to approve final terms of the Bonds under the terms and conditions set forth in this ordinance;

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

Section 1. Definitions. The following words and terms as used in this ordinance have the following meanings for all purposes of this ordinance, unless some other meaning is plainly intended.

Bond Fund means the Limited Tax General Obligation Refunding Bond Redemption Fund, 2015, authorized to be established pursuant to Section 7 hereof.

Bond Purchase Contract means the agreement between the City and the Underwriter with respect to the purchase of the Bonds.

Bond Register means the registration records for the Bonds maintained by the Bond Registrar.

Bond Registrar means the fiscal agent of the State of Washington, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring ownership of the Bonds, and paying the principal of and interest on the Bonds.

Bonds means the City of Bonney Lake, Washington, Limited Tax General Obligation Refunding Bonds, 2015, authorized to be issued in a principal amount not to exceed $9,000,000 pursuant to this ordinance.

Call Date means the date or dates designated by the Designated Representative as the date or dates on which the Refunded Obligations will be paid and redeemed.

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City means the City of Bonney Lake, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

City Administrator means the duly qualified, appointed and acting City Administrator of the City or any other officer who succeeds to the duties now delegated to that office.

Code means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

Council means the City Council as the general legislative authority of the City.

Designated Representative means the City Administrator or Finance Director or another City officer designated by the City Administrator.

DTC means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

Escrow Agreement means the Escrow Deposit Agreement to be entered into by the City and the Refunding Trustee pursuant to Section 11 of this ordinance.

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

Government Obligations means those obligations now or hereafter defined as such in Chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

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

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

Refunded Obligations means those Refunding Candidates designated for refunding by the Designated Representative pursuant to Section 10 of this ordinance.

Refunding Account means the account of that name established and maintained by the Refunding Trustee pursuant to Section 11 of this ordinance.

Refunding Candidates means the 2008 Bonds and the 2008 Contract.

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

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

Savings Target means a dollar amount equal to at least 3.5% of the outstanding principal of the Refunded Obligations, i.e., the present value of (i) the aggregate debt service on the Bonds minus (ii) the aggregate debt service on the Bonds, after payment of all costs of issuance of the Bonds, must be at least 3.5% of the outstanding principal amount of the Refunded Obligations.

SEC means the Securities and Exchange Commission of the United States.

Underwriter means D.A. Davidson & Co.


2008 Contract means the Conditional Sale Contract dated April 18, 2008, between the City and Motorola Inc. in the original principal amount of $1,938,528, approved by the Council pursuant to Resolution No. 1814 adopted on March 25, 2008.

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” means after, and the term “heretofore” means before, the date of this ordinance;

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

(c) Words importing persons 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, are solely for convenience of reference and do not constitute a part of this ordinance, nor will they affect its meaning, construction or effect; and
Section 2. Authorization of Bonds. To refinance the Refunded Obligations, thereby effecting a savings to the City and its taxpayers, and to pay costs of issuing the Bonds, the City shall issue its limited tax general obligation refunding bonds in an aggregate principal amount not to exceed $9,000,000 (the "Bonds"). The Bonds shall be general obligations of the City, shall be designated "City of Bonney Lake, Washington, Limited Tax General Obligation Refunding Bonds, 2015"; shall be fully registered as to both principal and interest; shall be in the denomination of $5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date, payable semiannually on the dates set forth in the Bond Purchase Contract, commencing on a date and maturing on dates and in principal amounts set forth and approved in the Bond Purchase Contract executed by the Designated Representative pursuant to Section 10 of this ordinance. The Bonds will bear interest at the rates set forth in the Bond Purchase Contract pursuant to Section 10 of this ordinance.

Section 3. Registration, Exchange and Payments.

(a) Bond Registrar/Bond Register. The City hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agent of the State of Washington as registrar, authenticating agent, paying agent and transfer agent (the "Bond Registrar"). The Bond Registrar will keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the "Bond Register"), which shall be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance. The Bond Registrar is responsible for its representations contained in the Certificate of Authentication on the Bonds.

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

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

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

(d) Use of Depository.

(i) The Bonds will be registered initially in the name of "CEDE & Co.", as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor must be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the City pursuant to subsection (ii) below or such substitute depository’s successor; or (C) to any person as provided in subsection (iv) below.

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

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the City, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or its nominee, all as specified in such written request of the City.

(iv) If (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the City determines that it is in the best interest of the beneficial owners of the Bonds that the Bonds be provided in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and will no longer be held in fully-immobilized form. The City will deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.
(e) Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond will be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner’s duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and authenticate and deliver, without charge to the Registered Owner or transferee, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for the surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar is not obligated to transfer or exchange any Bond during the period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of the notice of the redemption.

(f) Bond Registrar’s Ownership of Bonds. The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

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

(h) Place and Medium of Payment. Both principal of and interest on the Bonds are payable in lawful money of the United States of America. Interest on the Bonds will be calculated based on a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully-immobilized form, payments of principal and interest will be made in accordance with the operational arrangements of DTC referred to in the Letter of Representations.

If the Bonds are no longer in fully-immobilized form, interest on the Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds is payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least $1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located within the United States.
Section 4. Redemption; Purchase of Bonds.

(a) Optional Redemption. The Bonds may be subject to optional redemption prior to their stated maturities as set forth in the Purchase Contract approved by the Designated Representative pursuant to Section 10.

(b) Mandatory Redemption. If structured as term bonds, the Bonds may be subject to mandatory redemption on a schedule to be set forth in the Purchase Contract.

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

(d) Notice of Redemption.

(1) Official Notice. Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption, which notice may be conditional, will be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

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

(A) the redemption date,

(B) the redemption price,

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

(D) any condition to an optional redemption,
that on the redemption date (unless the notice of redemption is a conditional notice, in which case the notice will state that interest will cease to accrue from the redemption date if and to the extent that any condition has been satisfied and funds have been provided to the Bond Registrar for the redemption of Bonds) the redemption price will become due and payable upon each Bond or portion thereof called for redemption, and that interest thereon will cease to accrue from and after said date, and

the place where such Bonds are to be surrendered for payment of the redemption price.

On or prior to any redemption date (if any conditions to an optional redemption have been met), the City will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds that are to be redeemed on that date.

(2) Effect of Notice; Bonds Due. Unless the City has given a conditional notice and the conditions for redemption set forth therein are not satisfied, official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City defaults in the payment of the redemption price) such Bonds or portions of Bonds will cease to bear interest. Upon surrender of those Bonds for redemption in accordance with the notice, those Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date are payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there will be prepared for the Registered Owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds that have been redeemed will be canceled and destroyed by the Registrar and may not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice may be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder will contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest, if any, borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 14, and to the Underwriter or to its business successor, if any, and to such persons and with such additional information as the Designated Representative deems appropriate, but such mailings are not a condition precedent to the redemption of such Bonds.

(4) CUSIP Number. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for that purpose will bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.
(5) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

(e) Purchase of Bonds. The City reserves the right to purchase any of the Bonds at any time at a price deemed reasonable by the City.

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

UNITED STATES OF AMERICA

NO. _____ $ _____

STATE OF WASHINGTON

CITY OF BONNEY LAKE

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2015

INTEREST RATE: MATURITY DATE: CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE CITY OF BONNEY LAKE, WASHINGTON (the “City”), a municipal corporation duly organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, until payment of this bond at the Interest Rate set forth above, payable on the first days of each _____ and _____, commencing on _____, 20__. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the Bonds are held in fully immobilized form, payments of principal and interest thereon will be made as provided in accordance with the operational arrangements of DTC referred to in the Blanket Issuer Letter of Representations from the City to DTC.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of $_____ (the “Bonds”), issued for the purpose of refunding certain outstanding obligations of the City. The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and ordinances duly adopted by the City Council, including Ordinance No. 15-21 (the “Bond Ordinance”). Unless otherwise defined in this bond, capitalized terms used herein have the meanings given those terms in the Bond Ordinance.
The Bonds are subject to redemption prior to their stated maturities as set forth in the Bond Ordinance and Purchase Contract.

The Bonds are not “private activity bonds” as that term is defined in the Internal Revenue Code of 1986, as amended (the “Code”). The Bonds have been designated by the City as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

The City has irrevocably covenanted for as long as any of the Bonds are outstanding that each year it will include in its budget and levy an ad valorem tax on all taxable property in the City, within and as part of the property taxes authorized by law to be levied by the City without a vote of the people, in an amount that, together with other lawfully available funds, will be sufficient to pay the principal of and interest on the Bonds as the same become due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of taxes for payment of the principal of and interest on the Bonds may be discharged prior to maturity of the Bonds by making provisions for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

This bond will 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 has been manually signed by or on behalf of the Bond Registrar.

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

IN WITNESS WHEREOF, the City of Bonney Lake, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and City Clerk and a facsimile of the seal of the City to be imprinted or otherwise reproduced hereon as of __________, 2015.

CITY OF BONNEY LAKE, WASHINGTON

By: __________ /s/ manual or facsimile __________

Mayor

ATTEST:

__________/s/ manual or facsimile__________

City Clerk

The Bond Registrar’s Certificate of Authentication on the Bonds will be in substantially the following form:
CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This is one of the City of Bonney Lake, Washington, Limited Tax General Obligation Refunding Bonds, 2015, dated __________, 2015, as described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENT,
Bond Registrar

By: ___________________________/s/__________________________
Authorized Signer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto ________________________

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

_________________________________________________________

(Please print or typewrite name and address, including zip code, of Transferee)

the within bond and does hereby irrevocably constitute and appoint ____________________________ of ____________________________, or its successor, as Bond Registrar to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: ____________________________, __________.

SIGNATURE GUARANTEED:

_________________________________________________________

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 6. Execution of Bonds. The Bonds will be executed on behalf of the City with the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the City Clerk, and have the seal of the City impressed, imprinted or otherwise reproduced thereon. If any officer who has signed or attested a Bond ceases to be an officer of the City authorized to
sign bonds before the Bond bearing his or her signature is authenticated or delivered by the Bond Registrar or issued by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, will be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Bonds also may be signed on behalf of the City by any person who, on the actual date of signing of the Bonds, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 5, manually executed by the Bond Registrar, will be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The executed Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this ordinance.

Section 7. Bond Fund; Pledge of Taxes and Credit. There is hereby authorized and directed to be created in the office of the Finance Director a special fund to be drawn upon for the sole purpose of paying the principal of and interest on the Bonds to be known as the “Limited Tax General Obligation Refunding Bond Redemption Fund, 2015” (the “Bond Fund”). The taxes hereafter levied for the purpose of paying principal of and interest on the Bonds and other funds to be used to pay the Bonds must be deposited in the Bond Fund no later than the date such funds are required for the payment of principal of and interest on the Bonds. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City funds. Any interest or profit from the investment of such money must be deposited in the Bond Fund.

The City hereby irrevocably covenants for as long as any of the Bonds are outstanding that each year it will include in its budget and levy an ad valorem tax on all taxable property in the City, within and as part of the property taxes authorized by law to be levied by the City without a vote of the people, in an amount that, together with other lawfully available funds, will be sufficient to pay the principal of and interest on the Bonds as the same become due. All of such taxes so collected and any other money to be used for such purposes shall be paid into the Bond Fund.

The City hereby irrevocably pledges that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same become due.

Section 8. Defeasance. If money and/or Government Obligations 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 Bonds in accordance with their 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 Bond Fund for the payment of the principal of and interest on the Bonds so provided for, and such Bonds 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 Bonds shall be deemed not to be outstanding hereunder.

The City will give written notice of defeasance to the owners of all Bonds so provided for and to each party entitled to receive notice in accordance with Section 13 of this ordinance.

Section 9. Tax Covenants; Special Designation. The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City that may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code that will cause the Bonds to be “arbitrage bonds” within the meaning of said section and said regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable regulations thereunder throughout the term of the Bonds. The City further covenants that it will not take any action or permit any action to be taken that would cause the Bonds to constitute “private activity bonds” under Section 141 of the Code.

The City hereby designates the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The City does not anticipate issuing more than $10,000,000 in “qualified tax-exempt obligations” during 2015.

Section 10. Designation of Refunded Obligations; Sale of Bonds.

(a) Savings Target. The Designated Representatives are authorized to determine, in consultation with the Underwriter and the City’s financial advisor, which of the Refunding Candidates, if any, are to be refunded by the issuance of the Bonds. In determining which of the Refunding Candidates should be refunded, the minimum Savings Target must be achieved. Those Refunding Candidates designated to be refunded are referred to in this ordinance as the “Refunded Obligations” and will be set forth in the Purchase Contract authorized in subsection (b) herein.

The principal amount of the Bonds will be an amount sufficient, together with other available funds of the City, to provide for the refunding of the Refunded Obligations and the payment of costs of issuance of the Bonds.

(b) Bond Sale. The Bonds will be sold by negotiated sale to the Underwriter pursuant to the terms of the Purchase Contract. The Council has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Council. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representatives the authority to negotiate and approve final terms for the Bonds. The Designated Representatives will take into account those factors that, in their judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in this Section 10, a Designated Representative is hereby authorized to execute the final form of the Purchase Contract, upon the approval of the final interest rates, maturity dates, aggregate principal amount, principal maturities, terms of redemption and redemption rights, and provisions for bond insurance, if any, set forth therein, so long as (i) the aggregate principal amount of the Bonds does not exceed $9,000,000 and (ii) the minimum Savings Target is achieved.
Following the execution of the Purchase Contract, a Designated Representative will provide a report to the Council, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The report will be provided to the Council electronically on the date of the Bond sale and a public report provided to the Council at the next regularly scheduled meeting. The authority granted to the Designated Representatives by this Section 10 expires on December 31, 2015. If a Purchase Contract for the Bonds has not been executed on or prior to December 31, 2015, the authorization for the issuance of the Bonds is rescinded, and the Bonds authorized under this ordinance may not be issued nor their sale approved unless the Bonds are re-authorized by ordinance. The ordinance re-authorizing the issuance and sale of the Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a purchase contract or establishing terms and conditions for the authority delegated under this Section 10.

The Designated Representatives and other City officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, a Designated Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriter's discount, the fees and expenses specified in the Bond Purchase Contract, including fees and expenses of Underwriter and other retained services, including Bond Counsel, rating agencies, fiscal agent, escrow agent, verification agent, financial advisory services, escrow structuring services and other expenses customarily incurred in connection with issuance and sale of bonds.

(c) Preliminary and Final Official Statements. The Designated Representatives are hereby authorized to review and approve on behalf of the City the preliminary and final Official Statements for the Bonds with such additions and changes as may be deemed necessary or advisable to them. A Designated Representative is hereby further authorized to deem final the preliminary Official Statement for purposes of SEC Rule 15c2-12.

(d) Bond Insurance. The Designated Representatives are hereby also authorized to consider proposals from bond insurers and determine whether the use of bond insurance is economically advantageous to the City. If the Designated Representatives determine to obtain bond insurance, a Designated Representative is authorized to execute a commitment for insurance.

Section 11. Refunding Account; Plan of Refunding.

(a) Refunding Account. There is hereby authorized to be created a special account of the City known as the “2015 Limited Tax General Obligation Refunding Account” (the “Refunding Account”), which Account is to be held by the Refunding Trustee and drawn upon for the sole purpose of paying the principal of and interest on the Refunded Obligations until their date of redemption or prepayment, as applicable, and of paying costs related to issuance of the Bonds and refunding the Refunded Obligations.

From the proceeds of sale of the Bonds, an amount sufficient, together with other funds of the City, if necessary, to defease the refunded portion of the 2008 Bonds as authorized by the 2008 Bonds Ordinance and/or to provide for prepayment of the 2008 Contract in accordance with its
terms and pay costs of issuance and refunding, will be credited to the Refunding Account and used immediately upon receipt thereof for those purposes.

The City will defease or provide for prepayment of the Refunded Obligations, as applicable, and may discharge such obligations by the use of money in the Refunding Account to purchase certain Government Obligations (which obligations so purchased, are herein called the "Escrow Securities"), bearing such interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of:

(i) interest on the Refunded Obligations on or prior to each Call Date; and

(ii) the redemption price or prepayment amount of the Refunded Obligations on each Call Date.

The Escrow Securities must be purchased at a yield not greater than the yield permitted by the Code and regulations relating to Escrow Securities in connection with refunding bond issues.

(b) Refunding Trustee. The City hereby appoints U.S. Bank National Association as the Refunding Trustee for the Refunded Obligations (the "Refunding Trustee"). A beginning cash balance, if any, and the Escrow Securities will be deposited irrevocably with the Refunding Trustee in an amount sufficient to defease or prepay, as applicable, the Refunded Obligations. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Escrow Securities and provision for the necessary beginning cash balance will be utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and expenses of the issuance of the Bonds. The City may, from time to time, transfer, or cause to be transferred, from the Refunding Account any money not thereafter required for the purposes set forth in clauses (i) and (ii) of Section 11(a), subject to verification in writing by an independent certified public accountant that such transfer will not result in inadequate funds being available to make the required payments therefrom. The City reserves the right to substitute other securities for the Escrow Securities if it may do so pursuant to Section 148 of the Code and applicable regulations thereunder, upon compliance with the conditions set forth in the Escrow Agreement.

The City will take such actions as necessary to see that all necessary and proper fees and expenses of the Refunding Trustee are paid when due. The proper officers and agents of the City are directed to obtain from the Refunding Trustee an agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the redemption and retirement of the Refunded Obligations as provided herein and setting forth such provisions for the payment of the Refunding Trustee as are satisfactory to it. The Designated Representative is authorized and directed to execute and deliver to the Refunding Trustee an escrow agreement and cost of issuance agreement in forms satisfactory to the Refunding Trustee and approved by counsel to the City.

(c) Call for Redemption of Refunded Obligations. As provided in the Escrow Agreement, the City will call the Refunded Obligations for redemption on their Call Dates in accordance with applicable terms of the Refunded Obligations. The defeasance and call for
redemption of the Refunded Obligations will be irrevocable after the issuance of the Bonds and delivery of the Escrowed Securities to the Refunding Trustee.

The Refunding Trustee is hereby authorized and directed to provide for the giving of notices of the defeasance and redemption of the Refunded Obligations in accordance with the applicable provisions of the 2008 Bonds Ordinance and the 2008 Contract. The Treasurer is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The City is responsible for the costs of publishing such notices.

Section 12. Undertaking to Provide Ongoing Disclosure.

(a) Contract/Undertaking. This section constitutes the City’s written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

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

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City’s general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the heading “Historical General Fund Operating Results and General Fund Budget”;

2. The assessed valuation of taxable property in the City;

3. Ad valorem taxes due and percentage of taxes collected;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

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

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

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

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

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition of the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of the trustee, if material.

Solely for purposes of information, but without intending to modify this undertaking, no property, debt service reserves or credit enhancement secure payment of the Bonds.

(d) **Notification Upon Failure to Provide Financial Data.** The City agrees to provide or cause to be provided, in a timely manner to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.
(e) **Emma; Format for Filings with the MSRB.** Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB’s Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

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

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

(g) **Bond Owner's Remedies Under This Section.** The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section are limited to a right to obtain specific enforcement of the City’s obligations under this section, and any failure by the City to comply with the provisions of this undertaking will not be an event of default with respect to the Bonds. For purposes of this section, “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

**Section 13. Lost or Destroyed Bonds.** If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon such Registered Owner’s paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.
Section 14. General Authorization. The appropriate officials, agents and representatives of the City are authorized to take any actions and to execute any certificates, agreements or other documents as in their judgment may be necessary or desirable to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 15. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City is declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 16. Effective Date. This ordinance becomes effective five days after its passage and publication, as required by law.

PASSED by the City Council of the City of Bonney Lake, Washington, at a regular meeting thereof, held on February 10, 2015.

CITY OF BONNEY LAKE, WASHINGTON

By: _____________________________
Mayor

AUTHENTICATED:

Harwood T. Edvalson, MMC, City Clerk

Passed: 2/10/2015
Valid: 2/10/2015
Published: 2/25/2015
Effective Date: 3/12/2015
This Ordinance totals 23 page(s)
CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. 1507 of the City (the “Ordinance”), duly passed at a regular meeting of the City Council held on February 10, 2015.

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 Council voted in the proper manner for passage of the Ordinance; that all other requirements and proceedings incident to the proper passage 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 February 10th, 2015.

City Clerk
City of Bonney Lake

City Council Agenda Bill (AB)

<table>
<thead>
<tr>
<th>Department / Staff Member: Finance/Cherie Gibson</th>
<th>Meeting/Workshop Date: Feb 10, 2015</th>
<th>Agenda Bill Number: AB15-21</th>
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<tr>
<td>Agenda Item Type: Ordinance</td>
<td>Ordinance/Resolution Number: D15-21</td>
<td>Councilmember Sponsor: Swatman</td>
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**Agenda Subject:** Refunding LTGO Bonds and Loan

**Full Title/Motion:**
An Ordinance Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, authorizing the issuance and sale of limited tax general obligation refunding bonds of the City in an aggregate principal amount not to exceed $8,000,000 to refund certain outstanding obligations of the City; delegating authority to the City Administrator and Finance Director to approve final terms of the bonds; providing for the disposition of the bond proceeds; appointing a refunding trustee and execution of an escrow agreement to accomplish the refunding; and providing for the annual levy of taxes to pay the principal of and interest on the bonds.

**Administrative Recommendation:** Approve

**Background Summary:** February, 2013 the Council was informed of an opportunity to refinance the callable portion of the 2008 LTGO bonds and Motorola Loan. At that time the estimated savings was approximately $392,000. Before the refunding could take place the interest rates spiked. Since that time the interest rates have since declined again. The estimated savings now is approximately $611,000 subject to change due to market conditions. This will save the City approximately $30,000 per year.

**Attachments:** Bond Ordinance

**BUDGET INFORMATION**

<table>
<thead>
<tr>
<th>Budget Amount</th>
<th>Current Balance</th>
<th>Required Expenditure</th>
<th>Budget Balance</th>
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**BUDGET INFORMATION**

**Committee, Board & Commission Review**

<table>
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<tr>
<th>Council Committee: Finance Committee/Committee of the Whole</th>
<th>Approvals:</th>
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**Forwarded to:** 2/10/2015 Council

**Commission/Board Review:**

**Hearing Examiner Review:**

**COUNCIL ACTION**

Workshop Date(s): Public Hearing Date(s):
Meeting Date(s): 2/10/15 Tabled to:

**APPROVALS**

Director: Mayor: Date Reviewed by City Attorney:
(if applicable):