

CITY OF STEVENSON, WASHINGTON
ORDINANCE NO. 2025-1227

AN ORDINANCE of the City of Stevenson, Washington, relating to the water and sewer system of the City; providing for the issuance of a water and sewer revenue bond of the City in the maximum principal amount of \$873,000 for the purpose of providing funds to pay costs of the acquisition, construction, and installation of improvements to the City's water and sewer system; fixing the date, form, maturity, interest rate, terms, and covenants of the bond; providing for the registration and authentication of the bond; creating and adopting certain funds and accounts; providing for the issuance of additional bonds; approving the sale and providing for the delivery of the bond to the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service; and providing for other matters properly relating thereto.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF STEVENSON, WASHINGTON, DO ORDAIN as follows:

Section 1. Definitions. The words and phrases set forth in this ordinance with initial capitalization shall have the respective meanings ascribed to such words and phrases in this Section unless the context clearly requires otherwise.

(a) "2013 Bond" means the City's Water and Sewer Revenue Bond, 2013 (Taxable), issued pursuant to the 2013 Bond Ordinance.

(b) "2013 Bond Ordinance" means Ordinance No. 2013-1071 of the City, passed on November 7, 2013, as amended by Ordinance No. 2013-1072 of the City, passed on November 21, 2013.

(c) "Annual Debt Service" means, with respect to the 2013 Bond, the Bond, and any Future Parity Bonds for any calendar year, all the interest due on the 2013 Bond, the Bond, and any Future Parity Bonds in such year, plus all principal of the 2013 Bond, the Bond, and any Future Parity Bonds (including any such principal scheduled to be paid by means of mandatory redemption and sinking fund payment requirements) that will mature or become due in such year, less all capitalized interest payable in such year from the proceeds of any such bonds.

(d) "Average Annual Debt Service" means, with respect to the 2013 Bond, the Bond, and any Future Parity Bonds, the sum of the Annual Debt Service for the remaining years to the last scheduled maturity of such bonds divided by the number of those years.

(e) "Bond" means the water and sewer revenue bond of the City authorized to be issued pursuant to Section 4 of this ordinance.

(f) "Bond Register" means the books or records maintained by the Registrar on which are recorded the name and address of the Registered Owner.

(g) "City" means the City of Stevenson, Washington.

(h) "City Administrator" means the City Administrator of the City.

(i) “Clerk” means the de facto or de jure Clerk of the City, or other officer of the City who is the custodian of the seal of the City and of the records of the proceedings of the Council, and her successors in functions, if any.

(j) “Code” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(k) “Construction Account” means the project account within the Revenue Fund referred to in Section 12 of this ordinance.

(l) “Council” means the City Council of the City.

(m) “Debt Service Account” means the debt service account created within the Revenue Fund by Section 13 of the 2013 Ordinance for the payment of the principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds.

(n) “Debt Service Reserve Account” means the debt service reserve account created within the Revenue Fund by Section 13 of the 2013 Ordinance for the purpose of securing the payment of principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds.

(o) “DOE Loan” means the Water Quality Combined Financial Assistance 2019 Agreement Number WQC-2019-StevPW-00044 between the City and the State Department of Ecology.

(p) “Future Parity Bonds” means any and all revenue bonds of the City hereafter issued, the payment of which, both principal and interest, is secured by a lien and charge on the Net Revenue and ULID Assessments equal in rank with the lien and charge on Net Revenue and ULID Assessments that secure the payments required to pay and secure the payment of the Bond.

(q) “Gross Revenue” means all of the earnings and revenue received by the City from any source whatsoever relating to the operation of the System, except: general ad valorem taxes; charges in lieu of taxes; ULID Assessments; proceeds from the sale of City property; grants received by the City; principal proceeds of bonds and other obligations for borrowed money; earnings or proceeds from any investments in a trust, defeasance, or escrow fund created to defease or refund System obligations for borrowed money; and earnings on money held in a special account for the purpose of paying a rebate to the United States government under the Code.

(r) “Installment Payment Date” means the date that is one year after the dated date of the Bond and that day of every year thereafter to and including the maturity of the Bond.

(s) “Interest Rate” means the *per annum* interest rate specified by the USDA and specified as such in the Bond.

(t) “Letter of Conditions” shall have the meaning specified in Section 2 of this ordinance.

(u) “Loan Resolution” means the Loan Resolution adopted by the Council pursuant to the loan conditions established by the USDA.

(v) “Maximum Annual Debt Service” means the maximum amount of Annual Debt Service that will become due in any future year on the 2013 Bond, the Bond, and any outstanding Future Parity Bonds.

(w) “Mayor” means the de facto or de jure Mayor of the City (including the Mayor pro tempore in the Mayor’s absence), or any presiding officer or titular head of the City and his successors in functions, if any.

(x) “Net Revenue” means the Gross Revenue less Operating and Maintenance Expenses.

(y) “Operating and Maintenance Expenses” means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order, and condition, including general maintenance and administrative costs of the City allocated to the System, but shall not include depreciation, taxes levied or imposed by the City, payments to the City in lieu of taxes, or costs of capital additions (and capital replacements) to the System.

(z) “Ordinance” means this ordinance passed by the Council and approved by the Mayor on June [____], 2025.

(aa) “Parity Certificate” shall have the meaning specified in Section 14 of this ordinance.

(bb) “Project” shall have the meaning specified in Section 3 of this ordinance.

(cc) “PWTF Loan” means the Public Works Trust Fund Construction Loan Agreement Number PW 06-962-042 between the City and the State Public Works Board.

(dd) “RCW” means the Revised Code of Washington.

(ee) “Registered Owner” means the entity or person named as the registered owner of the Bond on the Bond Register, initially the USDA.

(ff) “Registrar” means (i) the Treasurer, or (ii) upon a determination by the Treasurer that maintenance of the duties of the Registrar is no longer convenient, a bank or trust company organized under the laws of the State, or a national banking association, and having a capital and surplus aggregating at least \$20,000,000, if there be such a bank, trust company, or national banking association willing and able to accept the duties of Registrar on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this ordinance.

(gg) “Reserve Requirement” means: (i) for the 2013 Bond, an amount equal to the Annual Debt Service for the 2013 Bond, accumulated annually for ten years beginning with the Commencement Date (as defined in the 2013 Bond Ordinance); (ii) for the Bond, an amount equal to the Annual Debt Service for the Bond, accumulated monthly for ten years beginning

with the date that is one month after the dated date of the Bond; and (iii) for each issue of Future Parity Bonds, an amount equal to the lesser of: (1) the Maximum Annual Debt Service, (2) 125% of the Average Annual Debt Service, or (3) 10% of the proceeds (as defined under the Code) of such bonds.

(hh) “Revenue Fund” means the City’s Water-Sewer Fund, referred to in Section 12 of this ordinance, which is an enterprise fund of the City in which Gross Revenue is deposited.

(ii) “Short-Lived Asset Reserve Account” means the account of that name within the Revenue Fund referred to in Section 12 of this ordinance.

(jj) “Short-Lived Asset Reserve Requirement” means \$21,779.

(kk) “State” means the State of Washington.

(ll) “System” means the City’s combined water and sewer system, together with all additions thereto and betterments and extensions thereof at any time made or constructed.

(mm) “Treasurer” means the appointive officer of the City who is responsible under the City Charter, if any, and/or City ordinance for fulfilling the various duties of a “city treasurer” as specified by State law. The City Administrator currently serves in such capacity.

(nn) “ULID” means any utility local improvement district of the City created for purposes of making improvements, extensions, or additions to the System that are financed by the issuance of any Future Parity Bonds, the assessments in which (except for any prepaid assessments permitted by law to be paid into a construction fund or account) are pledged to be paid into the Debt Service Account.

(oo) “ULID Assessments” means the assessments levied in any ULID (except for any prepaid assessments permitted by law to be paid into a construction fund or account) and shall include installments thereof and interest and any penalties thereon.

(pp) “USDA” means the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service.

Section 2. Findings. The Council finds and determines that:

(a) The City is a municipal corporation duly organized and existing under the laws of the State, is currently organized as a code city, and operates under a Mayor-Council plan of government. Pursuant to the provisions of chapters 35.67, 35.92, and 35A.80 RCW, the City is authorized to acquire, construct, install, maintain, and operate water and sewer systems. By Ordinance No. 677, the City combined its water supply and distribution system and its sewerage system pursuant to RCW 35.67.331 for the purpose of furnishing the City and its inhabitants and other persons with water and sewer services for all purposes, and provided that all future acquisition, construction, maintenance, and operation of the System be done jointly. The City is authorized to conduct proceedings and to issue revenue bonds pursuant to chapters 35.41, 35.67, 35.92, 35A.40, and 39.46 RCW to finance the acquisition, construction, and installation of improvements to the System.

(b) The PWTF Loan is currently outstanding. Pursuant to the PWTF Loan, the lien and charge on Net Revenue that secure payment of the PWTF Loan will be subordinate to the lien and charge on Net Revenue that secure payment of the Bond.

(c) The DOE Loan is currently outstanding. Pursuant to the DOE Loan, the lien and charge on Net Revenue that secure payment of the DOE Loan will be subordinate to the lien and charge on Net Revenue that secure payment of the Bond.

(d) The USDA provided the City with a Letter of Conditions dated April 16, 2020 (the "Letter of Conditions"), establishing the conditions under which the USDA would lend money to the City to finance the acquisition, construction, and installation of improvements to the System. The Council adopted the Loan Resolution. RCW 39.69.020 authorizes the City to enter into a loan agreement with the United States government and to evidence the City's obligation to repay the loan under the terms and conditions of the loan agreement. RCW 36.69.020 further authorizes the loan agreement to provide that the City repay the loan solely from revenues set aside in a special fund for the repayment of the loan. Chapter 39.48 RCW authorizes the City to sell the Bond to the USDA by private sale at a price of not less than par plus accrued interest. The USDA has offered to purchase the Bond according to the terms set forth herein and in the Letter of Conditions and Loan Resolution.

(e) It is advisable for the City to acquire, construct, and install the improvements to the System as further described in Section 3 of this ordinance. In determining the costs of the Project pursuant to RCW 35.41.090 and 35.67.030, the Council has estimated that the total costs of the Project will be \$5,283,000. It is advisable for the City to provide funds for defraying costs of the Project from the proceeds of the sale of the Bond.

(f) The Gross Revenue and benefits to be derived from the operation and maintenance of the System, at the rates to be charged for service from the System, will be more than sufficient to meet all Operating and Maintenance Expenses and to permit the setting aside into the Debt Service Account of the amounts of Net Revenue that, together with ULID Assessments, will be sufficient to pay the principal of and interest on the Bond when due. In creating the Debt Service Account, and in fixing the amounts to be paid therein out of the Gross Revenue, the Council has had due regard to Operating and Maintenance Expenses and the payments required to be made for the Bond and other obligations payable from Gross Revenue. The Council has not obligated the City to set aside into the Debt Service Account a greater amount of Gross Revenue than, in the Council's judgment, will be available over and above Operating and Maintenance Expenses.

(g) Based on the foregoing, it is in the City's best interest to authorize: (i) the issuance of the Bond to evidence the City's obligation to repay the loan from the USDA, and (ii) the delivery of the Bond to the USDA upon the terms set forth in this ordinance.

Section 3. The Project. The City hereby ratifies, specifies, adopts, and authorizes a plan for making certain additions to and betterments and extensions of the System, including: (a) replacement of the Rock Creek, Kanaka, Cascade, and Fairgrounds Pump Stations, and improvements to the pump stations including conversion to duplex submersible configuration, the addition of dedicated on-site standby power, and new controls and telemetry integrated with

a new SCADA system at the wastewater treatment plant; (b) increased sewer pipe size leading to the Rock Creek Pump Station; (c) the provision of flood protection to the wastewater treatment plant, including stop-log gates at the pump building doors and raising the top of the in-plant pump-station, general upgrades including replacement of the existing dedicated on-site standby generator and SCADA system, with the upgraded pump stations being integrated with the new SCADA system; and (d) other improvements discussed, but not budgeted, including a new lab/operations building, a new aeration building, adding check and gate valves, and using portable pumps to bail water from the storm system when inundated (collectively, the “Project”), all as more particularly described in the plans and specifications prepared by consulting engineers to the City, and now on file in the office of the Clerk. The total cost of the Project is estimated to be \$5,283,000. The Council may make such changes prior to or during the actual construction of the Project where, in its judgment, it appears advisable, provided that such changes do not substantially modify the Project.

Section 4. Authorization and Description of the Bond.

(a) For the purpose of paying a portion of the costs of the Project, including paying the costs of issuing the Bond, the City shall cause to be issued a single water and sewer revenue bond as set forth in this ordinance. The Bond shall be a special obligation of the City payable solely out of the Debt Service Account and shall be a valid claim of the Registered Owner only as against the Debt Service Account, the Debt Service Reserve Account, and the amount of Gross Revenue and ULID Assessments pledged to those accounts. The Bond shall not be a general obligation of the City. The City’s full faith, credit, and resources are not pledged for the payment of the Bond.

(b) The Bond shall be dated as of the date of its delivery to the USDA; shall be designated as the “Water and Sewer Revenue Bond, [Series]” of the City; shall be in the maximum principal amount of \$873,000; shall mature on the date that is 40 years after its date; shall bear interest on its outstanding principal balance from its date at the Interest Rate (computed on the basis of the actual number of days elapsed in a 365-day year); shall be numbered R-1, with any additional designation as the Registrar deems necessary for purposes of identification; and shall be issued only in registered form as to both principal and interest.

(c) Principal of and interest on the Bond shall be payable in equal annual amortized installments on each Installment Payment Date, beginning on the date that is one year after the dated date of the Bond, in an amount required to amortize the Bond to the maturity date, except that the last such payment due on the maturity date shall be in an amount equal to the remaining principal and interest due on the Bond. Principal of and interest on the Bond shall be payable in lawful money of the United States of America and shall be paid by Pre-Authorized Debit (PAD) on the Installment Payment Date to the Registered Owner at the address appearing on the Bond Register, except that the last installment of principal and interest shall be payable upon presentation and surrender of the Bond by the Registered Owner at the office of the Registrar.

Section 5. Prepayment. Prepayments of scheduled installments of principal of and interest on the Bonds, or any portion thereof, may be made at any time at the option of the City. Refunds, extra payments, and loan proceeds obtained from outside sources for the purpose of paying down the Bond shall, after payment of interest, be applied to the principal. Partial

prepayment shall not affect the obligation of the City to pay the remaining installments as scheduled. Notice of any such optional prepayment shall be given at least 30 days prior to the prepayment date by mailing to the Registered Owner a notice fixing such prepayment date and the amount to be prepaid.

Section 6. Failure to Pay Installments. If any installment of principal of and interest on the Bond is not paid when due, the City shall be obligated to pay interest on that installment at the same rate provided in the Bond from and after its Installment Payment Date until that installment, both principal and interest, is paid in full.

Section 7. Pledge of Revenue and Lien Position. The Net Revenue and all ULID Assessments are hereby pledged irrevocably by the City for the deposits required to be made into the Debt Service Account and the Debt Service Reserve Account for the Bond. This pledge shall constitute a lien and charge on the Net Revenue and ULID Assessments on a parity with the lien and charge on Net Revenue and ULID Assessments that secure payment of the 2013 Bond and any Future Parity Bonds and prior and superior to any other liens and charges whatsoever (including, without limitation, the obligations with regard to the PWTF Loan and the DOE Loan).

Section 8. Execution, Issuance, and Delivery of the Bond and Related Documents.

(a) The City shall issue and deliver the Bond to the USDA on the date the USDA pays the City in exchange therefor. The Bond shall be prepared in a form consistent with the provisions of this ordinance and State law, shall be signed by the Mayor and Clerk, either or both of whose signatures may be manual or in facsimile, and shall have the seal of the City (or a facsimile reproduction thereof) impressed or printed thereon.

(b) The Bond shall not be valid or obligatory for any purpose, or entitled to the benefits of this ordinance, unless the Bond bears a certificate of authentication manually signed by the Registrar stating: "This Bond is the fully registered City of Stevenson, Washington, Water and Sewer Revenue Bond, [Series], described in Ordinance No. [____]." A minor deviation in the language of such certificate shall not void a certificate of authentication that otherwise is substantially in the form of the foregoing. The authorized signing of a certificate of authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, and delivered and is entitled to the benefits of this ordinance.

(c) The Mayor and City Administrator, or their designees, are each individually authorized and directed to: (i) do everything necessary for the execution, issuance, and delivery of the Bond; and (ii) execute and deliver any documents, agreements, certificates, receipts, and instruments that are necessary or appropriate in their discretion to give effect to this ordinance and to consummate the borrowing of money authorized herein.

(d) The City directs Foster Garvey PC, as the City's bond counsel, to prepare the Bond and such other documents, agreements, certificates, receipts, and instruments as may be necessary and appropriate to properly document the issuance and delivery of the Bond to the USDA and the receipt of money by the City from the USDA. Such law firm shall coordinate the execution and delivery of such documents on behalf of the City, and shall compile and distribute

to the City and the USDA a transcript containing such documents (or copies thereof) as it deems necessary to support its legal opinions rendered in connection with the issuance of the Bond.

Section 9. Appointment of Registrar; Registration and Transfer of the Bond.

(a) Pursuant to RCW 39.46.030, the Treasurer is appointed as the initial Registrar for the Bond. The Registrar shall keep, or cause to be kept, at its office, sufficient books for purposes of registering the name, mailing address, and taxpayer identification number of the Registered Owner, and for registering any transfer of Bond ownership. The books and records maintained by the Registrar for such purpose shall be considered the Bond Register for purposes of this ordinance. The Bond Register shall at all times be open to inspection by the City. In addition to maintaining the Bond Register, the Registrar is authorized and directed to perform the following duties with respect to the Bond: (i) to authenticate the Bond upon the initial issuance thereof by executing the Certificate of Authentication contained thereon; (ii) to authenticate and deliver any Bond that is transferred in accordance with the provisions thereof and this ordinance; (iii) to serve as the City's paying agent for the Bond; (iv) to imprint on each Bond transferred or exchanged pursuant to this ordinance the name of the Registered Owner, the principal amount of the Bond, the interest rate borne by the Bond, and the maturity date of the Bond; (v) to cancel the Bond returned to the Registrar upon the payment in full thereof" and (vi) to carry out all of the Registrar's duties otherwise described in this ordinance. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bond.

(b) The Bond may be transferred only in whole and only if endorsed in the manner provided thereon and surrendered to the Registrar. Any transfer shall be without cost to the Registered Owner or transferee and shall be noted in the Bond Register. The Registrar shall not be obligated to transfer the Bond during the 15 days preceding any Installment Payment Date.

Section 10. Refunding, Defeasance, and Graduation of the Bond.

(a) The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and interest on the Bond, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund, or defease all of the principal amount of the Bond or any portion thereof (the "defeased Bond") and to pay the costs of the refunding or defeasance. If money and/or noncallable "government obligations" (as defined by chapter 39.53 RCW) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund, or defease the defeased Bond in accordance with its terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of the defeased Bond (the "trust account"), then all right and interest of any Registered Owner of the defeased Bond in the covenants of this ordinance and in the funds obligated to the payment of the defeased Bond shall cease and become void. Any Registered Owner of the defeased Bond shall have the right to receive payment of the principal of and interest on the defeased Bond from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for notice of the defeasance to be given to any Registered Owner of the defeased Bond and to such other persons as the City shall determine, and for any required replacement of a Bond certificate for the defeased Bond. The defeased Bond shall be deemed no longer outstanding, and the City may apply any money in any

other fund or account established for the payment or redemption of the defeased Bond to any lawful purposes as it shall determine.

(b) Notwithstanding any other provision of this Section, for so long as the USDA is a Registered Owner, the City shall not defease or refund the Bonds without the prior written consent of the USDA.

(c) For so long as the USDA is the Registered Owner, if at any time the USDA notifies the City that the City may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, the City shall, upon request by the USDA, apply for and accept such loan in sufficient amount to repay the USDA, and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

Section 11. Flow of Funds. All ULID Assessments shall be paid into the Debt Service Account and, if permitted by the ordinance confirming the assessment roll for such ULID Assessments, into the Debt Service Reserve Account. The Gross Revenue shall be allocated to the Revenue Fund, shall be used for the following purposes only, and shall be applied in the following order of priority:

- (a) to pay the Operating and Maintenance Expenses;
- (b) to make all deposits required to be made into the Debt Service Account pursuant to the 2013 Ordinance, this ordinance, and any ordinance authorizing the issuance of Future Parity Bonds;
- (c) to make all deposits required to be made into the Debt Service Reserve Account pursuant to the 2013 Ordinance, this ordinance, and any ordinance authorizing the issuance of Future Parity Bonds; and
- (d) to make additions to the System and betterments and extensions of the System.

Section 12. Funds and Accounts.

(a) *Creation and/or Continuance of Funds and Accounts.* The following funds and accounts shall be created (or if previously created, shall be continued) and maintained in the office of the Treasurer to comply with the provisions of this ordinance: (i) the Revenue Fund; (ii) the Debt Service Account; (iii) the Debt Service Reserve Account; (iv) a project account within the Revenue Fund (the "Construction Account"); and (v) a short-lived asset reserve account within the Revenue Fund (the "Short-Lived Asset Reserve Account"). Each fund and account shall be maintained by the Treasurer as a separate and distinct fund or account to be held, managed, invested, disbursed, and administered as provided in this ordinance. All money deposited in the funds or accounts created hereunder shall be used solely for the purposes set forth in this ordinance. The Treasurer shall keep and maintain adequate records pertaining to each fund and account, and all disbursements therefrom, in accordance with general practices and procedures in effect from time to time. The Treasurer may establish such additional accounts or subaccounts as is deemed necessary or useful, or for the purpose of complying with the

requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of this ordinance with respect to a deposit or use of money in the funds or accounts.

(b) *Debt Service Account.* The Debt Service Account is to be drawn upon for the sole purpose of paying the principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds. The City shall pay into the Debt Service Account and/or the Debt Service Reserve Account all ULID Assessments on their collection and, from the Net Revenue, pay into the Debt Service Account prior to each Installment Payment Date an amount that is sufficient (together with other money on deposit in the Debt Service Account) to pay the installment of principal and interest falling due on such Installment Payment Date. The City may (but shall not be required to) transfer any money from any funds or accounts of the City legally available therefor to meet the required payments to be made into the Debt Service Account.

(c) *Debt Service Reserve Account.* The Debt Service Reserve Account shall be maintained for the purpose of securing the payment of the principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds, and shall be used solely for the purpose of making up any deficiency existing in the Debt Service Account to meet maturing installments of either principal or interest, as the case may be, on any outstanding bonds payable out of the Debt Service Account. The City shall deposit into the Debt Service Reserve Account the Reserve Requirement for the Bond (at the times and in the amounts described in the definition of "Reserve Requirement" in Section 1 of this ordinance). When the Debt Service Reserve Account is funded at the Reserve Requirement for the Bond, the City will all times maintain at least such amount therein (except to the extent withdrawals are made from the Debt Service Reserve Account as authorized by this ordinance). Any deficiency created in the Debt Service Reserve Account by reason of a withdrawal therefrom shall then be made up from money derived from Net Revenue first available after making necessary provisions for the required payments into the Debt Service Account. The City may use any excess money in the Debt Service Reserve Account to make extra payments on the Bond in the manner authorized by Section 5 of this ordinance. The money and investments in the Debt Service Reserve Account otherwise shall be held intact and may be applied against the last outstanding bonds payable out of the Debt Service Account. For so long as the USDA is the Registered Owner, the City shall not disburse money from the Debt Service Reserve Account without receiving the prior written consent of the USDA; *provided*, that the City may create one or more subaccounts in the Debt Service Reserve Account in connection with the issuance of Future Parity Bonds and, if such subaccounts are funded from the proceeds of the Future Parity Bonds, from Net Revenue, and/or from ULID Assessments, may provide in the ordinance(s) authorizing the Future Parity Bonds that money may be withdrawn from such subaccounts without the USDA's prior written consent.

(d) *Construction Account.* Bond proceeds shall be deposited into the Construction Account. The costs of carrying out the Project, including the costs of issuing the Bond, shall be paid from the Construction Account. In the event Bond proceeds remain in the Construction Account after all costs of the Project have been paid, such proceeds shall be transferred to the Debt Service Account and used to pay principal and/or interest on the Bond.

(e) *Short-Lived Asset Reserve Account.* For so long as the USDA is the Registered Owner, the City will maintain and fund the Short-Lived Asset Reserve Account for the repair

and/or replacement of major System assets, by crediting to such account, from Gross Revenue available in accordance with Section 11 of this ordinance or other money legally available therefor, (i) annually, the amount of not less than the Short-Lived Asset Reserve Requirement, and (ii) on a regular basis, any additional amount needed to finance the short-lived assets needs of the System. Money in the Short-Lived Asset Reserve Account shall be used only with prior written consent of the USDA and exclusively for the repair and/or replacement of major System assets.

(f) *Investment of Funds.* The money in the Construction Account and the Short-Lived Asset Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by a state or the Federal Government, or may be invested in readily marketable securities backed by the full faith and credit of the United States of America maturing (or subject to sale by the City) not later than the time such money must be expended from the account so invested. The money in the Debt Service Account and the Debt Service Reserve Account may be invested in any investment permitted by law for City funds. The interest and investment earnings on such funds shall be used as follows: (i) interest and investment earnings on amounts in the Debt Service Account shall be retained in the Debt Service Account and used to pay debt service on the 2013 Bond, the Bond, and any Future Parity Bonds; (ii) interest and investment earnings on amounts in the Debt Service Reserve Account shall be retained in the Debt Service Reserve Account until the total Reserve Requirement has been accumulated therein, after which time such earnings shall be deposited in the Debt Service Account; and (iii) interest and investment earnings on amounts in the Construction Account and the Short-Lived Asset Reserve Account may be retained in such account or, at the City's discretion, may be deposited into the Debt Service Account. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject to a federal tax or rebate requirement may be withdrawn from any such fund or account for deposit in a separate fund or account for that purpose.

Section 13. Covenants. The City hereby covenants and agrees with the Registered Owner as follows:

(a) All ULID Assessments shall be paid into the Debt Service Account and/or the Debt Service Reserve Account upon their collection and may be used to pay the principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds without those ULID Assessments being particularly allocated to the payment of the principal of and interest on any particular issue of bonds. Nothing in this ordinance shall be construed to prohibit the City from issuing revenue bonds and pledging as security for their payment assessments levied in any local improvement districts or utility local improvement districts that may have been specifically created to pay part of the cost of improvements to the System for which those revenue bonds were specifically issued.

(b) The City will establish, maintain, and collect rates and charges for the services furnished by the System that will produce sufficient Gross Revenue to meet the Operating and Maintenance Expenses, the debt service requirements of the 2013 Bond, the Bond, and any outstanding Future Parity Bonds as they come due, to establish and maintain the Debt Service Reserve Account, and to maintain the System in sound financial condition.

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

(d) The City will keep proper and separate accounts and records relating to the operation and financial condition of the System and will grant the USDA the right at all reasonable times to inspect the System and all records, accounts, and data of the City relating thereto.

(e) The City will, for so long as the USDA is the Registered Owner: submit to the USDA an annual operating budget relating to the System; submit to the USDA audits (or management reports in lieu of audits) relating to the System, as determined by the USDA on an annual basis; and provide such additional information and reports as may be reasonably requested by the USDA from time to time.

(f) The City will at all times: (i) provide fidelity bonds (or similar insurance coverage) in an amount not less than the total of the Annual Debt Service and the annual Debt Service Reserve Account payment on the Bond for all persons who will have access to Gross Revenue and the funds created or maintained hereunder; (ii) maintain fire and extended coverage insurance in an amount at least equal to the depreciated replacement value for all equipment, machinery, and above-ground structures of the System; (iii) maintain reasonable and customary general liability insurance for the System including vehicular coverage; and (iv) maintain worker's compensation insurance.

(g) The City will not, for so long as the USDA is the Registered Owner, furnish water or sewer service to any customer whatsoever free of charge, and it shall take such legal action as may be feasible to enforce collection of all collectible delinquent accounts.

(h) The City will not, for so long as the USDA is the Registered Owner, mortgage, sell, lease, or in any manner encumber or dispose of all the property of the System without receiving the prior written consent of the USDA.

(i) The City will not borrow money and secure its repayment obligations for such borrowing with a lien and charge on Net Revenue that is prior to the lien and charge on Net Revenue that secure payment of the Bond. The City will not borrow money and secure its repayment obligations for such borrowing with a lien and charge on Net Revenue that is equal to the lien and charge on Net Revenue that secure payment of the Bond other than pursuant to Section 14 of this ordinance. For so long as the USDA is the Registered Owner, the City will not issue Future Parity Bonds or subordinate lien bonds payable from Net Revenue without receiving the prior written consent of the USDA.

(j) For so long as the USDA is the Registered Owner, (i) the Bond shall be subject to the present regulations of the USDA or its successor agency, and (ii) the City shall comply with the requirements contained in the Letter of Conditions and in the Loan Resolution.

Section 14. Authority to Issue Future Parity Bonds. The City reserves the right to issue Future Parity Bonds the payment of which, when issued, shall be secured by a lien and charge on Net Revenue and ULID Assessments on a parity with the lien and charge on Net Revenue and

ULID Assessments that secure payment of the Bond, for the purposes of: (i) acquiring, constructing, and installing additions and betterments to, improvements and extensions of, and repairs or capital improvements to, the System; and/or (ii) refunding and retiring at or prior to their maturity any part or all of the outstanding water and sewer revenue bonds of the City, if the following conditions are met and complied with at the time of issuance of the Future Parity Bonds:

(a) There must be no deficiency in the Debt Service Account or the Debt Service Reserve Account.

(b) The ordinance providing for the issuance of the Future Parity Bonds must provide that all ULID Assessments and interest thereon that may be levied in any ULID created for the purpose of paying, in whole or in part, the principal of and interest on the Future Parity Bonds, must be paid directly into the Debt Service Account and/or the Debt Service Reserve Account upon their collection.

(c) 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 Debt Service Account.

(d) If the Future Parity Bonds will be secured by the Debt Service Reserve Account, then the ordinance providing for the issuance of the Future Parity Bonds must provide for the deposit into the Debt Service Reserve Account of (i) an amount equal to the Reserve Requirement for the Future Parity Bonds from the Future Parity Bond proceeds or other money legally available or (ii) to the extent that the Reserve Requirement is not funded from Future Parity Bond proceeds or other legally available money at the time of issuance of the Future Parity Bonds, within ten years from the date of the first principal payment on the Future Parity Bonds from ULID Assessments, if any, levied and first collected for the payment of the principal of and interest on the Future Parity Bonds and, to the extent that ULID Assessments are insufficient, then from Net Revenue in ten approximately equal annual payments, except in the case of refunding bonds, the ordinance authorizing the issuance of such refunding Future Parity Bonds may provide that the money in the Debt Service Reserve Account for the bonds to be refunded is to be retained in the Debt Service Reserve Account as a reserve for the refunding bonds, or that the money in any other reserve account or fund for the bonds being refunded may be transferred to the Debt Service Reserve Account, but if such amount does not equal the Reserve Requirement, the Reserve Requirement for the refunding bonds shall be accumulated in the manner and within the same time as set forth herein for other Future Parity Bonds.

(e) There shall be on file with the Clerk a certificate (a "Parity Certificate") from (i) a licensed professional engineer experienced in the design, construction, and operation of municipal utilities or (ii) an independent certified public accountant, which certificate may not be dated more than one month before the date the Future Parity Bonds are issued, stating that the Net Revenue for any 12 consecutive calendar months out of the immediately preceding 24 calendar months shall be equal to 120% of the Average Annual Debt Service on all outstanding bonds payable from the Debt Service Account (after giving effect to the issuance of the Future Parity Bonds). If Future Parity Bonds are to be issued for the sole purpose of refunding outstanding bonds payable from the Debt Service Account, such certification of coverage shall not be required if the amount required for the payment of the principal and interest in each year

for the refunding bonds is not increased over the amount for that same year required for the bonds or the portion of the bond issue to be refunded thereby and if the maturities of such refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby. The previous sentence shall not apply for so long as the USDA is the Registered Owner. Further, for so long as the USDA is the registered owner of the 2013 Bond, the Bond, and all Future Parity Bonds then outstanding, the provisions of this subsection shall not apply if the USDA will be the registered owner of the Future Parity Bonds to be issued.

(f) Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund the 2013 Bond, the Bond, and/or maturing Future Parity Bonds then outstanding, if money for the payment of the 2013 Bond, the Bond, or the Future Parity Bonds is not otherwise available.

(g) Nothing contained herein shall prevent the City from issuing revenue bonds or incurring other obligations for borrowed money that are a charge on Net Revenue subordinate to the lien and charge on Net Revenue that secure the payments required to be made therefrom into the Debt Service Account for the payment of the 2013 Bond, the Bond, and any Future Parity Bonds or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on those subordinate lien bonds as long as such utility local improvement district assessments are levied for improvements to be constructed from the proceeds of those subordinate lien bonds.

Section 15. Supplemental Ordinances.

(a) The Council may pass an ordinance supplemental hereto, which ordinance thereafter shall become a part of this ordinance, for any one or more of all of the following purposes: (i) to add to or delete from the covenants and agreements of the City in this ordinance, provided such additions or deletions shall not adversely affect, in any material respect, the interests of any registered owner of the 2013 Bond, the Bond, or any Future Parity Bonds; or (ii) to cure, correct, or supplement any ambiguous or defective provision contained in this ordinance, provided such supplemental ordinance shall not adversely affect, in any material respect, the interests of any registered owner of the 2013 Bond, the Bond, or any Future Parity Bonds. Any such supplemental ordinance may be passed without the consent of the Registered Owner, notwithstanding any of the provisions of subsection (b) of this Section.

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

(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 the Registered Owner 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) Notwithstanding any other provision of this Section, for so long as the USDA is the Registered Owner, the City shall provide the form of any proposed supplemental ordinance hereto to the USDA, and the City shall not pass any ordinance supplemental hereto without the prior written consent of the USDA.

(e) Any Bond 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, any new Bond 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 Registered Owner, upon surrender for cancellation of the Bond.

Section 16. Severability; Ratification. If any provision of this ordinance shall be 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 provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond. All actions heretofore taken by the City consistent with the provisions of this ordinance are ratified, confirmed and approved.

Section 17. Effective Date of Ordinance. This Ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Stevenson, Washington, this 15th day of May, 2025, at a regular open public meeting thereof.

Scott Anderson, Mayor

APPROVED AS TO FORM:

ATTEST:

Robert C. Muth, City Attorney

Wesley Wootten, City Clerk