

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF LEWIS COUNTY, WASHINGTON**

PROVIDING FOR ADDITIONS AND)
BETTERMENTS TO THE VADER WATER)
SYSTEM UTILITY; PROVIDING FOR THE)
ISSUANCE AND SALE OF A \$279,000)
PRINCIPAL AMOUNT WATER REVENUE)
BOND TO PAY A PORTION OF THE COSTS)
OF SUCH ADDITIONS AND BETTERMENTS;)
PROVIDING THE FORM, MATURITY,)
INTEREST RATES, TERMS, AND COVENANTS)
OF THE BOND; AND 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)

RESOLUTION NO. 18-265

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEWIS COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution, unless a different meaning clearly appears from the context:

A. “Assessments” means any assessments heretofore or hereafter levied in any ULID of the County created for the acquisition or construction of additions and improvements to and extensions of the Utility, if such assessments are pledged to be paid into the Bond Fund. “Assessments” includes any installment of assessments and any interest or penalties which may be due thereon.

B. “Board” means the Board of County Commissioners of the County, as the same shall be duly and regularly constituted from time to time.

C. “Bond” means the \$279,000 principal amount Water Revenue Bond, 2018, issued by the County pursuant to and for the purposes provided in this resolution.

D. "Bond Fund" means the "Vader Water System Utility Revenue Bond Fund" established by this resolution and maintained for the purpose of paying and securing the payment of principal of and interest on Parity Bonds.

E. "Bond Register" means the registration books of the Registrar, on which is to be recorded the name of the owner of the Bond.

F. "County" means Lewis County, Washington, a political subdivision of the State of Washington.

G. "Construction Fund" means the special fund of the County established and maintained for the purposes of, among other things, receiving and holding funds for paying the cost of the Project.

H. "Gross Revenue" means all of the earnings and revenue received by the County from the maintenance and operation of the Utility or from the investment of money received therefrom, except Assessments.

I. "Loan" means, without distinction, each of Loan 16 and Loan 18.

J. "Loan 16" means the \$80,000 loan referred to in the USDA letter of conditions to the County dated May 16, 2017, as amended on November 15, 2017.

K. "Loan 18" means the \$199,000 loan referred to in the USDA letter of conditions to the County dated June 14, 2017, as amended on July 16, 2018.

L. "Net Revenue" for any period means the Gross Revenue for such period less the cost of maintenance and operation of the Utility (excluding depreciation) for such period.

M. "Parity Bonds" means, collectively, the Bond and any water revenue bonds of the County, the payment of which is secured by a lien and charge on the Gross Revenue and Assessments on a parity with the lien and charge that secure payment of the Bond.

N. "Payment Date" means the date that is six months from the dated date of the Bond and semiannually thereafter to and including the date of final maturity of the Bond. If the

date of the Bond is the 29th, 30th or 31st of the month, the Payment Date will be the 28th day of the month.

O. "Project" means the acquisition, construction, and installation of a new drinking water supply storage facility at the Utility water treatment plant.

P. "Registrar" means the County Treasurer of the County.

Q. "Reserve Requirement" means the amount equal to two semiannual installments of debt service on each Loan evidenced by the Bond payable on each Payment Date pursuant to Section 3.

R. "Utility" means the Vader Water System Utility of the County as the same is added to, improved and extended.

S. "ULID" means utility local improvement district.

T. "USDA" means the United States of America, acting through the United States Department of Agriculture.

U. "Water Fund" means the special fund of the County established and maintained for the purposes described in Section 10.

Section 2. Findings and Determinations.

A. The County owns, operates and maintains the Utility.

B. The Board deems it advisable and necessary for the public health and welfare of the inhabitants of the County to carry out the Project. The Project is subject to such changes as to location and as to any other details of the Project not affecting the service to be rendered thereby that are authorized by the Board either prior to or during the actual course of construction and which the Board finds necessary and desirable. The Board may modify the details of the Project where, in its judgment, it appears advisable so long as such modifications do not substantially alter the purposes of the Project.

C. In July 2016, the County adopted the Vader – Enchanted Valley Water System Plan, which includes the Project, all in accordance with chapter 36.94 of the Revised Code of Washington.

D. The estimated cost of carrying out the Project is \$1,816,864, which will be provided by proceeds of the Bond, grants from USDA, a Community Development Block Grant and other funds of the County.

E. The USDA has agreed to make Loan 16 to the County in the principal amount of \$80,000 under the conditions, terms, and specifications set forth in the letter of conditions relating thereto, as amended, and to make Loan 18 to the County in the principal amount of \$199,000 under the conditions, terms, and specifications set forth in the letter of conditions relating thereto, as amended, such loans to be evidenced by the issuance of the Bond under the terms and conditions set forth in this resolution.

Section 3. Authorization of Bond. For the purpose of providing a portion of the funds necessary to pay the cost of the Project, the County is authorized to issue the Bond in the principal amount of \$279,000. The Bond shall be dated the date of its delivery to the USDA and shall be numbered as determined by the Registrar.

The principal of the Bond evidencing Loan 16 shall bear interest at a rate not to exceed 2.750% per annum, and the principal of the Bond evidencing Loan 18 shall bear interest at a rate not to exceed 3.125% per annum, computed in each case on the basis of the actual number of days elapsed in a 365-day year. Principal of and interest on the Bond evidencing each Loan shall be payable in equal semiannual installments on each Payment Date, with the last payment of the Bond evidencing each Loan to be made, in the amount equal to the remaining principal of and interest due on the Bond evidencing the Loan, on the date that is 30 years after the date of issuance of the Bond.

The Bond shall be payable solely out of the Bond Fund, shall be a valid claim of the registered owner thereof only against the Bond Fund and the amount of the Gross Revenue and Assessments pledged to be paid into the Bond Fund, and shall not be a general obligation of the County.

Section 4. Appointment of Registrar; Registration and Transfer of Bond. The County Treasurer is appointed Registrar for the Bond. The Bond shall be issued only in registered form as to both principal and interest and recorded on the Bond Register maintained by the Registrar. The Bond Register shall contain the name and mailing address of the owner of the Bond. The Registrar shall not be obligated to transfer the Bond during the 15 days preceding any Payment Date or prepayment date.

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 owner or transferee and shall be recorded on the Bond Register.

Section 5. Payment of Bond. Installments of principal of and interest on the Bond shall be payable in lawful money of the United States of America and shall be paid by check or draft mailed by the Registrar or by electronic transfer or Pre-Authorized Debit (PAD) on the 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 in Chehalis, Washington.

Section 6. Optional Prepayment and Notice. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the County. 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 installments last to

become due under the Bond and shall not affect the obligation of the County to pay the remaining installments as scheduled in the Bond.

Notice of any such optional prepayment shall be given at least 30 days prior to the prepayment date by mailing to the registered owner of the Bond a notice fixing such prepayment date and the amount to be prepaid.

Section 7. Failure to Pay Installments. If any installment of principal of and interest on the Bond is not paid when due, the County shall be obligated to pay interest on that installment at the same rate provided in the Bond from and after its Payment Date until that installment, both principal and interest, is paid in full.

Section 8. Form and Execution of the Bond. The Bond shall be typewritten or copied in a form consistent with the provisions of this resolution and state law, shall be signed by the Chair and the Clerk of the Board, either or both of whose signature may be in facsimile, and the seal of the County or a facsimile thereof shall be imprinted or impressed thereon.

Only if the Bond bears a Certificate of Authentication in the following form, manually signed by the Registrar, shall it be valid or obligatory for any purpose or entitled to the benefits of this resolution:

CERTIFICATE OF AUTHENTICATION

This Bond is the fully registered Lewis County, Washington, Water Revenue Bond, 2018, described in Resolution No. _____.

[specimen]
County Treasurer, Registrar

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 resolution.

Section 9. Registrar. The Registrar shall keep, or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Bond. The Registrar is authorized, on behalf of the County, to authenticate and deliver the Bond transferred in accordance with the provisions of the Bond and this resolution, to serve as the County's paying agent for the Bond and to carry out all of the Registrar's powers and duties under this resolution and under the system of registration for the County's bonds and obligations.

Section 10. Priority of Payments From Water Fund. There has heretofore been established in the office of the County Treasurer a special fund of the County designated as the "Vader Water System Utility Fund" (the "Water Fund"). All of the Gross Revenue shall be deposited in the Water Fund as collected. The Water Fund shall be held separate and apart from all other funds and accounts of the County, and the Gross Revenue deposited in the Water Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the cost of maintenance and operation of the Utility;

Second, to make any payments required to be made by Section 11 into the Bond Fund if such payments have not been made directly from the Gross Revenue;

Third, to make any payments required to be made by Section 13.F into the Short Lived Asset Reserve Account;

Fourth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and debt service account or reserve account created to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the County secured by a lien or charge on Gross Revenue junior and inferior to the lien and charge thereon that secure the payment of the principal of and interest on the Bond and any additional Parity Bonds, if such payments are not made directly from the Gross Revenue; and

Fifth, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the County, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of Utility or for any other lawful Utility purposes.

Section 11. Payments into the Bond Fund and Reserve Account. The Bond shall be payable, both principal and interest, solely from money in the Bond Fund. There is hereby established in the office of the County Treasurer a special fund of the County designated as the "Vader Water System Utility Revenue Bond Fund" (the "Bond Fund"). The Bond Fund is divided into a "Principal and Interest Account" and a "Reserve Account." The County hereby obligates and binds itself to set aside and pay into such accounts in the Bond Fund, out of the Gross Revenue, fixed amounts without regard to any fixed proportion, as follows:

A. Into the Principal and Interest Account, at least 15 days prior to each Payment Date, an amount that on such Payment Date will be sufficient to pay the principal of and interest on the Bond then due, after crediting any Assessments paid into the Principal and Interest Account and any other amounts then on deposit therein; and

B. Into the Reserve Account, annually, the amount of not less than one-tenth of the Reserve Requirement, until the balance in the Reserve Account is equal to the Reserve Requirement.

When all required payments have been made into the Reserve Account, the County will at all times, except for withdrawals as authorized herein, maintain the balance therein until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay all principal of and interest on the outstanding Parity Bonds to maturity, after which time no further payments need be made into the Bond Fund.

The Reserve Account shall be used for the sole purpose of making up any deficiency existing in the Principal and Interest Account to make payments of principal of and interest on

the Parity Bonds when due. Any deficiency created in the Reserve Account by reason of any such withdrawal therefrom shall be made up first, from the Gross Revenue first available after making necessary provisions for the required payments into the Principal and Interest Account, and second, from money in the Short Lived Asset Reserve Account established in Section 13.F. Money in the Reserve Account may also be used to make the final payments of debt service on the Bond and any additional Parity Bonds.

Money in the Reserve Account may be kept in cash or invested in any legal investment maturing not later than when needed. Interest earned on any investments and/or profits realized from the sale of investments shall be retained in and become a part of the Bond Fund.

Section 12. Pledge of Revenue. The Gross Revenue and all Assessments are hereby pledged to the payment of the Bond and any additional Parity Bonds. This pledge shall constitute a lien and charge on the Gross Revenue prior and superior to any other lien or charge whatsoever on the Gross Revenue, subject to the cost of maintenance and operation of the Utility.

The Board hereby declares that in fixing the amounts to be paid into the Bond Fund and the accounts therein by this resolution, the Board has exercised due regard for the cost of maintenance and operation of the Utility and has not set aside into the Bond Fund a greater amount or proportion of the Gross Revenue that in its judgment will be available over and above such cost of maintenance and operation and the amount of Gross Revenue previously pledged.

Section 13. Covenants. The County hereby covenants and agrees with the registered owner of the Bond, as follows:

A. All Assessments levied within any ULID and paid to the County shall be deposited in the Bond Fund and used to pay the principal of and interest on the Bond and any additional Parity Bonds.

B. The County will at all times maintain and keep the Utility in good repair, working order and condition, operate the Utility and the business in connection therewith in an efficient manner and at a reasonable cost and comply with all applicable laws of the State of Washington.

C. The County will maintain complete books and records relating to the operation of the Utility and its financial affairs and will furnish the USDA, without request, a copy of each annual budget of the County and annual management reports in accordance with applicable USDA instructions. At all reasonable times, the USDA shall have the right to inspect the Utility and the records, accounts and data of the County relating thereto.

D. The County will carry fire and extended coverage insurance on all above-ground structures, including equipment and machinery, of the Utility as is ordinarily carried on the property of similar public utilities by private companies engaged in the operation of the same, at least equal to its depreciated replacement value. The USDA will be named as "Loss Payee" on such insurance policy or policies, and the original of such policy or policies will be delivered to the USDA. The County will also carry adequate public liability insurance, worker's compensation insurance and other kinds of insurance as under good practice are ordinarily carried on the properties of similar public utilities by private companies engaged in the operation of the same. The premiums paid for all such insurance shall be regarded and paid as a cost of maintenance and operation of the Utility.

E. The County will maintain or obtain an officer's fidelity bond for the County Treasurer in the amount of \$100,000 or, if greater, the amount which is the maximum dollar amount anticipated to be on hand at any time in the Water Fund and the Bond Fund, and maintain such fidelity bond so long as the USDA is the registered owner of the Bond. The USDA will be named as co-obligee on such fidelity bond, and the original of such fidelity bond will be delivered to the USDA.

F. The County will establish and fund the Short Lived Asset Reserve Account for the repair and/or replacement of major Utility assets, by depositing into such account annually, from Gross Revenue available in accordance with the "Third" priority under Section 10 or other money legally available therefor, the amount of not less than \$16,828. Money in the Short Lived Asset Reserve Account shall be applied as provided in Section 11 when required to make up any deficiency created in the Reserve Account by reason of any withdrawal from the Reserve Account. Any deficiency created in the Short Lived Asset Reserve Account by reason of any such withdrawal therefrom shall be made up from the Gross Revenue first available after making necessary provisions for the payments into the Principal and Interest Account and the Reserve Account required under Section 11.

Section 14. Additional Parity Bonds. The County shall not incur any obligation for borrowed money secured by a lien or charge on Gross Revenue or Assessments superior to the lien and charge that secure payment of the Bond. The County reserves the right to issue additional Parity Bonds, the payment of which are secured by a lien and charge on Gross Revenue and Assessments on a parity with the lien and charge that secure payment of the Bond, if the following conditions are met and complied with at the time of the issuance of such additional Parity Bonds:

A. No default shall exist in the payment of the principal or interest on any outstanding obligations for borrowed money secured by a lien or charge on Gross Revenue or Assessments;

B. The amounts required to have been paid into the Bond Fund shall have been paid into and maintained in the Bond Fund; and

C. The County Treasurer shall have delivered a certificate to the effect that the Net Revenue for the fiscal year following the year in which such additional Parity Bonds are to be

issued will be at least 120% of the average annual debt service requirements of all Parity Bonds outstanding, including such additional Parity Bonds.

Nothing in this resolution prevents the County from incurring obligations for borrowed money secured by a lien or charge on Gross Revenue that is junior or inferior to the payments required to be made into the Bond Fund for the payment of the Bond and any additional Parity Bonds or from pledging the payment of assessments into a fund or account created to pay and secure the payment of such junior lien obligations so long as such assessments are levied in a utility local improvement district or districts created in connection with carrying out the improvements to be constructed from the proceeds of the sale of such junior lien obligations.

Nothing in this resolution prevents the County from issuing additional Parity Bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Notwithstanding the foregoing provisions of this Section, so long as the USDA is the registered owner of the Bond, the County shall not incur any obligation for borrowed money secured by a lien or charge on Gross Revenue or Assessments without the prior written consent of the USDA.

Section 15. Use of Bond Proceeds. The proceeds of the sale of the Bond shall be paid into the Construction Fund. All other money received, transferred or set aside for the payment of the cost of the Project shall be paid into the Construction Fund.


Section 16. Sale of Bond. The Bond shall be sold to the USDA on the terms and conditions set forth herein and in the USDA letter of conditions relating to Loan 16 dated May 16, 2017, as amended on November 15, 2017, and the letter of conditions relating to Loan 18 dated June 14, 2018, as amended on July 16, 2018.

Section 17. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date of this resolution is ratified, approved and confirmed.

Section 18. Effective Date. This resolution shall become effective immediately upon its adoption.

The foregoing resolution was ADOPTED by the Board of County Commissioners of Lewis County, Washington, at a regular open public meeting thereof this 30th day of August, 2018.

APPROVED AS TO FORM:
Jonathan L. Meyer, Prosecuting Attorney



By: Civil Deputy
ROSS S PETERSEN

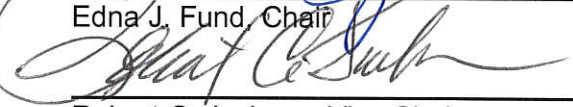
**BOARD OF COUNTY COMMISSIONERS
LEWIS COUNTY, WASHINGTON**



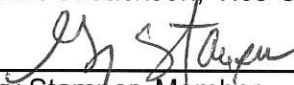
Edna J. Fund, Chair

ATTEST:


Rieva Lester, Clerk of the Board



Robert C. Jackson, Vice Chair



Gary Stagner, Member



BOCC AGENDA ITEM SUMMARY

Resolution:

BOCC Meeting Date: Aug 20, 2018

Suggested Wording for Agenda Item:

Agenda Type: Consent

Approve a resolution providing for the issuance and sale of a \$279,000 principle amount water revenue bond to pay a portion of the costs of the Vader-Enchanted Valley reservoir construction project.

Contact Betsy Dillin

Phone: 3607401138

Department: Public Works

Action Needed: Approve Resolution

RECEIVED

AUG 13 2018

LEWIS COUNTY
PROSECUTING ATTORNEY

Description

In July 2016, the County adopted the Vader – Enchanted Valley Water System Plan, which includes the project, all in accordance with chapter 36.94 of the Revised Code of Washington. The estimated cost of carrying out the project is \$1,816,864, which will be provided by proceeds of the Bond, grants from USDA, a Community Development Block Grant and other funds of the County.

The USDA has agreed to make Loan 16 to the County in the principal amount of \$80,000 under the conditions, terms, and specifications set forth in the amended letter of conditions relating thereto, such loan as amended, and to make Loan 18 to the County in the principal amount of \$199,000 under the conditions, terms, and specifications set forth in the letter of conditions relating thereto, as amended, such loans to be evidenced by the issuance of the Bond under the terms and conditions set forth in this resolution.

Additional Copies

Kim Amrine, PW
Betsy Dillin, PW