



# McCleary City Council

## PROPOSED AGENDA

**February 10<sup>th</sup>, 2010**

### 7:00 Council Meeting

Flag Salute  
Roll Call  
Minutes  
Public Comment  
Mayor's Report

Mark Reed Hospital  
USDA Water Loan – Meters, Well 2 and 3, Reservoir  
Scheduled Power Outage – February 20/21<sup>st</sup>  
Email addresses for Councilmembers

Staff Reports: Dan Glenn, City Attorney  
Department Heads Reports

Ordinances: Draft Bond for USDA Water Loan

Old Business: Settlement with Parametrix – Amount \$ 15,201.48  
Gravel Pit Annexation/Boundary Line Adjustment  
Simpson Sidewalk Issue – Report by Nick Bird

New Business: Election – Council Position # 2

Resolutions: Surplus Bunker Gear for Bates Technical College

Vouchers  
Mayor/Council Comments  
Public Comment  
Executive Session  
Adjournment

Americans with Disabilities Act (ADA)  
Accommodation is Provided Upon Request

Please Turn Off Cell Phones – Thank You

**CITY OF MCCEARY**  
**Regular City Council Meeting**  
**January 27, 2010**

REGULAR MEETING      Called to order by Mayor Dent

    FLAG SALUTE      The meeting was called to order at 7:00 PM with the Flag Salute.

    ROLL CALL      Councilmember's Ator, Boling, Schiller, and Lant.

    ABSENT      All present. One vacancy remains on the council.

    STAFF PRESENT      City Attorney Dan Glenn, City Clerk/Treasurer Collins, Police Chief Crumb, Engineer Nick Bird, Public Facilities Manager Todd Baun, and staff members Christiane Mercer, and Colin Mercer.

MINUTES APPROVED      It was moved by Councilmember Boling and seconded by Councilmember Ator to approve the minutes from the January 10, 2010 meeting. Motion Carried.

PUBLIC COMMENT      Jeff Geer spoke regarding the open Council vacancy and he wanted to let everyone know that if chosen, he would do what he feels is in the best interest of the city, with honor and integrity.

MAYOR'S REPORT      The audit exit conference involved concerns over in-house management regarding control of the handling of City money. These issues were addressed in a letter to the auditor and internal controls were put into place. A letter we received today stated the State Auditors Office has agreed to give us two years before the next audit, which saves the City money.

    The Mayor met with the Chamber of Commerce and had a good meeting and encouraged everyone to attend a Chamber meeting.

    The Mayor met with the City's labor consultants to review the current labor contracts.

    The entire city will have a 15-hour power outage on February 20 starting at midnight.

    Mayor Dent will be meeting with the Mark Reed Hospital Administrator to discuss the possible hospital move to Elma.

    The Mayor has been looking over the financials for the City. Some funds are in bad shape when comparing them to the beginning cash availability since 2006. Other funds are looking fine. The Mayor wants the citizens to know that money is not in as good of shape as anticipated.

    The new city Councilmember's are encouraged to obtain an email address from the City instead of using their private one. If they use a private email address to send and receive emails, along with City business, their privacy could be compromised in the event there is a request for records that may be part of an email relating to city business. Attorney Glenn stated that he and City Clerk Collins attended training yesterday on public records requests and it was advised that the best practice for city councilmember's is to have a dedicated email address through the city. This will separate city business from personal business and maintain the privacy of the councilmember's and their personal emails. The city staff will work on preparing email addresses for the new councilmember's. WCIA gave a scholarship to both Dan and Wendy to attend the training for free.

    The Parametrix lawsuit is settled after a long period of meeting and negotiating. They agreed to accept the offer the city offered.

    Mr. Gravatt filed a claim against the city for a flooding issue but would not sign an easement. The city requires Mr. Gravatt to sign the easement because we need to have legal access to his property to correct the problem. The city is going to write a letter to Mrs. Moore to address her flooding issue at the same time.

MOTION TO SIGN LEMAY'S  
CONTRACT

The latest draft for the garbage contract is in the packet to review. The Council decided to move forward. It was moved by Councilmember Boling, seconded by Councilmember Lant to sign the contract between Lemay's and the City for garbage service. Motion Carried.

MOTION TO APPROVE THE  
APPOINTMENT OF PUBLIC  
WORKS DIRECTOR

The Mayor asked the Council to approve the appointment of Nick Bird as the Director of Public Works for the City. If appointed, Mr. Bird would start around the 15th of February. Discussion regarding clarification of duties took place. This position would be different than the previous City Administrator and would not be involved as deeply in the city financials, as this will be the responsibility of the Mayor. It was moved by Councilmember Boling, seconded by Councilmember Ator to appoint Nicholas Bird as Director of Public Works. Roll Call taken. Motion Carried.

ABANDONED VEHICLES

Councilmember Boling spoke regarding the park and ride lot. He spoke with Chief Crumb regarding a vehicle that was left on the lot, which was packed with garbage. He stated he has heard from residents that would like a sign posted stating "no overnight parking". The city has to be sensitive to the fact that there are people who camp there during Bear Festival and others that use it for long periods of time, which are legitimate uses. The city could consider passing something stating parking is allowed for longer stays if they have prior approval. Staff will discuss possible solutions.

MOTION TO DONATION TO  
BATES TECHNICAL COLLEGE

Councilmember Lant stated the Fire Department has several sets of bunker fire gear that does not meet protection requirements and cannot be used as surplus. He stated it's out of compliance and has no dollar value. He is suggesting the equipment be donated to Bates Technical College. City staff will need to be provided a list with serial numbers of all equipment being donated. It was moved by Councilmember Lant, seconded by Councilmember Boling to donate the equipment to Bates Technical College. Motion Carried.

MOTION TO PAY VOUCHERS

It was moved by Councilmember Boling, seconded by Councilmember Lant to sign the vouchers. Motion Carried.

PUBLIC COMMENT

Councilmember Boling is concerned over future votes on a new fire station with two Councilmembers on the council being active firemen. The Attorney stated there is not an economical interest for the councilmembers so there won't be a problem.

Councilmember Lant stated he was approached by members of the community regarding the new layout of the council chambers. They did not like the new seating arrangement because there are members of the council who's backs are to the audience. He would like to see the seating arrangement changed so the citizens can see the faces of the Councilmembers. The Mayor stated he also heard a similar comment from a member of the media. The Mayor set the chambers up in the traditional way it was set in 1943.

ADJOURNMENT

At 7:50 pm, it was moved by Councilmember Boling seconded by Councilmember Lant to adjourn the meeting. Motion Carried.

**MEMORANDUM**

TO: MAYOR AND CITY COUNCIL, City of McCleary  
FROM: DANIEL O. GLENN, City Attorney  
DATE: February 8, 2010  
RE: LEGAL ACTIVITIES as of FEBRUARY 10, 2010

THIS DOCUMENT is prepared by the City Attorney for utilization by the City of McCleary and its elected officials and is subject to the attorney-client privileges to the extent not inconsistent with laws relating to public disclosure.

1. **USDA LOAN MATERIAL:** As is recognized, last summer discussions occurred between the USDA staff and Ms. Nutley as to the terms and conditions of a loan/grant from the Agency to allow funding for improvements to the water system, including the installation of the automated meter reading system and major maintenance of the tanks. The initial action appears to have been authorized at the Council Meeting of June 24, 2009. Based upon that tentative authorization, the City received an initial sets of documents which I had the opportunity to review and comment upon in a memo dated July 27, 2009. The process then appears to have next come before the Council on September 23, 2009. At that meeting, based upon my recommendation, the Council authorized the retention of Ms. Cynthia Weed of the Seattle firm of K&L/Gates to serve as our bond counsel. Such an opinion is a condition precedent to the issuance of the bonds. (I had provided Ms. Weed with the initial USDA documents for her review and commencement of drafting in mid-July.) For whatever reason, from that point, while the contracting process for the improvements moved forward, it does not appear the City made further contact with the Bond Counsel nor were amended documents received by the City from USDA distributed.

In any event, when the issue came back on the horizon in the last couple of weeks, with the assistance of Ms. Collins and Ms. Mercer, the updated documents the City received in the interim from USDA have been provided to Ms. Weed. Thanks to the very quick assistance from Ms. Weed and her staff, you will have

before you an ordinance authorizing the issuance of the necessary revenue bonds.

I would recommend the following action:

A. The authority to sign the contract with Ms. Weed, originally given in July, be affirmed. The amount continues to be no more than \$2,500.00.

B. The Mayor be authorized to sign the amended documents from USDA.

C. The Council consider and, hopefully, adopt the Bond Ordinance.

This will allow the City to obtain the moneys in order to fully fund the payments required under the contracts which are in process of performance.

2. **PARAMETRIX:** Parametrix served as the City's engineers for an extended number of years. When the City decided to change firms, an area of disagreement arose as to the final summarization of billing for services received from the firm. Based upon a review of the billing carried out by the involved City staff in two or more meetings, a figure was developed which Staff felt was clearly owed to the Firm. I have received confirmation from the Firm's principals that, while they do not necessarily agree with the figure developed, which is significantly less than their statement, in recognition of the many years of relationship between the City and the Firm, they are willing to accept the figure in full satisfaction of their outstanding billing for professional services.

The figure was one developed last year. However, I am uncertain as to whether or not the amount was included in the 2010 budget. In any event, it is a payment which I recommend that the Council authorize to bring the matter to a point of resolution in light of the conclusion of Staff.

3. **HACV RFP:** The City has a continuing need for the availability of services in the area of servicing and repairing its heating/air conditioning/ventilation systems, especially when associated with the WWTP. It is my understanding that, while there was an initial contact made with one firm last year and that firm submitted a proposal, the contact was with the one firm. When the question was raised to me this year, it was and is my recommendation that a request for proposals, developed with the guidance of Mr. Merryman and Mr. Baun, be sent out to the provisioners of such services in our area. My rationale is to assure the SAO will not have concern, if the expense goes up to

a major level, that we did not comply with the applicable bid laws since there can be a grey area between ordinary maintenance, which can within constraints be exempt from the bid law, and service which is not.

In light of that recommendation, it is my understanding the Mayor will be requesting authorization to send out such a RFP.

4. SURPLUSING OF NON-COMPLIANT BUNKER GEAR: Pursuant to the discussion at the last meeting, I have prepared and provided a draft resolution which would find the subject gear to be surplus to the needs of the City and authorize its provision to Bates Technical College, an educational institution, in its training program. Based upon the nature of the recipient and its purposes, the suggestion that such a transfer is in the public interest received from the Fire Department has been included as a finding. The conditions of the transfer are that BTC must accept it as is and hold the City harmless from any claims.

As always, this is not meant to be all inclusive. If you have any questions or comments, please direct them to me.

DG/le

## STAFF REPORT

To: Mayor Dent  
From: Colin Mercer Webmaster   
Date: February 1, 2010  
RE: January Website & Help Desk

### RE-OCCURRING WEBSITE ACTIVITY

Council Agenda/ Packet .  
Previous Council meeting approved minutes.  
Planning Commission Agenda.  
Previous Planning Commission approved minutes.

### NEW WEBSITE ACTIVITY

Removed Busse from the website as City Administrator position.  
Removed Mayor Bentley and the out-going council members.  
Removed the December Hydrant Flushing notice.  
Posted all Council Meetings for 2010 to the calendar on the website.  
Post notice of 2010 utility fees to be posted soon.  
Added the Non-Discrimination Act Policy to the website by modifying the footer of the site, and moving the City Hall address to the side bar.  
Added 2010 City holidays to the events calendar.  
Removed Council work session note on website and changed events calendar for council meetings to start at 7pm instead of 6:30pm.  
Replaced the Vacancy Notice for Public Service positions to reflect the extended application deadline.  
Uploaded the 2010 utility rates to the City Departments Pages.  
Uploaded the new Mayor and Council Member Bios to the council page.

### ADDITIONAL TASKS

Coordinate archive shelving positioning and anchoring.  
Create Excel spread sheet with all City fees for use at the front counter and each employee's workstation from the server.  
Help out at front desk during shut off day.  
Create WCIA building insurance spread sheet to evaluate premium increases.  
Uploaded the 2010 Development Fees into the Black Bear permitting system.  
Create Excel spreadsheet on the intranet for tracking Cemetery Deeds to owners.  
Research cemetery plot sales from December 2009 back to January of 2007 and issue official deeds.

### HELP DESK ACTIVITY

Month	Number of Incidents reported	Staff Reported / Closed / Open	Citizens Reported / Closed / Open
JULY	7	3 / 3 / 0	4 / 4 / 0
AUGUST	28	2 / 2 / 0	26 / 19 / 7
SEPTEMBER	32	13 / 4 / 9	19 / 23 / 3
OCTOBER	22	12 / 5 / 16	10 / 6 / 7
NOVEMBER	14	6 / 5 / 17	8 / 4 / 11
DECEMBER	20	5 / 5 / 17	14 / 9 / 16
JANUARY	16	7 / 6 / 18	11 / 9 / 18

**WEBSITE TRAFFIC** 1-1-10 through 1-31-10**Page Views by Section**

<b>Section</b>	<b>Page Views</b>	<b>Percent of Total</b>
<a href="#">Default Page</a>	1844	29.53%
<a href="#">Agendas and Minutes</a>	630	10.09%
<a href="#">Events Calendar</a>	629	10.07%
<a href="#">City Jobs</a>	317	5.08%
<a href="#">Mayor and Council</a>	276	4.42%
<a href="#">City Departments</a>	270	4.32%
<a href="#">City Staff</a>	257	4.12%
<a href="#">Code, Ordinances &amp; Standards</a>	217	3.48%
<a href="#">Search Results</a>	202	3.24%
<a href="#">Home Page</a>	201	3.22%
<a href="#">Police</a>	127	2.03%
<a href="#">City Photos</a>	125	2%
<a href="#">Bear Festival</a>	100	1.6%
<a href="#">Public Facilities</a>	79	1.27%
<a href="#">Chamber of Commerce</a>	76	1.22%
<a href="#">Helpful Links</a>	71	1.14%
<a href="#">Administration</a>	70	1.12%
<a href="#">Community Center</a>	70	1.12%
<a href="#">FAQ's Page</a>	69	1.11%
<a href="#">Fire</a>	68	1.09%
<a href="#">Light &amp; Power</a>	64	1.02%
<a href="#">Development Services / Building</a>	61	0.98%
<a href="#">Water / Wastewater</a>	61	0.98%
<a href="#">Interlocal Agreements</a>	47	0.75%
<a href="#">2008-10 Budget</a>	45	0.72%
<a href="#">Tell Us What You Think!</a>	45	0.72%
<a href="#">Municipal Court</a>	41	0.66%
<a href="#">Flood Photos 2009</a>	40	0.64%
<a href="#">Planning Department</a>	38	0.61%
<a href="#">Christmas Photos 2007</a>	35	0.56%
<a href="#">Park Project Photos</a>	34	0.54%
<a href="#">65th Anniversary Photos</a>	31	0.5%
<a href="#">Surveys &amp; Questionnaires</a>	4	0.06%
TOTAL	6244	100%

## STAFF REPORT

To: Mayor Dent  
From: Colin Mercer Fleet Manager  
Date: February 1, 2010  
RE: January Fleet



No accidents to report.

Worked with J&F Automotive to develop the 2010 vehicle maintenance schedule.  
Collected mileage log books for 2009 and issue new logs for 2010.  
Received J&F Automotives trailer repair quote from Bulldog Trailer and contacted WCIA to file a claim.  
Added new 60' boom truck to WCIA insurance and obtained new title and license plates.  
WCIA has settled the claim with J&F Automotive for damage to their trailer at a cost of \$6526.62.

### **Regular Maintenance**

#### **Lube oil and filter :**

1997 Ford F250 Utility Truck (Streets)  
1999 Ford Ranger (Colin's Truck)  
1972 Ford F600 Dump Truck (Streets)

#### **Repairs**

1997 Freightliner 40' Bucket Truck wiper switch replaced (L&P)  
1990 Chevy Dump Truck (Streets) Running rough repairs to be determined.

# Memorandum

*To: Mayor Dent*  
*From: Jennie Reed*  
*Cc: Files*  
*Date: February 1, 2010*  
*Subject: Filings*

Dear Mayor Dent

The figures for January 2010 are listed below:

<b>Court Filings:</b>		<b>Court Fines Paid</b>
Traffic Infractions	17	\$1792.21
Non Traffic Infractions		
Criminal Traffic	4	\$658.10
Criminal Non Traffic	5	\$32.5
<b>Total Issued</b>	<b>26</b>	<u>\$2482.81</u>
Collection Fees Collected		\$74.91
<b>Total Receipts</b>		<u><b>\$2557.72</b></u>

# STAFF REPORT

To: Mayor Dent  
 From: John Allardin, Maintenance Crew Foreman   
 Date: February 1, 2010  
 RE: January Status Report

TASK	DESCRIPTION	MONTH		YEAR TO DATE	
		NO.	HOURS	NO.	HOURS
Building maintenance	Park, transit station restrooms, city compound, library, float shed & museum.		70		70
Meetings and appointments	Safety meeting, interviews, public works meetings, outside agencies and contractors.		8		8
Training	Meter reading for radio reads		4		4
Water leaks	water leaks	3	15	3	15
Water complaints	Dirty, smelly or low water pressure.	4	4	4	4
Garbage collection	Down town, park, cemetery, city compound and city park trash cans.		8		8
Grounds maintenance	Gardening, hanging baskets, mowing, raking, baseball field maintenance and pressure washing		30		30
Pot hole program	Patching potholes and grading.		10		10
Utilities locates	Locating underground utilities	4	4	4	4
Meter reading	Three people task includes meter reading, shut off list and re-reads		48		48
Flagging traffic	Flagging for Light and Power crew		20		20
Citizen requests	Forms generated by requests from citizens				
Valve exercising program	Checking for valve operation, location, and maintaining proper valve operation				
Sanding streets and street sweeping	sweeping streets				
Hydrant flushing program	Maintenance, flushing and exercising hydrants				

## STAFF REPORT

To: Mayor Gary Dent  
From: Mick Schlenker Building Official *M/S*  
Date: Feb 8, 2010  
Ref: Jan Staff Report

### Building Permit Activity

	January Current	Fees	Total 2009 YTD	Fees
Last Month				
Customer Service	102		102	
Building Permits Issued	1	\$956.55	1	\$956.55
Nuisance Letters	3		3	
Inspections Performed	37		37	
Plan Reviews	1	Inc in Permit	1	
Stop Work Issued	0		0	
City Projects	1		1	change door
Complaints	4		4	
Demo Permits	0		0	
Court Issues	0		0	
Fire Projects	0		0	
Cars	1		1	
Abatements	0		0	
Elma Inspections	0		0	
Montesano	0		0	
<b>Total</b>	<b>150</b>	<b>\$956.55</b>	<b>150</b>	<b>\$956.55</b>

#### Summit II

A final work through has been done for the performance bond and corrections where noted. People present were, Nick, Todd, Colin, Vern, Mayor Dent and building department.

#### Cedar Heights

Lots #25 & #26 had inspections for framing, plumbing, mechanical and corrections were so noted. They did not pass their dry in inspection. Storm, sewer, water lines are in place and have passed the testing. They have been advised to keep side walks and road way clean of dirt and debris.

## **McCleary School**

City is waiting on corrections to be completed, then we will do a final walk through for C.O.

## **Nuisance**

The building department has been working hard at clearing up several new nuisance's.

Some of the citizens follow through with the letter (after a clean up letter is sent), and others take a bit more time

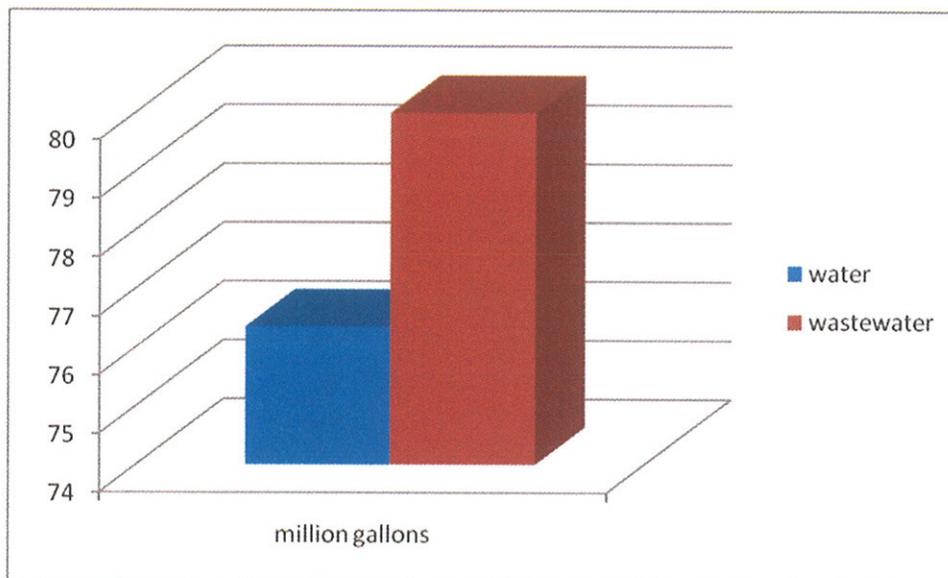
If you should notice junky yards or unsightly places, please fill out a request form so I can follow up on those address's

## STAFF REPORT

To: Mayor Dent  
From: Vern Merryman, Water/Wastewater  
Date: February 2010  
Re: Monthly Report

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Water production for 2009 totaled just shy of 76 million gallons and the treatment plant treated about 80 million gallons. I/I? You bet, but not all of it, a percentage of wastewater recirculates within the treatment plant.



A chemical injection pump went down at well 2. The pump was switched out with the chemical pump at well 3. Well 3 was off until replacement parts arrived and the repairs completed.

The emergency dialer keypad at the wells has finally worn out. A new touch keypad was ordered to replace the current non functioning keypad.

A 2 inch waterline leak was discovered at the treatment plant. Where the water was bubbling up is where the leak was thought to have been. As it turned out, we chased the leak to a faulty pipe coupling 20 feet further up the line.

A flow indicator at the treatment plant is being replaced at the plant's main liftstation. The replacement unit was determined to have a bad velocity sensor and will have to be removed and replaced.

Biosolids treatment and removal has continued so far without a break for the wet weather season. This is different from previous years where we had to slow production so as not to immediately use all the plants storage capacities.

CITY OF MCCLEARY  
WATER REVENUE BONDS, 2010

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF MCCLEARY, WASHINGTON, AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS OF THE CITY IN TWO SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$334,000 TO PROVIDE FINANCING FOR THE COSTS OF CERTAIN IMPROVEMENTS TO THE WATER SYSTEM OF THE CITY; FIXING THE DATES, INTEREST RATES, MATURITIES, FORM, TERMS AND COVENANTS OF SAID REVENUE BONDS TO BE ISSUED; PROVIDING THE TERMS AND CONDITIONS UNDER WHICH FUTURE PARITY BONDS SHALL BE ISSUED; AND AUTHORIZING THE SALE OF THE BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT.

PASSED: February 10, 2010

Prepared by:

K&L GATES LLP  
Seattle, Washington

CITY OF MCCLEARY, WASHINGTON  
ORDINANCE NO. \_\_\_\_\_  
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\* This Table of Contents and the Cover Page are for convenience of reference and are not intended to be a part of this ordinance.

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF MCCLEARY, WASHINGTON, AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS OF THE CITY IN TWO SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$334,000 TO PROVIDE FINANCING FOR THE COSTS OF CERTAIN IMPROVEMENTS TO THE WATER SYSTEM OF THE CITY; FIXING THE DATES, INTEREST RATES, MATURITIES, FORM, TERMS AND COVENANTS OF SAID REVENUE BONDS TO BE ISSUED; PROVIDING THE TERMS AND CONDITIONS UNDER WHICH FUTURE PARITY BONDS SHALL BE ISSUED; AND AUTHORIZING THE SALE OF THE BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT.

WHEREAS, the City of McCleary, Washington (the "City") now owns and operates a water supply and distribution system (the "System") for the purpose of furnishing the residents of that area with water service; and

WHEREAS, the City has determined it beneficial to install automated water meters and well exploration to the water system (the "Project") for the benefit of the City and the residents using the System; and

WHEREAS, it is now deemed necessary and desirable to issue and sell water revenue bonds in multiple series in order to provide permanent financing for the Project; and

WHEREAS, the United States of America, acting through its Department of Agricultural, Rural Development (the "Government") has agreed to purchase the Bonds authorized herein under the terms and conditions set forth in this ordinance and its Letter of Conditions dated July 27, 2009 and subsequent letter dated November 16, 2009;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MCCLEARY, WASHINGTON, as follows:

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

***Bond Fund*** means, collectively, the “Principal and Interest Account” and the “Reserve Account.”

***Bond Register*** means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of the Bonds.

***Bond Registrar*** means the Clerk-Treasurer of the City.

***Bonds*** means the City of McCleary, Washington Water Revenue Bonds, 2010 issued in the par amount of not to exceed \$334,000 and may be issued in one or more series designated as series A and series B as necessary and authorized by this ordinance.

***City*** means the City of McCleary, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

***Code*** means the federal Internal Revenue Code of 1986, as the same shall be amended from time to time, and all regulations promulgated or applicable thereunder.

***Construction Account*** means the capital facilities improvement fund of the City designated as the Water Fund.

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

***Delivery Date*** means the date of initial delivery of the Bonds to the Government as the initial purchaser.

***Draw*** means the principal amount of a drawing under the Initial Bond.

***Future Parity Bonds*** means any water revenue bonds which the City may hereafter issue having a lien upon Gross Revenue for the payment of the principal thereof and interest thereon equal to the lien upon Gross Revenue of the Bond.

***Government*** means the United States of America, acting through the Department of Agriculture.

***Government Obligations*** has the meaning given such term in RCW ch. 39.53, as amended, or any successor statute.

***Gross Revenue of the System*** means all of the earnings and revenue received by the City from the maintenance and operation of the System or from the investment of moneys received therefrom, except assessments and installments thereof and interest and any penalties thereon levied or collected in any utility local improvement City hereafter created and established to finance any improvements to the System, together with all additions thereto and betterments and extensions thereof hereafter made.

***Initial Bond*** means the Bond initially delivered to the Government.

***Letter of Conditions*** means the letter of conditions from the Government dated July 27, 2009 and subsequent letter dated November 16, 2009 to provide permanent financing for the Projects.

***Net Revenue of the System*** means the Gross Revenue of the System, less the operation and maintenance expenses thereof.

***Outstanding Principal Balance*** of the Bonds means on any particular day the aggregate of all funds that the City has drawn from the Government under the Initial Bond to that day, less the aggregate of all principal payments on the Bonds made by the City on or before that day.

***Parity Bonds*** means the Bonds and any Future Parity Bonds.

***Principal and Interest Account*** means the special account of that name authorized in Section 6 for the purpose of paying the principal of and interest on the Bonds and all Parity Bonds.

***Project*** means the installation of automated water meters and well exploration.

***Reserve Account*** means the special account of that name authorized in Section 7 to be created for the purpose of securing the payment of the principal and of interest on Parity Bonds.

***Revenue Fund*** means the account of the City previously established as the “Water Fund” into which Gross Revenue of the System is deposited.

***Short-Lived Asset Reserve Account*** means the fund established in Section 18 of this ordinance.

***System*** means the existing water system of the City, as the same may be added to, improved or extended by the facilities to be financed out of the proceeds of sale of the Bonds, and as such combined system may later be added to, improved or extended for so long as any Parity Bonds remain outstanding.

***Treasurer*** means the Clerk-Treasurer of the City, or any successor to the functions of the Treasurer.

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

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this resolution;

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

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

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

(f) Words importing the singular number include the plural number and vice versa.

Section 2. Authorization of the Project and the Bonds. The City hereby authorizes additions and betterments to and extensions of the System as follows: installation of automated water meters and well exploration (the “Project”). For the purpose of providing permanent financing for a portion of the Project, the City shall now issue and sell one or more series of Water Revenue Bonds, 2010 (the “Bonds”) in the aggregate principal amount of not to exceed \$334,000.

Section 3. Description of Bonds. The Bonds may be issued in one or more series and shall be designated “City of McCleary, Washington, Water Revenue Bonds, 2010,” shall be dated as of the Delivery Date, and shall be issued in one or more series and may be designated series A and series B, as necessary, with additional designations as requested by the Government.

The Bonds shall initially be delivered in the form of a single Bond (the "Initial Bond"). The City may make draws (individually, a "Draw" and collectively, the "Draws") upon the Initial Bond at any time during the period of one year following the Delivery Date, provided that the aggregate principal amount of the Draws do not exceed \$334,000. The Bonds shall bear interest at the rate which is the lower of the rate in effect at the time of approval by the Government of the loans to be evidenced by the Bonds and the rate in effect on the Delivery Date (computed on the basis of a 365-day year for actual number of days elapsed) on the principal amount of each Draw, and interest shall accrue from the date of each Draw. Upon completion of the construction of the Projects (estimated to be not more than a year from the Delivery Date), the Government may request that the Initial Bond be reissued in the form of Bonds of two series. If all funds available under the Bonds will not be used within one year of the Delivery Date, a second series of Bonds will be issued and delivered to the Government with separate schedules evidencing each loan. The Bonds shall be repayable in semiannual installments, commencing with the date that is twelve months following the Delivery Date, with the Outstanding Principal Balance amortized over a 20-year period. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America to the owner or owners thereof at the address appearing on the registration books of the City maintained by the Treasurer; provided, however, that as long as the Government is the owner and holder of the Bonds, the City shall make payments directly to the financial office of the Government serving the McCleary area; and provided further, however, that the Treasurer is hereby requested to establish a Preauthorized Debit Payment (PAD) process

whereby the Bond Registrar authorizes funds to be withdrawn electronically from the City's bank account on the exact day that the payment is due.

The Bonds shall be payable solely from the Gross Revenue of the System and shall not be a general obligation of the City.

The Bonds shall be registered as to both principal and interest as long as any of the installments of the Bonds remain unpaid, and the City shall maintain in the office of the Treasurer books for the registration and transfer of the Bonds. No transfer of the Bonds so registered shall be valid unless made on said books upon the written request of the registered owner or the owner's duly authorized agent.

Section 4. Prepayment. The City hereby reserves the right to prepay principal installments remaining unpaid at the price of par plus accrued interest, in whole, or in part, at any time. Advance notice of such intended prepayment shall be given at least 30 days prior to the date of such prepayment by mailing the Registered Owner a notice fixing the date and amount of such prepayment. Prepayments shall be applied first to interest and then to principal.

Section 5. Priority of Payments from Revenue Fund. There has heretofore been created a special fund of the City designated as the "Water Fund" (herein referred to as the "Revenue Fund"). All of the Gross Revenue of the System shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Gross Revenue of the System deposited in such Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the reasonable and necessary costs of maintenance and operation of the System;

Second, to pay the interest on any Parity Bonds;

Third, to pay the principal of any Parity Bonds;

Fourth, to make all payments required to be made into any sinking fund or bond retirement account heretofore or hereafter created for the payment of the principal of Parity Bonds;

Fifth, to make all payments required to be made into the Reserve Account for the payment of Parity Bonds;

Sixth, 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 City having a lien upon the Gross Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

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

Section 6. Principal and Interest Account. There is hereby authorized to be created a special account of the City known as the “Principal and Interest Account” (the “Principal and Interest Account”), which account is to be drawn upon for the sole purpose of paying the principal of and interest on all Parity Bonds.

As long as the Bonds remains outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Principal and Interest Account in addition to amounts required to be paid therein on account of any other issue of Parity Bonds,

those amounts necessary, after taking into consideration such other funds as are on hand in the Principal and Interest Account and available for the payment of principal and interest on the Bonds, to pay the interest or principal and interest next coming due on the Bonds. Such payments from the Revenue Fund shall be made on or before the day of each month on which the regular payment or principal of and interest on the Bonds are due and payable in an amount equal to such regular monthly payment.

Said amounts so pledged to be paid into the Principal and Interest Account and the Reserve Account out of the Revenue Fund are hereby declared to be a lien and charge upon all the money in the Revenue Fund equal in rank to the lien and charge thereon of any charges which may later be made thereon to pay the principal of and interest on any Future Parity Bonds and superior to all other charges of any kind or nature subject only to the necessary operation and maintenance expenses of the System.

Section 7.     Reserve Account. A Reserve Account is hereby authorized to be created for the purpose of securing the payment of the principal of and interest on Parity Bonds. The City covenants and agrees that it will pay into the Reserve Account out of the Gross Revenue of the System (or, at the option of the City, out of any other funds on hand legally available for such purposes) not less than approximately equal annual payments sufficient with other money in the Reserve Account to have on deposit therein by ten years from the Delivery Date of the Bonds, a total amount allocable to the Bonds which will be equal to the average annual debt service on the Bonds.

The City hereby further covenants and agrees that in the event it issues any Future Parity Bonds, it will provide in the ordinance authorizing the issuance of the same that it will pay into the Reserve Account out of the Gross Revenue of the System (or, at the option of the City, out of

any other funds on hand legally available for such purpose) not less than approximately equal additional annual payments so that by ten years from the date of such Future Parity Bonds there will have been paid into the Reserve Account an amount which, with the money already on deposit therein, will be equal to the average annual debt service on all Parity Bonds then outstanding.

The City further covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the average annual debt service on all outstanding Parity Bonds. Whenever there is a sufficient amount in the Principal and Interest Account and the Reserve Account, to pay the principal of, premium if any, and interest on all outstanding Parity Bonds, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on any outstanding Parity Bonds, as long as the money left remaining on deposit in the Reserve Account are equal to the average annual debt service on the remaining outstanding Parity Bonds.

In the event there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either interest on or principal of and interest on the outstanding Parity Bonds payable out of such Account, such deficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Gross Revenue of the System after making necessary provision for the payments required to be made prior thereto by Section 5 of this ordinance.

All money in the 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 any department or agency of the United States Government, or may be invested in United States obligations having a guaranteed market and maturing or having a guaranteed redemption price, not later than the last maturity of Parity Bonds. Interest earned on or any profits made from the sale of any such investments shall be deposited in and become a part of the Principal and Interest Account.

Section 8. Sufficiency of Revenues. The corporate authorities of the City hereby declare that in fixing the amounts to be paid into the Principal and Interest Account and the Reserve Account as aforesaid they have exercised due regard to the reasonable and necessary costs of maintenance and operation of the System and have not obligated the City to set aside and pay into said accounts a greater amount of the Gross Revenue of the System than in their judgment will be available over and above such reasonable and necessary costs of maintenance and operation and the amounts necessary to pay the principal of and interest on the outstanding Parity Bonds.

Section 9. General Covenants. The City hereby covenants and agrees with the owner of the Bonds from time to time, as follows:

(a) *Easements.* The City will acquire all necessary property, easements and rights-of-way for the System.

(b) *Maintenance and Operations.* The City will at all times keep and maintain the System in good repair, working order and conditions and will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost, and will comply with all applicable state laws.

(c) *Rates.* The City will impose and collect such rates and charges for service rendered by the System that Gross Revenue will be sufficient at all times to provide for the payment of the operation and maintenance of the various funds herein created; that all service rendered by the System shall be subject to the full rates prescribed in the rules and regulations of the City; and that no free service by the System will be permitted.

(d) *Books and Records.* The City will maintain complete books and records relating to the operation of the System and its financial affairs and will cause such books and records to be audited annually at the end of each fiscal year and an audit prepared, and will furnish the Government, without request, a copy of each annual audit report. At all reasonable times, the Government shall have the right to inspect the System and the records, accounts and data of the City relating thereto.

(e) If the City expends in any fiscal year \$500,000 or more in federal financial assistance, the City shall submit an audit performed in accordance with the requirements of OMB circular A-133. If the City expends in any fiscal year less than \$500,000 in federal financial assistance, but has debt owing to the Government, including the Bonds, in an amount of \$1,000,000 or more, the City shall submit an audit to the Government performed in accordance with generally accepted government auditing standards. If the City expends in any fiscal year less than \$500,000 in federal financial assistance and has debt owing to the Government, including the Bonds, in an amount less than \$1,000,000, the City may, with the Government's approval, submit a management report in lieu of an audit report. On an annual basis, the Government will review the City's financial condition and management practices in order to determine whether a management report or an audit report would be required.

(f) *Property Insurance.* The City will at all times carry fire and extended coverage and such other forms of insurance on the Project, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Council shall deem necessary in an amount at least equal to the depreciated replacement value, as recommended by the City's architect, of the Project, including equipment and machinery. A copy of such policy will be provided to the area office of the Government then serving the City. The "United States of America Acting through the Department of Agriculture" will be named as "loss payee" on each such insurance policy.

(g) *Liability Insurance.* The City will at all times keep and arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the City against anyone claiming damages of any kind or nature arising out of the operation of the Project, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Council shall deem necessary for the protection of the City and the Government.

(h) *Workers' Compensation.* The City shall provide and maintain all required worker's compensation insurance for its employees.

(i) *Fidelity Bond.* The City will at all times maintain a fidelity bond on the position of the Treasurer and any other City position(s) responsible for City funds. The amount of such bond shall be at least equal to the total debt service requirements for the Bonds.

Section 10. Tax Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may

reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

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

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

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

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

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

The City further covenants that, if:

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

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

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

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use,

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

To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City's bond counsel

that such modification or elimination will not adversely affect the tax exemption of interest on the Bonds.

Section 11. Future Parity Bonds.

(a) The City hereby further covenants and agrees with the owners and holders of the Bonds for as long as it remains unpaid that it will not issue any revenue bonds hereafter which will have a lien and charge upon the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien and charge of the money in the Revenue Fund for the payment of the principal of and interest on the Bonds, except that it reserves the right for

First, the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs to the System, or

Second, the purpose of refunding by exchange or purchase at or prior to their maturity any outstanding revenue bonds of the City that may have a lien on the money in the Revenue Fund for the payment of the principal thereof and interest thereon junior and inferior to the lien on the money in such Fund for the payment of the principal of and interest on the Bonds,

to issue such Parity Bonds (herein called "Parity Bonds") and to pledge that payments shall be made out of the Revenue Fund into the Principal and Interest Account for such Parity Bonds on a parity with the payments required herein to be made out of the Revenue Fund into such Principal and Interest Account to pay and secure the payment of the principal of and interest on the Bonds, upon compliance with the following conditions:

1. That at the time of the issuance of such Parity Bonds there is no deficiency in the Principal and Interest Account or the Reserve Account.

2. That at the time of the issuance of such Parity Bonds the City shall have on file a statement or report from the Treasurer or from an independent accountant showing that the net revenue of the System for the fiscal year preceding the year in which such Parity Bonds are to be issued was equal to at least 1.20 times the average annual amount required for the payment of the principal of and interest on all Parity Bonds then outstanding, and the Parity Bonds to be issued.

The words "net revenue" shall mean the Gross Revenue less necessary operation and maintenance expenses of the System.

It is hereby provided, however, that the limitation or condition contain in subparagraph 2 of this Section may be waived or modified by the written consent of the holders of 75% of all of the Parity Bonds then outstanding.

(b) Nothing herein contained shall prevent the City from issuing revenue bonds or like obligations which are a charge upon the Gross Revenue of the System junior or inferior to the payments required to be made into the Bond Fund for the payment of the Bonds or Future Parity Bonds, or from pledging the payment of special assessments into a fund or account created to pay and secure the payment of the principal of and interest on such junior lien bonds or obligations as long as such assessments are levied in a utility local improvement City or City's created in connection with carrying out the improvements to be constructed from the proceeds of the sale of such junior lien bonds or obligations. Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing revenue bonds of the City for the payment of which moneys are not otherwise available.

Section 12. Transfer. The Bonds may be transferred in whole by Government to another institutional investor, and any such transfer shall be noted on the bond registration books of the City.

Section 13. Lost or Destroyed Bonds. In case the Bonds shall be lost, stolen or destroyed, the City may execute and deliver a new bond of like date, number and tenor to the registered owner thereof in the manner provided by law and upon the owner's paying the expenses and charges of the City in connection therewith.

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

UNITED STATES OF AMERICA

NO. \_\_\_\_\_

\$334,000  
(or as much thereof as  
is drawn hereunder)

STATE OF WASHINGTON

CITY OF MCCLEARY  
WATER REVENUE BOND, 2010 [SERIES A/B]

PRINCIPAL AMOUNT: THREE HUNDRED THIRTY-FOUR THOUSAND AND NO  
DOLLARS

INTEREST RATE: \_\_\_\_\_%

MATURITY DATE: \_\_\_\_\_, \_\_\_\_\_

The CITY OF MCCLEARY, WASHINGTON (the "City"), a municipal corporation duly organized and existing under the laws of the State of Washington promises to pay to the UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE (the "Registered Owner") but solely from the Principal and Interest Account of the City, an amount equal to the total outstanding incremental draws (the "Draws") established by Ordinance No. \_\_\_\_ of the City.

The City may make Draws upon this bond at any time during the period of one year following the Delivery Date, provided that the aggregate principal amount of the Draws do not exceed \$334,000. Draws shall be recorded on the schedule attached to this bond, or in such other form as the City and the Government may agree. This bond shall bear interest at the rate of \_\_\_\_\_% per annum (computed on the basis of a 365 day year for actual number of days elapsed)

on the principal amount of each Draw, and interest shall accrue from the date of each Draw. Interest on this bond shall be repayable in semiannual installments, commencing with the date that is twelve months following the Delivery Date. Principal on this bond shall be repayable in semiannual installments, commencing with the date that is eighteen months following the Delivery Date shall be amortized over a 20-year period; shall be repaid in semiannual installments of principal and interest in the amount of \$\_\_\_\_\_, payable beginning one year following the Delivery Date of this bond and semiannually thereafter; and shall mature twenty years from its date of issuance and Delivery Date. If all funds available under the bonds of this issue will not be used within one year of the Delivery Date, a second series of Bonds will be issued and delivered to the Government with separate schedules evidencing each loan. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

This bond is issued by the City in fully registered form to provide funds to finance part of the costs of acquiring, constructing and installing improvements to the water system of the City, and to pay the costs of issuance of this bond, all as set forth in the Bond Ordinance.

Installments of interest or principal of and interest on this bond are payable in lawful money of the United States of America and shall be paid by check or draft mailed by the Treasurer (the "Bond Registrar") on the Installment Payment Date to the Registered Owner at its address appearing on the books or records maintained by the Bond Registrar. The last installment of principal and interest shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the Bond Registrar.

For as long as any principal of or interest on this bond is outstanding, the City irrevocably pledges the gross revenues of the water system of the City for the payments required to be made into the Bond Fund for this bond and any Future Parity Bonds. The pledge shall constitute a lien and charge upon that revenue prior and superior to any other lien and charge whatsoever, subject only to operation and maintenance expenses of the water system of the City. This bond is not a general obligation of the City and the City's full faith, credit and resources are not pledged for the principal of and interest on this bond.

The City has reserved the right to prepay at any time, without penalty or premium, all or any portion of the unpaid principal amount of this bond. Notice of any 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 of principal to be prepaid.

Reference is made to the Bond Ordinance for other covenants and declarations of the City and other terms and conditions upon which this bond has been issued, which terms and conditions are made a part hereof by this reference. The City irrevocably and unconditionally covenants that it will keep and perform all the covenants of this bond and of the Bond Ordinance. Reference also is made to the Bond Ordinance for the definitions of the capitalized terms used and not otherwise defined herein.

The City in the Bond Ordinance has not designated this bond as a qualified tax-exempt obligation for the purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon has been signed by the Bond Registrar.

This bond may be transferred by the Registered Owner on surrender of this bond to the Bond Registrar, but only if that transfer relates to the entire unpaid principal amount of this bond and only if endorsed in the manner provided hereon and surrendered to the Bond Registrar. Any transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to transfer this bond during the 15 days preceding any Installment Payment Date or prepayment date.

The installments of interest or principal and interest on this bond shall be paid only to the Registered Owner as described herein and to no other person or entity, and this bond may not be assigned except on the Bond Register.

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

IN WITNESS WHEREOF, the City of McCleary, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of its Mayor or Mayor Pro Tem, to be attested by the manual signature of its Clerk, as of this \_\_\_\_ day of \_\_\_\_\_, 2010.

CITY OF MCCLEARY, WASHINGTON

\_\_\_\_\_/s/ manual or facsimile signature\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_/s/ manual signature\_\_\_\_\_  
Clerk of the City

REGISTRATION CERTIFICATE

This bond is registered in the name of the owner on the books of the City in the office of the Treasurer as to both principal and interest as noted in the registration blank below. No transfer hereof shall be valid unless made by the registered owner or his/her duly authorized agent in writing, and similarly noted hereon and on the bond registration books of the City. All payments of principal of and interest on this bond shall be made by the City with full acquittance by Treasurer's check, or by warrant of the City drawn on the Treasurer, made payable to the last registered holder shown hereon and delivered to such owner or mailed to him/her at his/her address noted hereon.

Date of Registration	Name and Address of Registered Owner	Signature of Registrar
	United States of America Department of Agriculture	

SCHEDULE

STATE OF WASHINGTON  
CITY OF MCCLEARY, WASHINGTON  
WATER REVENUE BOND, 2010  
DRAWS AND PAYMENTS OF PRINCIPAL

Date	Amount of Draw	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

Section 15. Execution of the Bonds. The Bonds shall be signed on behalf of the City with the manual or facsimile signature of the President of the Board, shall be attested by the manual signature of the Secretary, and shall have the corporate seal of the City impressed, imprinted or otherwise reproduced thereon.

Section 16. Sale of Bonds. The Bonds shall be sold to the Government at a price of par on the terms and conditions set forth herein.

Section 17. Application of Bond Proceeds. The proceeds of the Bonds will be deposited into the Construction Account and used to pay the Bonds. When the Project and other authorized improvements, if any, have been completed and all costs incidental thereto, including the costs of the issuance of the Bonds, have been paid in full, any money remaining in the Construction Account shall be transferred to the Bond Fund for the uses and purposes herein provided, and the Construction Account shall be closed.

Section 18. Short-Lived Asset Reserve Account. The City requests the Treasurer to establish a fund to be named the Short-Lived Asset Reserve Account, or such other designation as shall meet applicable accounting requirements. The City shall deposit the sum of \$5,137 annually into the Short-Lived Asset Reserve Account. Money in the Short-Lived Asset Reserve Account shall be used by the City from time to time to replace short-lived equipment or apparatus of the System. The required balance on hand may be adjusted annually based on inflation at the direction of the Government.

Section 19. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be 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 in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 20. General Authorization. The Mayor and the Clerk-Treasurer and all other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or

desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance.

Section 21. Prior Acts. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 22. Effective Date. This ordinance shall take effect from and after its passage and publication as required by law.

PASSED by the City Council of the City of McCleary, Washington, at a regular meeting held on the 10th day of February, 2010.

CITY OF MCCLEARY, WASHINGTON

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Mayor

ATTEST:

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City Clerk

SECRETARY'S CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Clerk of the City of McCleary, Washington (the "City"), and keeper of the records of the City Council of the City (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. \_\_\_\_ (herein called the "Ordinance") is a true and correct copy of an Ordinance of the City, as passed at a regular meeting of the Council held on the 10th day of February, 2010 and duly recorded in my office.

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 quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the 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 \_\_\_\_ day of February, 2010.

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City Clerk  
City of McCleary, Washington

## Christiane Mercer

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**From:** Fountain, Cheryl [cheryl.fountain@klgates.com]  
**Sent:** Monday, February 08, 2010 12:24 PM  
**To:** Wendy Collins; Christiane Mercer; glennsatsop@msn.com; debbie.harper@wa.usda.gov; peter.mcmillin@wa.usda.gov; gayle.hoskison@wa.usda.gov; nbird@g-o.com  
**Cc:** Weed, Cynthia; Lucero, Erica  
**Subject:** City of McCleary, Washington Water Revenue Bond, 2010 (USDA) - Bond Ordinance  
**Attachments:** 20287\_8LGBL==CITY OF MCCLEARY--Water Rev Bond Ordinance (USDA), 2010.doc; 20287\_8LG==CITY OF MCCLEARY--Water Rev Bond Ordinance (USDA), 2010.doc

## K&L|Gates LLP

MEMORANDUM  
VIA EMAIL

**TO:** Addressees as listed above  
**FROM:** Cynthia M. Weed  
**DATE:** February 8, 2010  
**SUBJECT:** City of McCleary, Washington Water Revenue Bond, 2010 (USDA)

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For the above-referenced issue, attached is a blacklined copy of the Bond Ordinance, reflecting changes since the prior draft. Also attached is a non-blacklined version. The bond ordinance is scheduled to be considered by the City Council on Wednesday, February 10th.

Please do not hesitate to contact us if there are any questions or comments. Thank you.

**Bond Ordinance (Blacklined)                      Bond Ordinance (Non-blacklined)**

<<20287\_8LGBL==CITY OF MCCLEARY--Water Rev Bond Ordinance (USDA), 2010.doc>>  
<<20287\_8LG==CITY OF MCCLEARY--Water Rev Bond Ordinance (USDA), 2010.doc>>

### Cheryl Fountain on behalf of Erica Lucero

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*Draft 1*

WASHINGTON STATE BOUNDARY REVIEW BOARD FOR  
GRAYS HARBOR COUNTY

NOTICE OF INTENTION

Submit this Notice of Intention form and the exhibits listed below to the Boundary Review Board, Grays Harbor County Commissioners Office, 100 W. Broadway Suite #1, Montesano, WA 98563 for determination of sufficiency by the Clerk of the Board. When deemed sufficient, the **original** and an additional **twelve (12) copies of the Notice of Intention and Exhibits** and a **filing fee of \$50.00** are required for filing.

**The Notice of Intention is to be completed by an elected official or employee of the governmental jurisdiction that is seeking the boundary change action or the proponent in the case of incorporation or formation.**

1. Name of City, Town, or Special Purpose District City of McCleary
2. Action Sought Annexation
3. Reason for seeking action Property is owned by the City
4. Method used to initiate the proposed action Annexation for Municipal Purposes
5. State statute under which action is sought RCW 35A.14.300

6. **Items submitted must be labeled and in order of this format:**

**EXHIBIT A.** A copy of the legal description of the boundaries of the area involved in the proposed action certified by a registered engineer or land surveyor.

**EXHIBIT B.** County Assessor's map showing the full section, township and range, with the subject area clearly outlined. Include a list of parcel numbers for lots in the proposed area.

**EXHIBIT C.** A vicinity map no larger than 11" x 17" and reproducible on a **non-color** photocopier displaying:

- 1) The boundary of the area involved in the proposal and the size in acres.
- 2) The current corporate boundaries of the proposing entity.
- 3) Major physical features such as streets and highways, railways, public facilities, rivers, freeways etc.
- 4) The boundaries of all cities or special purpose districts having jurisdiction in or near the proposed area.
- 5) The location of the nearest service point(s) for the required utility services to the area. Showing existing (and proposed) water/sewer lines and diameters.

**EXHIBIT D.** Documentation of the process: copy of the petition; copy of assessed valuation; affidavit of publication of public hearing notice; copy of minutes of public hearing; a signed copy of the resolution or ordinance accepting the proposal as officially passed.

**EXHIBIT E.** When applicable - a copy of the State Environmental Policy Act (SEPA) Threshold Determination and completed SEPA checklist pertaining to the proposed BRB action with adequate explanations to answers. Include the list of persons who were sent the checklist and all written comments from governmental agencies and the general public.

**EXHIBIT F.** Names and addresses of all property owners of lands abutting the proposed action, but not within the jurisdiction proposing the action (RCW 36.93.100(4)).

**Exhibit G.** Any pre-annexation agreements for service or performance agreements with any other jurisdiction that is relevant to this proposal.

## FACTORS THE BOARD MUST CONSIDER

Please respond to the following elements regarding the factors the Board must consider as outlined in RCW 36.93.170.

### POPULATION AND LAND USE

1. Population of the proposed area 0 Population of the existing entity 1550
2. Acres of the proposed area 12 Acres of the existing entity \_\_\_\_\_
3. Assessed valuation of proposed area \$82,500.00
4. Existing land use of the proposed area Gravel pit, creek and forest
5. Existing land use of the area surrounding the proposed area Single family residential on large lots, Capitol Forest to the east
6. Current land use proposals for this area None
7. Grays Harbor Comprehensive Plan designation for the proposed area \_\_\_\_\_
8. Grays Harbor Comprehensive Plan designation for surrounding areas \_\_\_\_\_
9. Grays Harbor zoning for the proposed area RR – west of creek, G5 – east of creek
10. Grays Harbor zoning for surrounding areas RR to the west, G5 to the east

11. Is the proposal within any identified Urban Service Area? (Public water, sewer, etc)\_\_\_\_\_
12. Is the proposed area within or include any environmentally Sensitive Areas? \_\_\_\_\_
13. Describe the topography, drainage basins and natural boundaries which are included in the area of the proposal and how each affects land use, accessibility and potential development. \_\_\_\_\_  
\_\_\_\_\_
14. Describe how much and what type of growth has been projected for this area and adjacent incorporated and unincorporated areas during the next ten-year period. What source is the basis for this projection?  
\_\_\_\_\_  
\_\_\_\_\_

**MUNICIPAL SERVICES**

1. Name the current service purveyors in the proposed area.  

Water	<u>None</u>	Police	<u>Grays Harbor County Sheriff</u>
Sewer	<u>None</u>	School	<u>McCleary School District</u>
Fire	<u>District 12</u>	Library	<u>Timberland</u>
2. What service changes will occur if the proposal is approved? None  
\_\_\_\_\_
3. What effect will your jurisdiction's ordinances, governmental codes, regulations and resolutions have on existing uses in the proposed area?  
County permits for gravel extraction or storage will not be required; the City intends to remove construction materials at the site within the near future  
\_\_\_\_\_
4. What are the prospects of governmental services from other sources?  
None  
\_\_\_\_\_  
\_\_\_\_\_
5. What are the probable future needs for services and controls in the area?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. What is the probable effect of the proposal on the cost and adequacy of services and controls in the proposed area?  
None  
\_\_\_\_\_  
\_\_\_\_\_

In the adjacent area? None

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7. What is the probable effect of the proposal on the finances, debt structure, contractual obligations and right of all affected government units? None
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### LOCAL GOVERNMENT

What is the effect of the proposal on adjacent areas, on mutual economic and social interests and on the local governmental structure of the county?

None

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### ENVIRONMENTAL REVIEW

Describe the environmental review process for the proposed action: None – exempt from SEPA (RCW 43.21C.222)

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### OBJECTIVES OF THE BOUNDARY REVIEW BOARD

Describe how this proposal meets the objectives of RCW 36.93.180. Give your reasons for each of the objectives chosen.

1. Preservation of natural neighborhoods and communities.

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2. Use of physical boundaries, including but not limited to bodies of water, highways and land contours.

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3. Creation and preservation of logical service areas.

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4. Prevention of abnormally irregular boundaries. \_\_\_\_\_  
\_\_\_\_\_
  5. Discouragement of multiple incorporations of small cities and encouragement of incorporation of cities in excess of ten thousand population in heavily populated urban areas. \_\_\_\_\_  
\_\_\_\_\_
  6. Dissolution of inactive special purpose districts. \_\_\_\_\_  
\_\_\_\_\_
  7. Adjustment (correction) of impractical boundaries. \_\_\_\_\_  
\_\_\_\_\_
  8. Incorporation as cities or towns or annexation to cities and towns of unincorporated areas which are urban in character. \_\_\_\_\_  
\_\_\_\_\_
  9. Protection of agricultural lands. \_\_\_\_\_  
\_\_\_\_\_

**I certify that the above is true and accurate and that I am an official or employee of the governmental jurisdiction seeking boundary change action or the proponent for the incorporation or formation.**

**Date** \_\_\_\_\_

Printed Name of Person Reviewing this Notice Wallace Bentley

Signature \_\_\_\_\_

Title Mayor Telephone 360-495-3667

Mailing Address 100 South 3<sup>rd</sup> Street, McCleary, WA 98557

Email address wallyb@cityofmcclary.com

Printed name of person completing this form Busse Nutley

Signature \_\_\_\_\_

Mailing Address 100 South 3<sup>rd</sup> Street,  
McCleary, WA 98557

Telephone 360-495-3667

Email address bussen@cityofmcclary.com

Legal Description for Annexation  
of Old County Pit Site H-136  
Into the City of McCleary

All that portion of the South half of the Northeast quarter of the Northwest quarter of Section 24, Township 18 North, Range 5 West, W.M., described as follows: Beginning at a point in the center of the county road traversing said subdivision which lies South 52 14'30" East a distance of 2002.83 feet from the Northwest corner of said section; thence North 89 33'30" East 375 feet, more or less, to the East line of the Southwest quarter of said Northeast quarter of the Northwest quarter; thence South along said East line 80 feet, more or less, to the Southeast corner of said subdivision; thence East along said South line to the Southeast corner of the said Northeast quarter of the Northwest quarter; thence North along the East line thereof to the Northeast corner of the Southeast quarter of said Northeast quarter of the Northwest quarter; thence West along the North line of the South half of the said Northeast quarter of the Northwest quarter a distance of 640 feet, more or less, to the center of said county road; thence Southwesterly along the center of said county road to the place of beginning: EXCEPTING therefrom that portion lying within the said county road.

The lands described herein contain an area of 12 acres, more or less, the specific details concerning all of which are to be found within that certain map of definite location now of record and on file in the Office of the Director of Highways at Olympia, Washington, and bearing date of approval March 9, 1954.

Situated in Grays Harbor County, State of Washington.



2/09/09

**RCW 35A.14.300**

**Annexation for municipal purposes.**

Legislative bodies of code cities may by a majority vote annex territory outside the limits of such city whether contiguous or r for any municipal purpose when such territory is owned by the city.

[1981 c 332 § 7; 1967 ex.s. c 119 § 35A.14.300.]

**Notes:**

**Severability -- 1981 c 332:** See note following RCW 35.13.165.

ORDINANCE NO. 758

AN ORDINANCE ANNEXING CERTAIN LANDS HELD BY  
THE CITY OF McCLEARY FOR MUNICIPAL PURPOSES;  
PROVIDING FOR NOTIFICATION; AND SETTING AN  
EFFECTIVE DATE.

R E C I T A L S:

1. The City is organized pursuant to the provisions of RCW 35A.
2. RCW 35A.14.300 authorizes the City to annex lands owned by it for municipal purposes. The exercise of that authority requires the adoption of an ordinance by a majority vote of the City Council.
3. The City desires to exercise that authority in relation to a property it owns for municipal purposes, specifically a potential site for material storage or for other municipal purposes.
4. The exercise of this authority as related to the properties in question is found to be in the interests of the citizens of the City.

NOW, THEREFORE, BE IT ORDAINED AS FOLLOWS BY THE CITY  
COUNCIL OF THE CITY OF McCLEARY:

SECTION I: Being within the category of properties described in RCW 35A.14.300, specifically the storage of city owned materials, that certain property situate in the County of Grays Harbor, State of Washington, described as follows shall be and is hereby annexed to the City of McCleary:

Grays Harbor County Tax Parcel Number 180524210050.

SECTION II: The Clerk-treasurer shall give notice of this annexation to such governmental agencies as may be appropriate, including the Assessor of the County of Grays Harbor and the Office of Financial Management of the State of Washington.

SECTION III: If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases had been declared invalid or unconstitutional, and if for any reason this Ordinance should be declared invalid or unconstitutional, then the original ordinance or ordinances shall be in full force and effect.

SECTION IV: This Ordinance shall take effect upon the fifth day following date of publication.



SYNOPSIS OF ORDINANCE NO. 758

AN ORDINANCE ANNEXING CERTAIN LANDS HELD BY THE CITY OF McCLEARY FOR MUNICIPAL PURPOSES; PROVIDING FOR NOTIFICATION; AND SETTING AN EFFECTIVE DATE.

On the 22nd day of April, 2009, the City Council of the City of McCleary adopted Ordinance Number 758. The intent and purpose of the Ordinance was to annex certain municipally owned lands, formerly used as a gravel pit by the State. The parcel is described by the County Treasurer through the assignment of Tax Parcel Number 180524210050.

A complete copy of this Ordinance is available during regular business hours at the Office of the Clerk-Treasurer, City Hall, McCleary, Washington. The Ordinance will be made available for review without cost; a copy will be provided upon request without cost if such request is timely made. This Synopsis is published pursuant to the laws of the State of Washington.

DATED this 22<sup>nd</sup> day of April, 2009.

  
\_\_\_\_\_  
DONNIE ROSTEDT, Clerk-Treasurer

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION DECLARING MATERIALS TO BE SURPLUS; AUTHORIZING THE UTILIZATION OF THE PROCEDURES SET FORTH IN RESOLUTION 421; AND PROVIDING FOR THE DISPOSITION THEREOF.

R E C I T A L S:

1. Certain items of property have been reported to the City Council by the Chief of the Fire Department as being surplus to the present and anticipated future needs of the City. He has informed the Council and Mayor that the cost of disposition, through a sale process, would likely exceed the revenue which would be generated.

2. It is the desire and the intent of the Council to declare these items surplus and to provide for the disposition thereof.

3. The list which has been developed by the Chief of the Fire Department is attached as Attachment #1. He has reported the bunker gear is question no longer meets the requirements for the City's Department, but is useable, for training purposes, in the training program offered to students of Bates Technical College, an accredited educational institution.

4. The Council wishes to provide for the most effective means of disposition and grants to the Chief, subject to the prior review and approval of the Mayor, the authority to transfer the items to Bates.

5. The Council and Mayor find the provision of the bunker gear in question to Bates for use in its fire fighter training program will be beneficial to the public use so long as Bates recognizes and agrees that it will require the inspection and rehabilitation of the gear and agrees to hold the City harmless from any claims arising out of subsequent use by Bates.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS BY THE CITY COUNCIL OF THE CITY OF McCLEARY, THE MAYOR SIGNING IN AUTHENTICATION THEREOF:

SECTION I: Those certain items of personal property more fully described in Attachment Number 1, attached hereto and incorporated by this reference, are hereby found surplus to the present and future needs of the City and without economic value in terms of disposition.

SECTION II: The disposal and transfer of the gear to Bates on the following terms and conditions is authorized:

A. The items are accepted where is, as is, with no warranties being made as to their fitness for use.

B. Any transportation cost or activity shall be at the sole expense of Bates.

C. They shall be utilized by the recipient in the course of its training activities.

D. Bates shall hold the City, its officers and employees, harmless from any liability arising from the use of the items transferred.

PASSED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2010, by the City Council of the City of McCleary, and signed in authentication thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

CITY OF McCLEARY:

\_\_\_\_\_  
D. GARY DENT, Mayor

ATTEST:

\_\_\_\_\_  
WENDY COLLINS, Clerk-Treasurer

APPROVED AS TO FORM:

\_\_\_\_\_  
DANIEL O. GLENN, City Attorney

**ATTACHMENT #1**

1998 Morning Pride (brand)

Model: BPR 1005

Coats:

9221009 F

9221009

9221009 D

9222090 A

9221009 P

9221009 A

9221009 E

9221009 H

9221009 B

9221009 J

Pants:

9221689 F

9221689

9221689 E

9221689 K

92202013

9221689 H

9221689 J