

ORDINANCE NO. 603

AN ORDINANCE of the City Council of the City of Lakewood, Washington, authorizing the acquisition of personal property and execution of a financing contract and related documentation relating to the acquisition of LED Streetlights Retrofit.

WHEREAS, the City of Lakewood (the "Local Agency") has executed a Notice of Intent to the Office of State Treasurer, in the form attached hereto as Annex 1 (the "NOI"), in relation to the acquisition of and the financing of the acquisition of the Property, as defined below, under the provisions of RCW ch 39.94; and

WHEREAS, it is deemed necessary and advisable by the City Council of the Local Agency that the Local Agency acquire the equipment and/or personal property identified on Annex 1 attached hereto ("Property"); and

WHEREAS, it is deemed necessary and advisable by the City Council of the Local Agency that the Local Agency enter into a Local Agency Financing Contract with the Office of the State Treasurer, in the form attached hereto as Annex 2 (the "Local Agency Financing Contract"), in an amount not to exceed \$1,655,000.00, plus related financing costs, in order to acquire the Property and finance the acquisition of the Property;

WHEREAS, the Local Agency will undertake to acquire the Property on behalf of and as agent of the Washington Finance Officers Association (the "Corporation") pursuant to the terms of the Local Agency Financing Contract, and in accordance with all applicable purchasing statutes and regulations applicable to the Local Agency; and

WHEREAS, the Local Agency desires to appoint the City Manager or Designee as the representatives of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Contract (each an "Authorized Agency Representative");

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

Section 1. The City Manager or designee is hereby appointed as a representative of the Local Agency in connection with the acquisition of the Property and execution of the Local Agency Financing Contract and all other related documents. A minimum of one (1) Authorized Agency Representative shall be required to execute any one document in order for it to be considered duly executed on behalf of the Local Agency.

Section 2. The form of the Local Agency Financing Contract attached hereto as Annex 2 is hereby approved and the City Manager is hereby authorized and directed to execute and

deliver the Local Agency Financing Contract, in an amount not to exceed \$1,655,000.00, plus related financing costs, and in substantially the form attached hereto with such changes as may be approved by the Authorized Representative for the acquisition of the Property and financing of the acquisition of the Property.

Section 3. The Local Agency hereby authorizes the acquisition of the property as agent of the Corporation in accordance with the terms and provisions of the Local Agency Financing Contract.

Section 4. The City Manager or designee are hereby authorized to execute and deliver to the Office of State Treasurer all other documents, agreements and certificates, and to take all other action, which they deem necessary or appropriate in connection with the financing of the Property, including, but not limited to, any amendment to the NOI and agreements relating to initial and ongoing disclosure in connection with the offering of securities related to the financing.

Section 5. Effective Date. This ordinance shall take place five (5) days after its publication or publication of a summary of its intent and contents.

ADOPTED by the City Council this 15th day of December, 2014.

CITY OF LAKEWOOD



Don Anderson, Mayor

Attest:


Alice M. Bush, MMC, City Clerk

Approved as to Form:


Heidi A. Wachter City Attorney

Notice of Intent

State of Washington LOCAL(Local Option Capital Asset Lending)

Local Government Information

County: Pierce

Legal Name: City of Lakewood, WA

MCAG No.: 1110

Contact Person: Tho Kraus

Title: Assistant City Manager/Administrative Services

Address: 6000 Main Street SW

Zip: 98499

Phone: (253) 983-7706

Fax: (253) 983-7895

E-mail: tkraus@cityoflakewood.us

Property (Real Estate or Equipment)

Property description (include quantity, if applicable): LED Streetlight Retrofit

The LED Streetlight Retrofit program converts 1,982 of the City's streetlights to energy efficient LEDs.

Total cost: \$2,372,088 Maximum amount to finance: \$1,655,000

Finance term: 12 years Useful life: 12 years + Desired financing date: March 2015

Purpose of property (Please be specific and include dept. of use): Lighting energy and maintenance savings.

If **real estate**, the Real Estate Worksheet: Is attached Will be provided by (date) _ _

If **equipment**, will the property purchase price be paid with: program proceeds or general funds to be reimbursed from program proceeds? If general funds are to be used, include a copy of the local agency's reimbursement resolution with the financing documents.

The estimated savings from lighting energy and maintenance would be used to finance the LOCAL debt.

Security Pledge

Voted general obligation of local government.. Non-voted general obligation of local government

Other Information

Approximate population: 58,360

If any of the following apply, please provide a complete discussion on a separate page:

Yes No Does the local government use registered warrants, interfund loans or other cash flow borrowing?

Yes No Is the local government a party to significant litigation?

Yes No Is this a reimbursement? If yes, date funds spent.

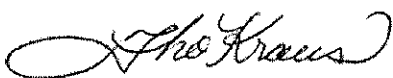
Has local government received a bond rating in the last two years? Yes No Bond rating(s): AA-
(Please see attached reports)

By executing this Notice of Intent, the local agency acknowledges, agrees to and accepts its designation and appointment as the agent of the nominal lessor in connection with the acquisition of the project. By executing this Notice of Intent, the local agency further acknowledges and agrees that certificate counsel and any other special counsel to the state in connection with the authorization, issuance and delivery of the certificates and the related financing documents shall not be acting, and shall not be deemed to act, as counsel to the local agency, nor shall any attorney-client relationship exist or be deemed to exist between such counsel and any participating local agency in connection with such matters.

Submitted by: Tho Kraus

Title: Assistant City Manager/Administrative Services

Signature: _____



Date: October 9, 2014

Office of the State Treasurer

State of Washington

LOCAL Program

Credit Form

Please provide the following information so the Office of the State Treasurer (OST) can review the agency's application to borrow the funds requested in the Notice of Intent. Remember, it is important that all information be provided. When appropriate, feel free to provide explanatory information.

When OST receives the completed form, you will be notified in writing of acceptance or non-acceptance to borrow through the LOCAL Program.

1) General Information

The City of Lakewood is an optional code city and incorporated in 1996 with a current population of 58,360. Lakewood is the second largest city in Pierce County and the eighteenth largest in the state of Washington, covering over 17 square miles. Lakewood is the gateway to Chambers Bay Golf Course, selected as home to the 2015 U.S. Open, Mount Rainier National Park, and Puget Sound waterways and islands.

It is strategically located between Sea-Tac International Airport and Olympia, the state's capital and is host community to both Joint Base Lewis McChord (JBLM) and Camp Murray, two major military installations. JBLM is the largest Army military installation in the western United States and is the largest single-site employer in Washington State and the state's second-largest employer behind only The Boeing Company.

JBLM is a vital asset to our region and contributes tremendously to our local, regional and state-wide economy, employing thousands of service members as well as hundreds of contractors. Those military members have families who work, attend school, shop, eat, play and live in Lakewood and other surrounding communities.

Lakewood is known for its lakes, natural beauty, and economic potential making development and redevelopment in the community very attractive. Interstate Highway 5 and State Highway 512 pass through Lakewood. The community is served by Pierce Transit and the Sound Transit systems, with stations adjacent to the I-5 Corridor and the Towne Center. The combination of services from these agencies provides excellent public transportation to the greater Tacoma/Seattle area.

The community is residential and commercial, with the populace employed locally at Joint Base Lewis-McChord and in the neighboring jurisdictions such as Tacoma, University Place, Steilacoom and unincorporated Pierce County. In 2014, there were 26,627 housing units in Lakewood. Of these units, 51% or 13,533 are single family homes, 44% or 11,679 are multi-family units, and 5% or 1,415 are mobile homes and trailers.

Lakewood is home to over 3,500 businesses, and three retail trade areas including Towne Center; 2.5 miles of Interstate 5 freeway frontage along Pacific Highway South; and our own thriving International District. Employment in Lakewood is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. The employment figure for 2013 is estimated at 22,380 (Bureau of Labor Statistics). Major employers are the Clover Park School District, Western State Hospital, Camp Murray, Pierce College, St. Clare Hospital, Pierce Transit, Aacres WA LLC, McClane Northwest, Clover Park Technical College and Walmart.

The City of Lakewood is governed by a seven member City Council that serves under a Council-Manager form of government. The City Council elects the Mayor and Deputy Mayor from among its members. The City Manager, who serves as the chief executive officer, is responsible for implementing the policies and goals of the City Council and provides leadership, coordination and development of City departments. The City Manager is appointed by, reports directly to, and serves at the pleasure of the City Council.

City services are provided through a combination of city employees, public and private contracts, and a number of partnerships to include community volunteerism and participation. The eight City departments are: City Manager, which includes community and intergovernmental relations; Legal, which includes prosecuting attorney, city clerk, and election services; Administrative Services, which includes finance, human resources and information technology; Municipal Court, which includes the provision of court services to the City of University Place, Town of Steilacoom and City of DuPont; Police, which includes jail services, dispatch services, animal control, and CSRT; Community and Economic Development, which includes CDBG and South Sound Military & Community Partnership (SSMCP) programs; Public Works, which includes storm water collection and treatment; and Parks, Recreation & Community Services, which includes senior services and human services.

Lakewood Water District provides water services and Pierce County Public Works and Utilities provide sewer services. Garbage and limited recycling is provided by Waste Connections under contract with the City. West Pierce Fire and Rescue (WPFR) provide fire protection and emergency medical services to the Lakewood community. The City contracts with Nisqually Corrections, Pierce County Sheriff's Office, and the cities of Fife, Puyallup and Wapato for jail services. Tacoma Power, Puget Sound Energy, and Lakeview Light and Power deliver electric services. Puget Sound Energy is the primary purveyor of gas services. Pierce Transit and Sound Transit supply public transportation services. The Pierce County Library System engages City residents through its library and reference services. Clover Park School District No. 400 provides educational programs for kindergarten through high school students throughout most of Lakewood with Steilacoom Historical School District No. 1 serving a small portion of the community.

2) **Assessed valuation of the agency**

Year of tax Collection (include last 5 years)	Total assessed value for regular levy	Reduced assessed value for excess or bond levy
Current year	\$4,494,673,400	\$4,437,859,737
2013	\$4,420,933,057	\$4,365,623,482
2012	\$4,884,317,013	Info not available.
2011	\$5,316,770,509	Info not available.
2010	\$5,693,170,433	Info not available.
2009	\$5,948,981,404	Info not available.

3) **Tax Levy and Rate**

Provide the levy rate per \$1,000 assessed to taxpayers, and the dollar amount of regular levy

Year of Tax Collection	Regular Levy Rate per \$1,000	Regular Levy Total \$\$ Levied	Other Levy Rate per \$1,000	Bond Levy Rate per \$1,000
Current Year	\$1.43	\$6,432,913	n/a	n/a
2013	\$1.44	\$6,319,959	n/a	n/a
2012	\$1.28	\$6,218,464	n/a	n/a
2011	\$1.16	\$6,088,878	n/a	n/a
2010	\$1.06	\$6,178,690	n/a	n/a
2009	\$1.00	\$5,968,471	n/a	n/a

4)

Outstanding debt

Include the following information on all outstanding debt, including bonds, loans or leases, and any short-term obligations including registered warrants, interfund loans or loans from the County Treasurer, if applicable. Also, include any outstanding state loans.

	Debt No. 1	Debt No. 2	Debt No. 3
Description of debt	Limited GO Bond 2009	59 th Ave Promissory Note	PWTFL 04-691-PRE132
First payment date	12/1/2009	4/30/2005	7/1/2006
Last payment date	12/1/2028	4/30/2024	7/1/2024
Voted or non-voted	Non-Voted	Non-Voted	Non-Voted
Amount originally borrowed	\$2,719,507	\$1,071,000	\$593,864
Amount currently outstanding	\$2,325,000	\$632,712	\$297,151
Annual payments due	~ \$210,000	~ \$77,000	~ \$32,000
Cash in bond fund, if any	\$0	\$0	See PWTFL Note
Fund responsible for repayment	General Fund	General Fund	Sewer Project DS

	Debt No. 4	Debt No. 5	Debt No. 6
Description of debt	PWTFL 06-962-022	PWTFL 08-951-025	Combined LID 1101/1103
First payment date	7/1/2008	7/1/2011	11/6/2007
Last payment date	7/1/2026	7/1/2028	12/1/2022
Voted or non-voted	Non-Voted	Non-Voted	Non-Voted
Amount originally borrowed	\$5,000,000	\$1,840,000	\$2,824,704
Amount currently outstanding	\$3,533,785	\$1,456,366	\$1,260,000
Annual payments due	~ \$305,000	~ \$108,000	~ \$156,000
Cash in bond fund, if any	See PWTFL Note	See PWTFL Note	See LID Note
Fund responsible for repayment	Sewer Project DS	Sewer Project DS	LID DS

	Debt No. 7
Description of debt	LID 1108
First payment date	12/1/2008
Last payment date	12/1/2024
Voted or non-voted	Non-Voted
Amount originally borrowed	\$880,000
Amount currently outstanding	\$513,938
Annual payments due	~ \$57,000
Cash in bond fund, if any	See LID Note
Fund responsible for repayment	LID DS

PWTFL Note: Cash in Bond Fund as of 9/30/2014 is \$432,138.

LID Note: Cash in Bond Fund as of 9/30/2014 is \$149.

Please see attached additional information – Summary of Debt Obligation.

- 5) Does the applicant have future, additional financing plans? Please discuss anticipated borrowing plans over the next 18 to 24 months. Be sure to discuss any borrowing that is in process, either here or above.

The City Council has discussed going to the voters in the next two to three years for a capital bond for the purpose of funding various transportation improvement projects via the excess property tax levy.

- 6) **Special Purpose Districts only:** List facilities and equipment operated by the district, and services provided. If you are a port, PUD or hospital district, briefly discuss the district's service area and competition. *N/A*

n/a

- 7) Briefly discuss any **service contracts**, including contracts with cities, counties or special purpose districts within the applicant's boundaries, if any.

The City of Lakewood provides municipal court services to the City of University Place, Town of Steilacoom and City of Dupont and animal control services to the Town of Steilacoom and City of Dupont.

- 8) Discuss the applicant's levy rate history. Has the levy rate been reduced because of other taxing district levies? Are you aware of any potential problems with the municipality's levy rates?

The City's levy rate has not been reduced because of other taxing district levies. I am not aware of any potential problems with the City's levy rates.

- 9) Discuss any **significant employers or taxpayers** in the area. Are you aware of pending closures or changes in employment or tax base?

Major retailers include Walmart, Lakewood Ford vehicle dealership, Lowe's Home Improvement, Target Corporation, Burlington Coat Factory and Safeway. According to a listing of businesses registered with the City of Lakewood and sorted by the Standard Industrial Classification, the business economy appears to be configured as follows: retail trade 48%; services 23%; construction 13%; information 5%; wholesale trade 4%; finance, insurance and real estate 3%; manufacturing 2%; and all other 2%.

Major property taxpayers include Northwest Building LLC, ERP Operating LP, inland Western Lakewood LLC, Lakha Properties Lakewood LLC, Netflix Inc, Beaumont Lakewood Associates LLC, Walmart Stores Inc #2403, Puget Sound Energy, Wig Properties LLC-LKPL, and Lowe's Home Improvement.

The City will be looking to economic development, focusing primarily in our commercial areas to generate additional property and sales taxes. Locally, we see nothing but opportunity in our key commercial areas such as the Towne Center, Springbrook, Tillicum, and the Pacific Highway South corridor, which is directly adjacent to I-5 with multiple prime properties ready for redevelopment and revitalization. Areas such as the International District and Woodbrook Industrial Business Park area stand ready and available for new investment to create jobs and opportunity for Lakewood and the region. The generation of new revenues from redevelopment and revitalization in these areas will allow us to meet the growing demand for services. These actions will allow Lakewood to continue to support our community's quality of life while implementing our strategic goals for the future.

- 10) **If a special purpose district or county**, does the district or county know of any intentions by cities to annex portions of the district or county? Are there any intentions by residents to de-annex from the district, or dissolve the district? **If a city**, are there any annexations plans that will significantly impact the size and operations of the city? *No*

11) Insurance

The City of Lakewood is a member of the Washington Cities Insurance Authority (WCIA). WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring and/or jointly contracting for risk management services.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims, pre-defense and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the inter-local agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

WCIA extends generous services to its members such as risk management education and comprehensive risk field services. These services combined with aggressive claims and litigation, allows the WCIA team to respond effectively to member needs. WCIA intentionally assumes the "working layer of losses: with limited reliance upon reinsurance for catastrophic losses. All of this makes for a complete pre- and post-loss management program.

12) Litigation – Please accept or modify as appropriate, the following:

There is not now pending or, to the best of knowledge, threatened, any litigation restraining or enjoining the execution of the Local Agency Financing Agreement or the levy and collection of taxes to pay the payments thereunder. The city is party to routine legal proceedings and claims, and the collective impact of these legal proceedings and claims is not likely to have a material impact on revenues of the entity.

13) List number of employees for past three years. Are employees represented by unions or bargaining groups? If yes, are all contracts in place and are labor relations good or poor?

Number of Employees:

*2014 = 240
2013 = 242
2012 = 243*

All contracts are in place and labor relations are good. Collective Bargaining Agreements:

*AFSCME – 4 Year Agreement (2013 to 2016)
LMPG (Police Lieutenants) – 3 Year Agreement (2013 to 2015)
LPIG (Police Officers, Detectives, Sergeants) – 3 Year Agreement (2013 to 2015)
Teamsters – 3 Year Agreement (2013 to 2015)*

14) **Financial Operations**

Please see attached General Fund audited financial statements for 2009 through 2013.

15) **Basis of Accounting:**

The accrual basis of accounting is used by proprietary funds. The modified accrual basis of accounting is used by governmental funds.

16) **Budget – General/Operating Fund (2 years) (INCLUDE AS ATTACHMENT TO CREDIT FORM)**

Please see attached General Fund revenue and expenditure summary. It includes the 2015/2016 proposed budget, 2014 original, revised and year-end estimate and well as actual results for 2012 and 2013.

Provide additional information that you think would be helpful in reviewing the applicant's credit for purposes of LOCAL Program qualification.

Please see attached:

- *Financial policies as adopted by the City Council on September 15, 2014*
- *City Council Goals & Priorities as adopted by the City Council on July 7, 2014*

Link to the City's 2015/2016 Proposed Biennial Budget:

<https://www.cityoflakewood.us/government/departments/finance>

The information provided above is complete and accurate to the best of my knowledge. I am not aware of any additional information that would affect the Office of the State Treasurer's review of the municipality.

Signed: 
Title: Assistant City Manager/Administrative Services

Date: October 9, 2014

LOCAL AGENCY FINANCING CONTRACT, SERIES 2015A
(Equipment)

This Local Agency Financing Contract, Series 20__ (the "Agency Financing Contract") is entered into by and between the state of Washington (the "State"), acting by and through the State Treasurer (the "State Treasurer"), and [Agency Name], a [Agency Type] of the State (the "Local Agency").

RECITALS

WHEREAS, certain State agencies (as defined in Appendix I hereto, "State Agencies") are authorized to acquire real and personal property used or needed by such State Agencies through Agency Financing Contracts entered into pursuant to Chapter 356, Laws of Washington, 1989, codified as Chapter 39.94 of the Revised Code of Washington (the "RCW"), as supplemented and amended (the "Act"); and

WHEREAS, Chapter 291, Laws of Washington, 1998 supplemented and amended the Act to authorize the State to enter into Agency Financing Contracts on behalf of certain local agencies (as described therein, "Local Agencies"), including the Local Agency, to finance the acquisition of real and personal property by such Local Agencies; and

WHEREAS, the State Treasurer has established a consolidated program providing for the execution and delivery of certificates of participation in such Agency Financing Contracts, or in Master Financing Contracts with respect thereto, in series from time to time in order to provide financing or refinancing for the costs of acquisition of real and personal property by State Agencies and Local Agencies; and

WHEREAS, simultaneously with the execution and delivery hereof, the State is entering into a Master Financing Contract, Series 2015A, dated as of the Dated Date (the "Master Financing Contract") with the Washington Finance Officers Association, a nonprofit corporation duly organized and existing under and by virtue of the laws of the state of Washington (the "Corporation"), to provide financing for the costs of acquisition of certain items of personal property by certain State Agencies and Local Agencies, including the Local Agency, under the terms set forth therein; and

WHEREAS, the State Treasurer and the Local Agency have determined that it is necessary and desirable to enter into this Agency Financing Contract to provide financing or refinancing for the costs of acquisition of certain items of personal property, described in Exhibit B hereto (the "Property"), by the Local Agency; and

WHEREAS, the State Finance Committee has authorized the execution and delivery of this Agency Financing Contract pursuant to Resolution No. 987 adopted on October 7, 2003; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agency Financing Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Parties hereto are now duly authorized to execute, deliver and perform their respective obligations under this Agency Financing Contract;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other valuable consideration, the Parties hereto mutually agree as follows:

Section 1.1 Defined Terms. Capitalized terms used but not otherwise defined in this Agency Financing Contract shall have the respective meanings given such terms in Appendix I hereto.

Section 1.2 Notice of Intent; Personal Property Certificate; Certificate Designating Authorized Local Agency Representative. The Local Agency has delivered a Notice of Intent to the State Treasurer in the form of Exhibit A attached hereto and incorporated herein by this reference. In order to evidence its acceptance of the Property financed and acquired pursuant hereto, the Local Agency has executed and delivered herewith, or will execute and deliver within 60 days from the Dated Date to the State Treasurer, a Personal Property Certificate in the form of Exhibit B attached hereto and incorporated herein by this reference. The Local Agency has delivered a Certificate Designating Authorized Agency Representatives to the State Treasurer in the form of Exhibit C attached hereto and incorporated herein by this reference. Said Certificate is currently in force and has not been amended, withdrawn or superseded, and the signatures shown thereon are true and correct originals of the signatures of the persons who hold the titles shown opposite their names. The signature of any one of the individuals shown on said Certificate is sufficient to bind the Local Agency under this Agency Financing Contract with respect to any of the undertakings contemplated herein. The terms and provisions set forth in Appendix II hereto are incorporated herein and made a part hereof by this reference.

Section 1.3 Installment Sale and Purchase of Property. The State hereby agrees to sell, assign and convey, and does hereby sell, assign and convey to the Local Agency, and the Local Agency hereby agrees to purchase, acquire and assume, and does hereby purchase, acquire and assume, from the State, all of the State's right, title and interest in and to the Property and all proceeds and profits thereof and therefrom, subject to the security interest created pursuant to Section 2.5 of Appendix II hereof, and the Local Agency agrees to pay in consideration thereof the Purchase Price therefor and interest thereon and the Additional Costs in accordance with Section 1.4 hereof, and all other amounts required to be paid by the Local Agency hereunder, all in accordance with the provisions of this Agency Financing Contract.

Section 1.4 Agency Installment Payments. In consideration of the sale of the Property and the covenants and agreements of the State in this Agency Financing Contract, the Local Agency hereby promises to pay to the State the following amounts at the following times: (a) On each Agency Installment Payment Date, the Agency Installment Payment set forth in Exhibit D hereto, consisting of a Principal Component and/or an Interest Component as set forth in such Exhibit; and (b) All Additional Costs incurred by the State in connection with the sale of the Property to the Local Agency, the execution and delivery of the Certificates, and the observance and performance of the Series 2015A Agreements, within thirty (30) days following receipt of an invoice from the State with respect thereto which includes (i) a brief description of each such Additional Cost, (ii) the party to whom payment is due, (iii) the amount thereof, and (iv) such additional information as the Local Agency may reasonably request.

Section 1.5 Term. The term of this Local Agency Financing Contract shall commence on the Dated Date and shall terminate on the date on which all amounts due hereunder shall have been paid or the payment thereof duly provided for pursuant to Section 4.3 of Appendix II hereof.

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

[AGENCY NAME]
as Local Agency

By _____
Designated Treasurer Representative

By _____
Authorized Agency Representative

By _____
Authorized Agency Representative

Local Agency Tax Certificate (Equipment)

This Local Agency Tax Certificate is executed and delivered by the ___ (the "Local Agency") in connection with the Local Agency Financing Contract between the Local Agency and the State of Washington (the "State"), dated as of March 24, 2015, (the "Local Agency Financing Contract"), under which the Local Agency is obligated to make Agency Installment Payments, including principal components thereof in the aggregate amount of \$___, plus issuance costs allocable to the Local Agency (the "Obligations"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Local Agency Financing Contract. The Local Agency certifies, covenants, warrants and represents as follows:

ARTICLE I. IN GENERAL

1.1 **The Local Agency.** The Local Agency is a political subdivision duly organized and existing under and by virtue of the laws of the State of Washington. The Local Agency has the general authority to exercise the power of eminent domain in furtherance of its governmental purposes.

1.2 **Purpose of Local Agency Tax Certificate.** In the future, the State intends to cause the execution and delivery of certificates of participation (the "Certificates") evidencing undivided and proportionate interests in Installment Payments of the State payable under a Master Financing Contract. A portion of the principal components of such Installment Payments are payable from the Obligations. The Local Agency is delivering this Local Agency Tax Certificate to the State with the understanding that the State will rely in part upon this Local Agency Tax Certificate in obtaining an opinion from bond counsel that the interest component of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

1.3 **Purpose of Financing.** The Obligations are being issued to finance the costs of the acquisition, construction, improvement and/or renovation of ___ (the "Project"), as described in more detail in the Local Agency Financing Contract.

1.4 **Definitions.** Unless the context otherwise requires, the following capitalized terms have the following meanings:

"Code" means the Internal Revenue Code of 1986 (including amendments thereto).

"Current Revenues." See Section 2.7 hereof.

"Governmental Unit" means any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond unless such obligation is a "specified private activity bond" within the meaning of Section 57(a)(5)(C) of the Code.

"Nongovernmental Person" means any person or entity other than a Governmental Unit.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project in an aggregate amount not exceeding 20% of the Obligations. However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"Tax-Exempt Bond" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code or Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least 95 percent of income

to the stockholder is treated as interest that is excludable from gross income under Section 103 of the Code.

ARTICLE II. TAX LIMITATIONS

2.1 **Expenditure of Proceeds.** For purposes of this Local Agency Tax Certificate, proceeds of the Obligation will be treated as spent when they are used to pay for or reimburse disbursements by the Local Agency that paid for (i) capital expenditures, (ii) any interest component of the Agency Installment Payments through the later of three years after the date hereof or one year after the Project is placed in service, or (iii) initial operating expenses directly associated with the Project (in aggregate amount not exceeding 5% of the Obligations). The State has authorized the issuance of the Certificates to finance, among other things, the costs of the Project. Absent written agreement by the State, all expenditures of proceeds of the Obligation will be made in respect of (a) Preliminary Expenditures, (b) capital expenditures reimbursed in respect of payments made by the Local Agency on or after the date which is sixty days prior to the date on which said authorization was adopted, or (c) other payments made by the Local Agency on or after the date hereof. In connection with all expenditures described in (b), the reimbursement allocation will be made no later than the later of 18 months after the date hereof or the date on which the Project is placed in service, but in no event later than three years after the date of expenditure.

2.2 **Governmental Bond Status.** [Different text will be substituted for this section when the loan is made for airport or port facilities that are the subject of private use.] The Local Agency will not loan any of the proceeds of the Obligations to one or more Nongovernmental Persons. The Local Agency will not allow more than 10% of proceeds of the Obligations or more than 10% of the Project to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public. A Nongovernmental Person will be treated as "using" proceeds of the Obligations to the extent the Nongovernmental Person:

- (i) borrows proceeds of the Obligations, or
- (ii) uses the Project (e.g., as owner, lessee, service provider, operator or manager).

2.3 **Change in Use.** The Local Agency reasonably expects to use all proceeds of the Obligations and all of the Project as set forth in Section 2.2 of this Local Agency Tax Certificate for the entire stated term to maturity of the Obligations. Absent written agreement by the State, the Local Agency in fact will use all proceeds of the Obligations and all of the Project as set forth in Section 2.2 of this Tax Certificate.

2.4 **Federal Guarantee.** The Local Agency will not directly or indirectly use or permit the use of any proceeds of the Obligations or take or omit to take any action that would cause the Certificates to be obligations that are "federally guaranteed" within the meaning of Section 149(b) of the Code. In furtherance of this covenant, the Local Agency will not allow the payment of principal or interest with respect to the Obligations to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Local Agency will not use 5% or more of the proceeds of the Obligations to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof.

2.5 **No Refunding.** Proceeds of the Obligations will not be used directly or indirectly to make principal, interest or premium payments with respect to any obligation other than the Obligations.

2.6 **No Hedge Bonds.** The Local Agency reasonably expects that more than 85% of proceeds of the Obligations will be expended for the purposes of the Obligations within three years.

2.7 **Debt Service Funds.** Payments of debt service on the Obligations generally are expected to be derived from current revenues of the Local Agency in each year, and Current revenues are expected to equal or exceed debt service on the Obligations during each payment period. Revenues actually used in less than six months from the date first received to pay debt service on Obligations are referred to herein as "Current Revenues." The account, or portion thereof, used by the Local Agency to pay debt service on the Obligations will be used primarily to achieve a proper matching of revenues and debt service within each year. To the extent of Current Revenues, such account in the aggregate will be depleted at least once a year except for a carryover

amount not to exceed the greater of the earnings on such account for the immediately preceding year or 1/12 of the debt service in respect of the Obligations for the immediately preceding year. Current Revenues contributed to such account will be spent within thirteen months after the date of such contribution, and any amounts received from the investment or reinvestment of monies held in such funds will be expended within one year after the date of accumulation thereof in any such fund. Current Revenues in such account shall be invested without regard to yield. Revenues other than Current Revenues will not be invested in Investment Property with a yield exceeding the yield on the Obligations.

2.8 **No Other Replacement Proceeds.** The Local Agency will not use any proceeds of the Obligations directly or indirectly to replace funds of the Local Agency which are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Obligations. The weighted average maturity of the Obligations does not exceed 120% of the expected weighted average economic useful life of the Project.

2.9 **No Expected Sale.** It is not expected that the Project or any part thereof will be sold or otherwise disposed of before the maturity date of the Obligations.

ARTICLE III. OTHER MATTERS

3.1 **Expectations.** The undersigned is an authorized representative of the Local Agency acting for and on behalf of the Local Agency in executing this Local Agency Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

3.2 **Amendments.** Notwithstanding any other provision of this Local Agency Tax Certificate, the Local Agency may amend this Local Agency Tax Certificate and thereby alter any actions allowed or required by this Local Agency Tax Certificate if such amendment is signed by an authorized officer and is supported by formal written agreement by the State.

3.3 **Survival of Defeasance.** Notwithstanding any provision in this Local Agency Tax Certificate to the contrary, the obligation to comply with all requirements contained in this Local Agency Tax Certificate shall survive defeasance or prepayment of the Obligations.

3.4 **Effective Date.** This Local Agency Tax Certificate is dated and effective as of the Dated Date.

Dated: _____, 20__.

By _____
[Name/Title]
[LOCAL AGENCY NAME]