



Council Business Meeting

March 5, 2024

Agenda Item	Authorizing Resolution Water Revenue Bonds		
From	Scott Fleury PE	Public Works Director	
Contact	Scott.fleury@ashland.or.us		
Item Type	Requested by Council <input type="checkbox"/> Update <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Presentation <input type="checkbox"/>		

SUMMARY

Before Council is a request to approve an updated authorizing resolution for the issuance of water revenue bonds and repeal the previously approved resolution. In fall of 2021 the City was invited by the Environmental Protection Agency (EPA) to submit a formal loan application package for the Water Infrastructure Finance and Innovation Act (WIFIA) program to fund a majority of the new Water Treatment Plant Project. In order to move forward with financing the Water Treatment Plant Project through the WIFIA program, a revenue bond resolution is required. This is one of many required steps to be completed as part of submitting the final loan application to the EPA.

POLICIES, PLANS & GOALS SUPPORTED

City Council Goals, Visions and Values:

- Public Safety, including emergency preparedness for climate change risk
- Quality infrastructure and facilities through timely maintenance and community investment

Essential Services

- Infrastructure

Department Goals:

- Maintain existing infrastructure to meet regulatory requirements and minimize life cycle costs.
- Deliver timely life cycle capital improvement projects.
- Maintain and improve infrastructure that enhances the economic vitality of the community.
- Evaluate all city infrastructure regarding planning management and financial resources.

PREVIOUS COUNCIL ACTION

- June 7, 2016 Business Meeting, Council approved a \$14,811,865 loan with the Oregon Infrastructure Finance Authority (IFA) for the design and construction of a new Water Treatment Plant. ([Minutes](#), [Staff Report](#))
- October 1, 2019 Business Meeting, Council approved a \$3,662,659 contract with HDR Engineering for the final design of the new Water Treatment Plant. ([Minutes](#), [Staff Report](#))
- October 15, 2019 Business Meeting, Council approved the preliminary engineering phase for the Dam Safety Improvement Project. ([Minutes](#), [Staff Report](#))





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- July 5, 2022 Business Meeting, Council approved a resolution and associated contract to reduce the existing loan through the IFA in anticipation of moving forward with funding through the EPA. ([Staff Report](#))

BACKGROUND AND ADDITIONAL INFORMATION

The City submitted a letter of interest in summer of 2021 to the EPA for the WIFIA program in connection with the Water Treatment Plant Project. In fall of 2021 the City was formally invited by the EPA to submit a full loan application for the WIFIA program to fund a majority(all) of the new water treatment plant project.

Public Works staff is and has been working with the Finance Department, the City’s Financial Advisor and Bond Counsel to develop the necessary loan application materials required of the WIFIA program. As part of working through the process a borrowing resolution is required. The Council previously approved resolution no. 2022-29 at the September 20, 2022 Business Meeting. This resolution authorized the maximum borrowing of \$44 million which at the time was consistent with the projected 80% available funds from the EPA with the remaining 20% to come from other non-federal sources.

Since that time in a coordinated effort between staff and the EPA, the EPA has determined the maximum eligibility of WIFI funds is \$75 million based on in-kind matching value provided by the City (land value and consultant services). This totalized eligibility aligns with the most recent project cost estimates developed by HDR Engineering. The total amount will be reduced by any grant funding received by the City to support the project.

Cost Summary

Summary of Opinion of Probable Construction Cost		
High Range		Low Range
+15%	WTP Construction Costs	-10%
\$ 70,424,000	\$ 61,238,000	\$ 55,115,000
Summary of Opinion of Probable Construction Cost		
High Range		Low Range
+15%	Solar Array Construction Costs	-10%
\$ 2,458,000	\$ 2,137,000	\$ 1,924,000
Summary of Opinion of Probable Construction Cost		
High Range		Low Range
+15%	BESS Construction Costs	-10%
\$ 3,063,000	\$ 2,663,000	\$ 2,397,000





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Since 100% of the project can be funded through the EPA it was determined the best and most appropriate course of action would be to repeal the previously adopted resolution and have the Council approve a new resolution matching the maximum potential funding through the EPA.

Approval of the updated resolution will allow City staff to move forward with closing the loan documents for the project and move into the construction phase once the final design plans and specifications are completed.

Water Bond Resolution Background

As a reminder the water revenue bond resolution describes the requirement to provide public notice, sets the maximum amount of bonding, details that debt for bonding is secured by water system revenues, provides delegation to the City Manager and Finance Director or “designee” to sell bonds as required to support the projects, negotiate and enter into the final agreements, apply for credit ratings and finally it declares the intent to reimburse expenditures for the projects with revenues from the bonds. Technically the City will not be issuing bonds for the project as all the funding will come from the EPA, but the resolution is still required to allow for the borrowing.

Process Steps:

1. Develop and Approve Water Revenue Bond Resolution **(Complete, but needs updating)**
2. Post Public Notice of Water Revenue Bond Resolution **(Completed, but will be redone with new resolution)**
3. Obtain Indicative Credit Rating and Preliminary Plan of Finance **(Complete)**
4. Complete WIFIA Loan application **(Complete)**
5. Submit Application to EPA **(Complete)**
6. Develop water revenue and rate forecast **(Complete)**
7. Finalize Plan of Finance and Obtain Final Credit Rating **(In-process)**
8. Negotiate Final Terms and Conditions for Borrowing with EPA **(In-process)**
9. Close Loan **(June 2024 anticipated)**

FISCAL IMPACTS

The resolution allows the City to borrow using the EPA funds for the treatment plant project but does not obligate the City to the full amount. The true amount will be determined once bids are solicited for the project and the outcome of grant funding applications are known.

Funds are appropriated in the current budget to complete the final engineering phase of the project and move into the construction phase.

Council was also previously presented information on potential water rate impacts to support the water fund and the treatment plan project along with enhancements to the low-income utility assistance program. Public Works and Finance staff are working on minor changes to the



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recommended water rate increases and updates to the utility assistance program while navigating the final funding push for the project.

As previously discussed during the water rate presentation, staff will also be moving forward with a water “Costs of Service” study to outline potential changes to create an even more progressive rate structure.

STAFF RECOMMENDATION

Staff recommends approval of the water revenue bond resolution in order to move forward with financing of the water treatment plant project.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to approve “A RESOLUTION OF THE CITY OF ASHLAND, OREGON AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS FOR WATER PROJECTS AND REPEALING RESOLUTION NO. 2022-29”.

REFERENCES & ATTACHMENTS

Attachment #1: Resolution No. 2024-05

RESOLUTION NO. 2024-05

**A RESOLUTION OF THE CITY OF ASHLAND, OREGON AUTHORIZING THE
ISSUANCE OF WATER REVENUE BONDS FOR WATER PROJECTS AND
REPEALING RESOLUTION NO. 2022-29**

THE CITY OF ASHLAND, OREGON FINDS:

A. The City of Ashland, Oregon (the “City”) previously adopted Resoluton No. 2022-29 on September 20, 2022, which authorized a borrowing in a principal amount not to exceed \$44,000,000 to provide for capital improvements to the City’s water system, including but not limited to water treatment plant improvements, east and west forks transmission line rehabilitation, and dam safety improvements.

B. The City has since determined that it requires additional borrowing authority to finance capital improvements to the City’s water system, including but not limited to water treatment plant improvements and east and west forks transmission line rehabilitation (collectively, the “Water Projects”) and therefore adopts this resolution to repeal Resolution No. 2022-29 and authorize the City to issue revenue bonds in an aggregate principal amount not to exceed \$75,000,000 to finance the Water Projects.

C. The City is authorized to issue revenue bonds for a public purpose under ORS 287A.150 and related statutes (the “Act”). Revenue bonds issued under the Act may be payable from all or any portion of the water revenues of the City.

D. The City may authorize revenue bonds under the Act by publishing a notice describing the revenue bonds. Unless at least five percent of the City’s electors sign and file a petition to refer the bonds to an election within sixty days after the notice is published, the City may issue the revenue bonds described in the notice.

E. It is financially feasible and in the best interests of the City to authorize the issuance of revenue bonds under the Act in order to provide the Water Projects.

F. It may be desirable to issue revenue bonds to finance the Water Projects under one or more financing structures, including as water revenue bonds to the federal government through thhe Environmental Protection Agency (“EPA”) Water Infrastructure Finance and Innovation Act (“WIFIA”) lending program.

G. Prior to the issuance of the water revenue bonds, the City may incur certain capital expenditures with respect to the Water Projects from available moneys of the City and wishes to declare its official intent to reimburse itself for any such expenditures from the proceeds of water revenue bonds authorized by this resolution.

THE CITY OF ASHLAND RESOLVES:

Section 1. Resolution 2022-29 Repealed.

The City hereby repeals Resolution No. 2022-29.

Section 2. Revenue Bonds for Water Projects Authorized.

- a) The City hereby authorizes the issuance of not more than Seventy-Five Million Dollars (\$75,000,000) in aggregate principal amount of revenue bonds. The proceeds of the revenue bonds may be used to finance costs of Water Projects, pay capitalized interest, fund bond reserves for the revenue bonds, and to pay costs related to the issuance of the revenue bonds. The revenue bonds shall be issued and sold in accordance with the Act.
- b) The bonds authorized by this resolution shall be special obligations of the City that are payable solely from water system revenues and related amounts that the City pledges to pay the bonds.

Section 3. Notice; Procedure.

In accordance with ORS 287A.150, the bonds authorized by Section 1 of this resolution may not be sold, and no purchase, finance, or loan agreement for those bonds may be executed until at least sixty (60) days after publication of the Notice of Revenue Bond Authorization in substantially the form which is attached to this resolution as Exhibit A (the “Notice”). The City shall cause that notice to be published promptly after adoption of this resolution. The Notice shall specify the last date on which petitions may be submitted, and shall be published in at least one newspaper of general circulation within the boundaries of the City in the same manner as are other public notices of the City.

If the City receives petitions for an election, containing valid signatures of not less than five percent (5%) of the City’s electors, by the date indicated in the Notice, not to exceed 60 days from date of publication of notice, the question of issuing the bonds shall be placed on the ballot at the next lawfully available election date and no bonds may be sold until the question of issuing the bonds is approved by a majority of the electors of the City who vote on that question.

Section 4. Delegation.

The City may sell and issue the Water Bonds, as defined below, as soon as permitted by ORS 287A.150. The City designates the City Manager, Finance Director, Public Works director, or a designee of any of those officials (each a “City Official”) to act on behalf of the City, and without further action by the City Council, to:

- a) Issue the revenue bonds authorized by this resolution (the “Water Bonds”) in one or more series, which may be sold at different times.
- b) Subject to the limits of this resolution, establish the final principal amounts, lien status, maturity schedules, interest rates, redemption terms, and other terms for each series of Water Bonds.
- c) Issue the Water Bonds as short or intermediate term bonds to provide interim financing for Water Projects and enter into lines of credit or similar documents which permit the City to draw Water Bond proceeds over time.

- d) Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for each series of the Water Bonds, as applicable.
- e) Either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters or lenders and negotiate the sale of that series with those underwriters or lenders and execute and deliver a bond purchase agreement or other document in connection with such sale, including a sale of a series of Water Bonds with the EPA.
- f) Seek the consent of the Oregon Business Development Department (“OBDD”) and comply with the provisions of the loans outstanding with the OBDD so that the Water Bonds may be issued with a lien on net revenues that is equal or superior to the lien that secures the OBDD loans.
- g) Draft and approve the terms of a master water system declaration in substantially the form attached to this resolution as Exhibit B, with such changes as the City Official may approve, which pledges the revenues of the City’s water system to the Water Bonds, contains covenants regarding the operation of the water system and the levels of water system fees and charges that the City must impose, describes the terms of the Water Bonds, and describes the terms under which future obligations may be issued on a parity with the Water Bonds.
- h) Enter into covenants that are designed to obtain more favorable terms for the City, including covenants required by the EPA’s WIFIA lending program.
- i) Make contributions to bond reserve accounts that the City Official determines are desirable and determine the reserve requirement, if any, for each series of the Water Bonds.
- j) Apply for one or more credit ratings on any series of Water Bonds, as necessary.
- k) Issue any qualifying series of Water Bonds as “tax-exempt bonds” bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended (the “Code”) and enter into covenants for the benefit of the owners of those series to maintain the excludability of interest on those series from gross income under the Code.
- l) Designate any qualifying series of Water Bonds as “qualified tax-exempt obligations” pursuant to section 265(b)(3) of the Code, if applicable.
- m) If the federal government approves subsidy payments or tax credits for municipal bonds and those subsidies or tax credits are estimated to reduce the net debt service payments for the Water Bonds, issue any series of Water Bonds as eligible for those federal subsidies or tax credits, and enter into related covenants to maintain the eligibility of such series of Water Bonds for those subsidies or tax credits.

- n) Issue any series of Water Bonds as “taxable bonds” bearing interest that is includable in gross income under the Code.
- o) Execute any documents and take any other action in connection with the Water Bonds which the City Official finds will be advantageous to the City.

Section 5. Declaration of Intent to Reimburse.

The City hereby declares its official intent to reimburse itself with the proceeds of the Water Bonds for any expenditures on the Water Projects paid prior to the issuance of the Water Bonds. This declaration is adopted as official action of the City in order to comply with United States Treasury Regulation 1.150-2.

Section 6. Effective Date.

This resolution shall take effect upon signing by the Mayor.

This resolution was duly PASSED and ADOPTED this ____ day of March, 2024.

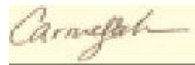
Alissa Kolodzinski, City Recorder

SIGNED AND APPROVED this __th day of _____, 2024.

By _____

Tonya Graham, Mayor

Reviewed as to form:



Carmel S. Zahran, Assistant City Attorney

Exhibit A
Resolution No. 2024-05
Notice of Revenue Bond Authorization

NOTICE IS HEREBY GIVEN that the City of Ashland, Oregon (the “City”) adopted Resolution No. [_____] on March [___], 2024, authorizing the issuance of revenue bonds in one or more series to finance costs of capital improvements to the City’s water system, including but not limited to water treatment plant improvements and east and west forks transmission line rehabilitation (collectively, the “Water Projects”).

The bonds described in this notice are expected to be paid from water system revenues. The bonds will not be general obligations of the City, and neither the authorization nor issuance of the bonds described in this notice will authorize the City to levy any taxes.

The City hereby authorizes the issuance of not more than Seventy-Five Million Dollars (\$75,000,000) in aggregate principal amount of revenue bonds. Bond proceeds will be used solely to pay for costs of the Water Projects and costs related to the issuance of the bonds, and may also be used to pay capitalized interest and fund debt service reserves. Resolution No. 2022-29, which was previously adopted and authorized a borrowing in a principal amount not to exceed \$44,000,000 to provide capital improvements to the City’s water system, is hereby repealed and Resolution No. ___ supercedes that resolution.

If written petitions requesting an election on the issuance of the bonds, signed by not less than five percent (5%) of the City's electors, are filed with the City on or before [_____] (60 days after the notice publication date), the question of issuing the bonds shall be placed on the ballot at the next legally available election date.

The City’s offices are located at 20 East Main Street, and a copy of the resolution authorizing the bonds is available from the City Manager’s Office at that address. The bonds will be issued and sold under ORS 287A.150 and related statutes; this Notice is published pursuant to ORS 287A.150(4).

Exhibit B
Resolution No. 2024-05
Form of Master Water System Revenue Bond Declaration

**MASTER WATER SYSTEM REVENUE
BOND DECLARATION**

City of Ashland, Oregon

**Water Revenue Bond
Series 2024**

Executed by the City Official of the City of Ashland, Oregon

As of the ___ day of _____, 2024

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MASTER WATER SYSTEM REVENUE BOND DECLARATION

THIS MASTER WATER SYSTEM REVENUE BOND DECLARATION is executed as of _____, 2024, by an authorized City Official of the City of Ashland, Oregon pursuant to authority of the Resolution to establish the terms under which the City’s Water Revenue Bond, Series 2024 and future Parity Bonds may be issued.

Section 1. Findings.

- a. The City finds that it adopted the Resolution pursuant to Oregon Revised Statutes (“ORS”) Section 287A.150 and related provisions of ORS Chapter 287A. The Resolution authorizes the City to issue water revenue bonds in an amount that is not more than Seventy-Five Million Dollars (\$75,000,000) to pay for Water Projects as described in the Resolution. The proceeds may also be used to pay capitalized interest, fund bond reserves, if any, and pay costs related to the financing.
- b. This Master Declaration establishes the terms under which the City’s Water Revenue Bond, Series 2024 is issued and the terms under which future obligations may be issued on a parity with the Series 2024 Bond and the IFA Loans (as defined below).
- c. Prior to issuance of the Series 2024 Bond, the City has two borrowings outstanding that are secured by Net Revenues of the Water System (both as defined herein): (1) Safe Drinking Water Revolving Loan Fund Financing Contract, No. S14005 and related Promissory Note dated as of July 2014, as amended (collectively, the “2014 IFA Loan”), between the City and the Oregon Infrastructure Finance Authority (“IFA”), outstanding in the approximate amount of \$[____], and (2) Safe Drinking Water Revolving Loan Fund Financing Contract, No. S16021 and related Promissory Note dated as of June 2016 (collectively, the “2016 IFA Loan” and together with the 2014 IFA Loan, the “IFA Loans”), between the City and IFA, outstanding in the approximate amount of \$[____]. IFA and the City have agreed that the IFA Loans will constitute Bonds under this Master Declaration and therefore the Series 2024 Bond, to the extent represented by the Parity WIFIA Amount, will be secured on parity with the IFA Loans.

Section 2. Definitions.

Unless the context clearly requires otherwise, capitalized terms that are used in this Master Declaration shall have the meanings defined for those terms in this Section 2.

“Adjusted Coverage Revenues” means the Coverage Revenues, adjusted for purposes of Section 7.1.C(ii) as provided in Section 7.3.

“Adjusted Net Revenues” means the Net Revenues, adjusted for purposes of Section 7.1.C(ii) as provided in Section 7.3.

“Annual Bond Debt Service” means in any Fiscal Year the amount of principal and interest required to be paid in that Fiscal Year on all Outstanding Bonds, adjusted as follows:

- (a) Interest which is to be paid from Bond Proceeds shall be subtracted;
- (b) Bonds which are subject to scheduled, noncontingent redemption/prepayment or

tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption/prepayment or tender, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date;

(c) Interest subsidies shall be subtracted from the interest due on Interest Subsidy Bonds as provided in Section 6.5;

(d) Bonds which are subject to contingent redemption/prepayment or tender shall be treated as maturing on their stated maturity dates; and,

(e) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement.

“Auditor” means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

“Balloon Debt Service Requirement” means the Committed Debt Service Requirement for a Balloon Payment or, if the City has not entered into a firm commitment to sell Bonds or other obligations to refund that Balloon Payment, the Estimated Debt Service Requirement for that Balloon Payment.

“Balloon Payment” means any principal payment for a Series of Bonds which comprises more than twenty-five percent of the original principal amount of that Series, but only if that principal payment is designated as a Balloon Payment in the closing documents for the Series.

“Base Period” means the alternative selected by the City from the following two options: (a) any twelve consecutive months selected by the City or Qualified Consultant out of the most recent eighteen months preceding the delivery of a Series of Parity Bonds; or (b) the most recently completed fiscal year for which audited financial statements are available.

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond” or “Bonds” means the IFA Loans and any Parity Bonds.

“Bond Counsel” means a law firm selected by the City and having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Reserve Account” means the Bond Reserve Account in the Water Fund described in Section 5.3 of this Master Declaration.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City” means the City of Ashland in Jackson County, Oregon.

“City Council” means the City Council of the City.

“City Official” means the City Manager, Finance Director, Public Works director, or a designee of any of those officials to act on behalf of the City.

“Closing” means the date on which a Series of Bonds is delivered in exchange for payment.

“Code” means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated thereunder.

“Committed Debt Service Requirement” means the schedule of principal and interest payments for a Series of Bonds or other obligations which refund a Balloon Payment, as shown in the documents evidencing the City’s firm commitment to sell that Series. A “firm commitment to sell” means a bond purchase agreement or similar document which obligates the City to sell, and obligates a purchaser to purchase, the Series of refunding Bonds or other obligations, subject only to the conditions which customarily are included in such documents.

“Coverage Revenues” means the Net Revenues less System Development Charges.

“Credit Facility” means a letter of credit, a municipal bond insurance policy, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure payment in full of Bonds, and which is issued or provided by a Credit Provider.

“Credit Provider” means the person or entity that is: (i) obligated to make or guarantee payments under a Credit Facility or Reserve Credit Facility; and (ii) whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Credit Facility or Reserve Credit Facility is issued, in one of the two highest rating categories by Moody’s, S&P, or Fitch. Under rating systems in effect on the date of this Master Declaration, a rating in one of the two highest rating categories by a Rating Agency would be a rating of “AA-/Aa3” or better.

“Debt Service Account” means the Debt Service Account described in Section 5.2 of this Master Declaration.

“DTC” means The Depository Trust Company or any other qualified securities depository designated by the City as its successor.

“Estimated Debt Service Requirement” means the schedule of principal and interest payments for a hypothetical Series of Bonds that refunds a Balloon Payment, that is prepared by the City Official and that meets the requirements of Section 6.4.

“Event of Default” means any event specified in 11.2 of this Master Declaration.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by State law.

“Fitch” means Fitch Ratings, Inc., its successors and assigns.

“Fund” or “Account” refers to any fund, account, or other accounting concept that permits the City to account accurately for amounts that are credited to it under this Master Declaration. A “Fund” in this Master Declaration does not need to appear as a “fund” in the City’s budget and

an “Account” in this Master Declaration does not need to appear as an “account” in the City’s budget.

“Government Obligations” means (a) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (b) noncallable obligations the principal of and interest on which are secured by the full faith and credit of the United States of America or are unconditionally guaranteed by the United States of America.

“Gross Revenues” means all fees and charges and other revenues that are properly accrued under generally accepted accounting principles as revenues of the Water System, including revenues from retail and wholesale water sales, System Development Charges, fees for other services provided, and interest earnings on Gross Revenues in the Water Fund. Gross Revenues shall be increased by any withdrawals from the Rate Stabilization Fund as provided in Section 5.5.B, and shall be reduced by any deposits to the Rate Stabilization Fund as provided in Section 5.5.A. However, the term “Gross Revenues” shall not include:

- (a) The interest income or other earnings derived from the investment of any escrow fund established for the defeasance or refunding of outstanding indebtedness of the City;
- (b) Any gifts, grants, donations or other amounts received by the City from any State or Federal Agency or other person if such amounts are restricted by law or the grantor to uses inconsistent with the payment of Bonds;
- (c) The proceeds of any borrowing;
- (d) The proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues);
- (e) The proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Water System;
- (f) The proceeds derived from the sales of assets pursuant to Section 10.9 of this Master Declaration;
- (g) Any ad valorem or other taxes imposed by the City (except charges or payments for Water System services which become “taxes” within the meaning of Article XI, Section 11b of the Oregon Constitution only because they are imposed on property or property owners);
- (h) Any income, fees, charges, receipts, profits or other amounts derived by the City from its ownership or operation of any Separate Utility System;
- (i) Installment payments of City line and branch charges, connection fees, or local improvement district assessments that have been pledged as security for a borrowing other than a Bond;
- (j) Any federal interest subsidies the City receives for Interest Subsidy Bonds.

“IFA” has the meaning assigned in Section 1 of this Master Declaration.

“IFA Loans” has the meaning assigned in Section 1 of this Master Declaration.

“Interest Payment Date” means any date on which Bond interest is scheduled to be paid, and any date on which Bonds are called for redemption/prepayment.

“Interest Subsidy Bonds” means Bonds for which the City is eligible to receive federal interest rate subsidies that are similar to the interest subsidies that were available for Build America Bonds.

“Master Declaration” means this Master Water System Revenue Bond Declaration, including any amendments made pursuant to Section 12.

“Maximum Annual Bond Debt Service” means the greatest amount of Annual Bond Debt Service that is due in any Fiscal Year, beginning with the Fiscal Year for which the calculation is made, and ending with the last Fiscal Year in which Outstanding Bonds are scheduled to be paid.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

“Net Revenues” means the Gross Revenues less the Operating Expenses.

“Operating Expenses” means all costs which are properly treated as expenses of operating and maintaining the Water System under generally accepted accounting principles. However, Operating Expenses do not include:

- (a) Any rebates or penalties paid from Gross Revenues under Section 148 of the Code;
- (b) Payments of judgments against the City and payments for the settlement of litigation;
- (c) Depreciation and amortization of property values or losses, and other non-cash expenses, including non-cash expenses related to pensions and postemployment benefits,;
- (d) All amounts eligible to be treated for accounting purposes as payments for capital expenditures;
- (e) Interest and other debt service payments, paying agent fees, broker-dealer fees and similar charges for the maintenance of borrowings;
- (f) The expenses of owning, operating or maintaining any Separate Utility System;
- (g) Expenditures made from any liability insurance proceeds;
- (h) Expenditures made from any casualty insurance proceeds used to pay for costs of repairing or replacing portions of the Water System;
- (i) Expenditures made from grant funds, regardless of whether such grant funds are dedicated to a specific purpose or available for the general operation, maintenance and repair or replacement of the Water System;
- (j) Extraordinary, non-recurring expenses of the Water System; or
- (k) Expenditures allocable to any other funding source which does not constitute Gross Revenues of the Water System.

“ORS” means the Oregon Revised Statutes.

“Outstanding” refers to all Bonds except Bonds that have been defeased pursuant to Section 13 of this Master Declaration, paid in full in cash or canceled, and Bonds which have matured and not been presented for payment (provided that sufficient funds to pay those Bonds have been transferred to the Paying Agent).

“Owner” means the United States Environmental Protection Agency as owner of the Series 2024 Bond, IFA as owner of the IFA Loans, and the registered owner of any other Parity Bonds.

“Parity Bond” means the Parity WIFIA Amount and any obligation that is secured by the Net Revenues on an equal basis with the Bonds and is issued in accordance with Section 7.

“Parity WIFIA Amount” means the amount in the aggregate outstanding from time to time equal to the principal of, premium, if any, and interest on, the Series 2024 Bond with respect to which the requirements of Section 7 have been satisfied.

“Paying Agent” means the paying agent for the Bonds. The Paying Agent will be appointed when the City enters into publicly offered Bonds.

“Payment Date” means a Principal Payment Date or an Interest Payment Date.

“Permitted Investments” means any investments which the City is permitted to make under the laws of the State.

“Principal Payment Date” means any date on which any Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption/prepayment prior to maturity, and the redemption/prepayment date of any Bonds which have been called for redemption/prepayment.

“Qualified Consultant” means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by a City Official for purposes of performing activities specified in this Master Declaration or any Supplemental Declaration.

“Rate Stabilization Fund” means the Rate Stabilization Fund established pursuant to Section 5.5.

“Rating Agency” means Fitch, Moody’s, S&P, or any other nationally recognized financial rating Agency which has rated Outstanding Bonds or a Credit Facility at the request of the City.

“Record Date” means for a series of publicly offered Bonds the date that is established in the proceedings related to that series.

“Reserve Credit Facility” means any arrangement in which the City pays a fee in exchange for an agreement of a Credit Provider to advance money to the City in the future that the City will use in lieu of using cash or Permitted Investments credited to a subaccount in the Bond Reserve Account. “Reserve Credit Facility” does not include guaranteed investment contracts, master repurchase agreements and similar Permitted Investments.

“Reserve Credit Facility Rating” means a long-term debt, financial strength or claims-paying ability rating assigned by a Rating Agency to: (a) a provider of a Reserve Credit Facility, or (b) to any reinsurer of the obligations of a provider of a Reserve Credit Facility.

“Reserve Requirement” means a set of rules for funding a subaccount in the Bond Reserve Account. Each Reserve Requirement shall indicate the amount that is required to be credited to the subaccount, the dates by which that amount must be credited to the subaccount, and the requirements for restoring amounts to the subaccount if amounts are withdrawn to pay Bonds that are secured by the subaccount. The Series 2024 Bond is not secured by the Bond Reserve Account or any subaccount therein.

“Resolution” means Resolution No. 2024-__ adopted by the City Council on January __, 2024.

“S&P” means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns.

“Separate Utility System” means any utility property which is declared by the City to constitute a system which is distinct from the Water System in accordance with Section 9.

“Series” refers to all Bonds authorized by a single resolution or declaration and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions, unless the closing documents for the Series provide otherwise.

“Series 2024 Bond” means the City’s Water Revenue Bond, Series 2024 issued pursuant to Section 18 of this Master Declaration.

“State” means the State of Oregon.

“Subordinate Obligations” means obligations having a lien on the Net Revenues which is subordinate to the lien of the Bonds. Restrictions on Subordinate Obligations are described in Section 8. On the date of this Master Declaration, the City has no borrowing outstanding with a subordinate lien on the Net Revenues.

“Subordinate Obligations Account” means the Subordinate Obligations Account of the Water Fund which is described in Section 5.4.

“Supplemental Declaration” means any declaration, resolution or other document which supplements or amends this Master Declaration, entered into by the City in compliance with Section 12.

“System Development Charges” means the fees on development imposed by the City pursuant to ORS Chapter 223 or subsequent statutes and which are legally permitted to be used to pay the Bonds.

“Tax Maximum” means, for any Series of Bonds, the least of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding, calculated as of the date of issuance of such Series; or, ten percent of the proceeds of such Series, as “proceeds” is defined for purposes of Section 148(d) of the Code.

“Valuation Date” means the date or dates on which a subaccount of the Bond Reserve Account shall be valued as prescribed in the Supplemental Declaration authorizing the establishment of such subaccount.

“Water Fund” means the collection of funds and accounts used by the City to hold the Gross Revenues and the proceeds of Bonds.

“Water System” means all utility property now or hereafter used by the City to supply water within or without the corporate limits of the City, except property described in the following sentence. The Water System does not include any Separate Utility System or any joint ventures which the City may enter into after the date of this Master Declaration unless the City Official declares in writing in a publicly available document that such joint venture is included in the definition of the Water System.

Section 3. Rules of Construction.

In determining the meaning of the provisions of this Master Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- A. References to section numbers shall be construed as references to sections of this Master Declaration.
- B. References to one gender shall include all genders.
- C. References to the singular include the plural, and references to the plural include the singular.

Section 4. Deposit, Pledge and Use of Gross Revenues.

- 4.1. All Gross Revenues shall be deposited to and maintained in the Water Fund, and shall be used only as described in this Section as long as any Bonds remain Outstanding. The City shall apply Gross Revenues in the Water Fund on or before the following dates for the following purposes in the following order of priority:
 - A. At any time to pay Operating Expenses which are then due;
 - B. At least one Business Day prior to each Payment Date, to transfer Net Revenues to the Debt Service Account in an amount sufficient (with amounts available in the Debt Service Account) to pay in full all Bond principal, interest and premium, if any, which is due to be paid on that Payment Date;
 - C. On the Closing date for a Series of Bonds and on the first day of the month following a Valuation Date for any subaccount in the Bond Reserve Account, if the balance in any subaccount of the Bond Reserve Account is determined to be less than the applicable Reserve Requirement, to transfer Net Revenues to the Bond Reserve Account in the amounts required by the provisions creating the subaccounts in the Bond Reserve Account until the balances in all subaccounts of the Bond Reserve Account are equal to their Reserve Requirement;

- D. On the day on which any rebates or penalties for Bonds are due to be paid to the United States pursuant to Section 148 of the Code, an amount of Net Revenues that is sufficient, with other available funds, to pay the amounts due to the United States;
 - E. On the dates specified in any proceedings authorizing Subordinate Obligations, the City shall transfer to the Subordinate Obligations Account the Net Revenues required by those proceedings; and,
 - F. On any date, the City may transfer Gross Revenues to the Rate Stabilization Fund or spend Net Revenues for any other lawful purpose relating to the Water System or to providing water, but only if all deposits and payments that are required to be made on or before that date and that have a higher priority under this Section have been made.
- 4.2. The City hereby pledges the Net Revenues and federal interest subsidies the City receives for Interest Subsidy Bonds to the payment of principal of, premium, if any, and interest on all Bonds. Pursuant to ORS 287A.310, these pledges made by the City shall be valid and binding from the Closing of such Bonds. The Net Revenues and federal interest subsidies so pledged and hereafter received by the City shall immediately be subject to the lien of such pledges without any physical delivery or further act. The lien of these pledges shall be superior to all other claims and liens except liens and claims for the payment of Operating Expenses. The City covenants and agrees to take such action as is necessary from time to time to perfect or otherwise preserve the priority of the pledges.
- 4.3. If a Reserve Credit Facility is permitted to fund a subaccount in the Bond Reserve Account, the City may pledge the Net Revenues available for transfer to that subaccount of the Bond Reserve Account to pay amounts due under any Reserve Credit Facility securing that subaccount.

Section 5. Bond Funds and Accounts.

- 5.1. So long as Bonds are Outstanding, the City shall maintain the Debt Service Account as a dedicated account in the Water Fund.
- 5.2. **Debt Service Account.** The City shall hold the Debt Service Account. Until all Bonds are paid or defeased, amounts in the Debt Service Account shall be used only to pay Bonds.
- A. After the transfer described in Section 4.1.B, if the balance in the Debt Service Account is less than the amount of Bond principal, premium, if any, and interest that is due on that Payment Date, the City shall credit to the Debt Service Account an amount equal to the deficiency from any Net Revenues in the Subordinate Obligations Account.
 - B. If, after the credit described in Section 5.2.A, the amounts available to pay Debt Service Account is not sufficient to pay all amounts due on the Payment Date, the City shall allocate the available amounts:

- (i) First, to pay Bond interest, and pro rata based on the amount due on Bonds if the available amount is not sufficient to pay all Bond interest that is due on that Payment Date; and,
 - (ii) Second, to pay Bond principal and premium that is due on that Payment Date, and pro rata based on the amount of principal and premium due on each Bond if the available amount is not sufficient to pay all Bond principal and premium that is due on that Payment Date.
- C. If, after the allocation described in Section 5.2.B, there is not enough to pay all principal, interest and premium allocated to pay Bonds that are secured by a subaccount in the Bond Reserve Account, the City shall apply any amounts available in the subaccounts in the Bond Reserve Account, but only to pay the principal, interest and premium on the Bonds that are secured by those subaccounts.
 - D. The City shall transfer sufficient amounts from the Debt Service Account in time to permit payment of all Bond principal, interest and premium, if any, when due in accordance with the Bonds.
 - E. Amounts in the Debt Service Account shall be invested only in Permitted Investments. Earnings on the Debt Service Account shall be credited to the Water Fund.

5.3. Bond Reserve Account.

- A. If the City determines to secure Bonds with the Bond Reserve Account and so long as those Bonds are Outstanding, the City shall maintain the Bond Reserve Account as a dedicated account in the Water Fund held by the City. The City may create one or more subaccounts in the Bond Reserve Account to secure Series of Bonds and covenant to make deposits into any subaccounts it creates; however, the City is not obligated to create any subaccounts in the Bond Reserve Account, and is not obligated to secure any Series of Bonds with a subaccount in the Bond Reserve Account.
- B. When a subaccount in the Bond Reserve Account is created, the City shall determine whether the subaccount will secure one or more Series of Bonds. If the City creates a subaccount in the Bond Reserve Account, the City shall, when it issues the first Series of Bonds that is secured by that subaccount: a) establish the Reserve Requirement for that subaccount; b) pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount; and c) determine if the Reserve Requirement for that subaccount may be funded with Reserve Credit Facilities and the requirements for those Reserve Credit Facilities, and the valuation and replenishment provisions that apply to that subaccount.
- C. The City shall not create any subaccounts in the Bond Reserve Account for any purpose except securing Bonds in accordance with this Master Declaration.
- D. The Series 2024 Bond and the IFA Loans are not secured by the Bond Reserve Account or any subaccount therein.

- 5.4. **Subordinate Obligations Account.** The City shall create and maintain the Subordinate Obligations Account in the Water Fund as long as Subordinate Obligations are Outstanding. The Subordinate Obligations Account may be divided into subaccounts, and the City may establish priorities for funding the subaccounts in the Subordinate Obligations Subaccount. Net Revenues shall be deposited into the Subordinate Obligations Account only as permitted by Section 4.1.E. Earnings on the Subordinate Obligations Account shall be credited as provided in the proceedings authorizing the Subordinate Obligations.
- 5.5. **Rate Stabilization Fund.** The City may create a Rate Stabilization Fund and if created will maintain that fund as long as Bonds are Outstanding. Net Revenues may be transferred to the Rate Stabilization Fund at the option of the City as permitted by Section 4.1.F. Money in the Rate Stabilization Fund may be withdrawn at any time and used for any purpose for which the Gross Revenues may be used.
- A. Deposits to the Rate Stabilization Fund decrease Gross Revenues in the Fiscal Year for which the deposit is made.
- B. Withdrawals from the Rate Stabilization Fund increase Gross Revenues in the Fiscal Year for which the withdrawal is made.
- C. The City may adjust deposits to and withdrawals from the Rate Stabilization Fund for a Fiscal Year up until 180 days after the end of that Fiscal Year.
- D. Earnings on the Rate Stabilization Fund shall be credited to the Water Fund.

Section 6. Rate Covenant; Calculations Relating to Balloon Payments and Interest Subsidy Bonds.

- 6.1. The City covenants for the benefit of the Owners that it will establish and maintain rates and charges in connection with the operation of the Water System which are sufficient to permit the City to pay all Operating Expenses and all lawful charges against the Net Revenues, and to make all transfers required by this Master Declaration to the Debt Service Account, the Bond Reserve Account and the Subordinate Obligations Account.
- 6.2. The City covenants for the benefit of the Owners of all Bonds that it shall charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues are adequate to generate:
- A. Coverage Revenues each Fiscal Year at least equal to one hundred fifteen percent (115%) of Annual Bond Debt Service due in that Fiscal Year; and,
- B. Net Revenues each Fiscal Year at least equal to one hundred twenty-five percent (125%) of Annual Bond Debt Service due in that Fiscal Year.
- 6.3. Not later than six months after the end of each Fiscal Year, the City shall prepare a report that demonstrates whether the City has complied with Section 6.2 during that Fiscal Year and shall file that report in the City records. If the report demonstrates that the City has

not complied with Section 6.2 during that Fiscal Year, **it shall not constitute a default under this Master Declaration if, within thirty (30) days after the report is filed, the City files a certificate of a City Official that specifies the actions that the City has taken and will take within the next ninety (90) days to permit the City to comply with Section 6.2 for the remainder of the Fiscal Year in which the report is filed, and for the succeeding Fiscal Year, and the City takes the actions specified by the City Official, or actions having a comparable effect.**

- 6.4. The Estimated Debt Service Requirement for Balloon Payments shall be calculated in accordance with this Section 6.4.
- A. For the Rate Covenants: For each Balloon Payment that is Outstanding on May 1 of any Fiscal Year, the City Official shall prepare a schedule of principal and interest payments for a hypothetical Series of Bonds that refunds that Balloon Payment in accordance with Section 6.4.D. The City Official shall prepare that schedule as of that first day of May, and that schedule shall be used to determine compliance with the rate covenant in Section 6.2 for the following Fiscal Year.
- B. For Parity Bonds: Whenever a Balloon Payment will be Outstanding on the date a Series of Parity Bonds is issued, the City Official shall prepare a schedule of principal and interest payments for a hypothetical Series of Bonds that refunds each Outstanding Balloon Payment in accordance with Section 6.4.D. The City Official shall prepare that schedule as of the date the Parity Bonds are sold, and that schedule shall be used to determine compliance with the tests for Parity Bonds in Section 7.1.
- C. For the Reserve Requirement: Whenever a Series of Bonds that contains a Balloon Payment is issued, the City Official shall prepare a schedule of principal and interest payments for a hypothetical Series of Bonds that refunds each Balloon Payment in that Series in accordance with Section 6.4.D. The City Official shall prepare that schedule as of the date the Series is sold, and that schedule shall be combined with the schedule for payment of any debt service on Bonds that are secured by the same subaccount, and that combined schedule shall be used to determine the Reserve Requirement as long as that Series is Outstanding.
- D. Each hypothetical Series of refunding Bonds shall be assumed to be paid in equal annual installments of principal and interest that are sufficient to amortize the principal amount of the Balloon Payment over the term selected by the City Official; however, the City Official shall not select a term that exceeds the lesser of: 30 years from the date the Balloon Payment is originally scheduled to be paid; or, the City's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Balloon Payment. The annual installments shall be assumed to be due on the anniversaries of the date the Balloon Payment is originally scheduled to be paid, with the first installment due on the first anniversary of the date the Balloon Payment is scheduled to be paid. Each installment shall be assumed to bear interest at a rate that is estimated by the City from the Bond Buyer Revenue Bond Index (or if the Bond Buyer Revenue Bond Index is not available, a reasonably comparable index selected by the City) for a revenue bond with a term

determined as described above. When the City prepares a schedule described in Section 6.4.A, Section 6.4.B or Section 6.4.C, the City shall use the index that is available to the City on the date the City is required to prepare that schedule.

- 6.5. Interest Subsidy Bonds. The amounts assumed to be paid on Interest Subsidy Bonds shall be calculated as follows:
- A. When calculating Annual Bond Debt Service for the rate covenant in Section 6.2, the City shall subtract from interest to be paid on Interest Subsidy Bonds the federal interest subsidies on Interest Subsidy Bonds that the City reasonably expects, at the beginning of the Fiscal Year, to receive during that Fiscal Year.
 - B. When calculating Annual Bond Debt Service and Maximum Annual Bond Debt Service for the tests for issuing Parity Bonds in Section 7, the City shall subtract from the scheduled payments of interest on Interest Subsidy Bonds the amount of federal interest subsidies that the City reasonably expects, at the time the Parity Bonds are issued, to receive.
 - C. When calculating the amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on a Series of Interest Subsidy Bonds to determine the Tax Maximum for Interest Subsidy Bonds that are secured by a subaccount in the Bond Reserve Account, the City shall subtract from the scheduled payments of interest on Interest Subsidy Bonds the federal interest subsidies that the City reasonably expects, at the time the Series of Interest Subsidy Bonds is issued, to be paid to the City for the Series of Interest Subsidy Bonds. The City shall not be required to increase the amount the City is required to hold in a subaccount in the Bond Reserve Account if federal interest subsidies are not paid when or in the amounts expected. However, if the City reduces the amount it holds in a subaccount of the Bond Reserve Account because Bonds secured by that subaccount have been paid, the City must take into account its reasonable expectations of the amount of federal interest subsidies it expects to receive at the time of reduction in determining the amount that the City must retain in a subaccount of the Bond Reserve Account.

Section 7. Parity Bonds.

- 7.1. The City may issue Parity Bonds to provide funds for any purpose relating to the Water System or to providing water, but only if:
- A. No Event of Default under this Master Declaration or any Supplemental Declaration has occurred and is continuing;
 - B. At the time of the issuance of the Parity Bonds there is no deficiency in the Debt Service Account and all required deposits to all subaccounts in the Bond Reserve Account have been made;
 - C. There shall have been filed with the City either:
 - (i) A certificate of the City Official stating that both:

- (a) Coverage Revenues (adjusted as provided in Section 7.2) for the Base Period were not less than one hundred fifteen percent (115%) of Maximum Annual Bond Debt Service on all then Outstanding Bonds, calculated as of the date the Parity Bonds are issued and with the proposed Parity Bonds treated as Outstanding; and
 - (b) Net Revenues (adjusted as provided in Section 7.2) for the Base Period were not less than one hundred twenty five percent (125%) of Maximum Annual Bond Debt Service on all then Outstanding Bonds, calculated as of the date the Parity Bonds are issued and with the proposed Parity Bonds treated as Outstanding; or
- (ii) A certificate or opinion of a Qualified Consultant:
- (a) Stating the amount of the Adjusted Coverage Revenues and the Adjusted Net Revenues for each of the five Fiscal Years after the last Fiscal Year for which interest on the Parity Bonds is, or is expected to be, capitalized, or, if interest will not be capitalized, for each of the five Fiscal Years after the proposed Parity Bonds are issued; and
 - (b) Concluding that the respective amounts of Adjusted Coverage Revenues in each of the first four Fiscal Years described in Section 7.1.C(ii)(a) are at least equal to one hundred fifteen percent (115%) of the Annual Bond Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Bonds treated as Outstanding; and,
 - (c) Concluding that the respective amounts of Adjusted Net Revenues in each of the first four Fiscal Years described in Section 7.1.C(ii)(a) are at least equal to one hundred twenty-five percent(125%) of the Annual Bond Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Bonds treated as Outstanding; and,
 - (d) Concluding that the amount of Adjusted Coverage Revenues in the fifth Fiscal Year described in Section 7.1.C(ii)(a) is at least equal to one hundred fifteen percent (115%) of the Maximum Annual Bond Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding Bonds, with the proposed Parity Bonds treated as Outstanding; and,
 - (e) Concluding that the amount of Adjusted Net Revenues in the fifth Fiscal Year described in Section 7.1.C(ii)(a) is at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Bond Debt Service, calculated for the period beginning with that fifth Fiscal Year on all then Outstanding Bonds, with the proposed Parity Bonds treated as Outstanding.

- 7.2. The City may adjust Coverage Revenues and Net Revenues for purposes of Section 7.1.C(i) by adding any Coverage Revenues or Net Revenues the City Official calculates the City would have had during the Base Period because of increases in Water System rates, fees and charges which have been adopted by the City and are in effect on or before the date the Parity Bonds are issued. The City shall adjust Coverage Revenues and Net Revenues for the Base Period by eliminating the effect of any withdrawals from or deposits to the Rate Stabilization Fund.
- 7.3. The Qualified Consultant shall calculate Adjusted Net Revenues and Adjusted Coverage Revenues for purposes of Section 7.1.C(ii) as provided in this Section 7.3:
- A. The City shall provide the Qualified Consultant with the following information:
- (i) The Base Period, the Coverage Revenues and Net Revenues for the Base Period and the amounts of any withdrawals from or deposits to the Rate Stabilization Fund for Fiscal Years that are included in the Base Period;
 - (ii) Information regarding any Water System utility properties that are being acquired with Parity Bonds and that have an earnings record;
 - (iii) Any changes in rates and charges which have been adopted by the City since the beginning of the Base Period and the dates on which they are scheduled to take effect;
 - (iv) Any changes in customers since the beginning of the Base Period; and,
 - (v) A description of any extensions or additions to the Water System that were in the process of construction at the beginning of the Base Period or commenced construction after the beginning of the Base Period, the expected date of completion of those extensions or additions, the estimated operating and capital costs of those extensions or additions, and any other changes to the Gross Revenues or Operating Expenses that the City reasonably expects to result from the completion and operation of those extensions or additions.
- B. Using the information provided by the City pursuant to Section 7.3.A and any additional information the Qualified Consultant determines is necessary, the Qualified Consultant shall adjust the Coverage Revenues and Net Revenues for the Base Period to eliminate the effect of any withdrawals from or deposits to the Rate Stabilization Fund in the manner described in Section 7.2 and may adjust the Coverage Revenues and Net Revenues for the Base Period:
- (i) To reflect any changes that the Qualified Consultant projects will result from the acquisition of Water System utility properties that are being financed with the Parity Bonds and that have an earnings record;
 - (ii) To reflect any changes in rates and charges which have been adopted by the City and which are scheduled to take effect during the period described in

Section 7.1.C(ii)(a), or which increase rates and charges for inflation at a level which the Qualified Consultant determines is reasonable;

- (iii) To reflect any changes in customers of the Water System that occurred after the beginning of the Base Period and prior to the date of the Qualified Consultant's certificate; and
- (iv) To reflect any changes to Coverage Revenues or Net Revenues not included in the preceding paragraphs that are projected to result from the completion and operation of additions and extensions to the Water System that were under construction at the beginning of the Base Period, or commenced construction after the beginning of the Base Period.

7.4. The City may issue Parity Bonds to refund Outstanding Bonds without complying with Section 7.1 if the refunded Bonds are legally or economically defeased on the date of delivery of the refunding Parity Bonds and if the Annual Bond Debt Service on the refunding Parity Bonds does not exceed the Annual Bond Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.

7.5. Bonds shall be treated as "legally defeased" for purposes of Section 7.4 if they are defeased as provided in Section 13. Bonds shall be treated as "economically defeased" for purposes of Section 7.4 if they have been irrevocably called for redemption/prepayment within one year after the date on which the refunding Bonds are issued, and the City has irrevocably deposited money or Government Obligations with the paying agent or Owner for the refunded Bonds, as applicable, or in escrow with an independent trustee or escrow agent, and the money and any amounts to be received from the Government Obligations have been calculated to be sufficient, without reinvestment, to pay the Bonds that are economically defeased.

7.6. All Parity Bonds issued in accordance with this Section 7 shall have a lien on the Net Revenues which is equal to the lien of all other Outstanding Bonds.

Section 8. Subordinate Obligations.

The City may issue Subordinate Obligations only if:

8.1. The Subordinate Obligations are payable solely from amounts permitted to be deposited in the Subordinate Obligations Account pursuant to Section 4.1.E;

8.2. The Subordinate Obligations state clearly that they are secured by a lien on or pledge of the Net Revenues which is subordinate to the lien on, and pledge of, the Net Revenues for the Bonds.

Section 9. Separate Utility System.

The City may declare property which the City owns and is part of the Water System (but has a value of less than five percent of the Water System at the time of the declaration), and property which the City has not yet acquired but would otherwise become part of the Water System, to be

part of a Separate Utility System. The City may pay costs of acquiring, operating and maintaining Separate Utility Systems from Net Revenues, but only if there is no deficit in the Debt Service Account or the Bond Reserve Account. The City may issue obligations which are secured by the revenues produced by the Separate Utility System, and may pledge the Separate Utility System revenues to pay those obligations. In addition, the City may issue Subordinate Obligations to pay for costs of a Separate Utility System, and may pledge the revenues of the Separate Utility System to pay the Subordinate Obligations.

Section 10. General Covenants.

The City hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:

- 10.1. The City shall promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Master Declaration and any Supplemental Declaration.
- 10.2. The City shall maintain complete books and records relating to the operation of the Water System and all City funds and accounts in accordance with generally accepted accounting principles, shall cause such books and records to be audited annually at the end of each Fiscal Year, and shall have an audit report prepared by the Auditor and made available for the inspection of Owners.
- 10.3. The City shall not issue obligations which have a lien on the Net Revenues that is superior to the lien of the Bonds except for obligations to pay Operating Expenses.
- 10.4. The City shall promptly deposit the Gross Revenues and other amounts described in this Master Declaration into the funds and accounts specified in this Master Declaration.
- 10.5. The City shall work in good faith to cause the Water System to be operated at all times in a safe, sound, efficient and economic manner in compliance with all health, safety and environmental laws, regulatory body rules, regulatory body orders and court orders applicable to the City's operation and ownership of the Water System.
- 10.6. The City shall maintain the Water System in good repair, working order and condition.
- 10.7. The City shall not enter into any new agreements or arrangements or make any new offers to provide Water System products or services at a discount from published rate schedules or provide free Water System products or services except: a) for City-owned facilities, b) in case of emergencies, c) where the City exchanges services with other water systems, or d) where in the reasonable judgment of the City such action does not materially reduce the Gross Revenues received by the City.
- 10.8. The City shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.
 - A. The net proceeds of insurance against material accident to or material destruction of the Water System shall be used to repair or rebuild the damaged or destroyed Water System,

and to the extent not so applied, will be applied to the payment or redemption/prepayment of the Bonds.

- B. The insurance described in Section 10.8 shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves which it deems are necessary to provide for its share of any such self-insurance.
- 10.9. The City shall not voluntarily, nor shall it permit others to, sell, mortgage or otherwise permanently dispose of all or any portion of the Water System except:
- A. The City may dispose of all or substantially all of the Water System, only if the City pays all Bonds or defeases them pursuant to Section 13.
 - B. Except as provided in Section 10.9.C or 10.9.D, the City will not voluntarily dispose of any part of the Water System in excess of 10% of the value of the Water System in service unless prior to such disposition either:
 - (i) There has been filed with the City a certificate of a Qualified Consultant or City Official stating that such disposition will not impair the ability of the City to comply with the rate covenants contained in Sections 6.1 and 6.2 of this Master Declaration; or
 - (ii) Provision is made for the payment, redemption/prepayment or other defeasance of a principal amount of Bonds equal to the greater of the following amounts:
 - (a) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Debt Service Account, the Bond Reserve Account, and the Subordinate Obligations Account) that the Gross Revenues attributable to the part of the Water System sold or disposed of for the 12 preceding months bears to the total Gross Revenues for such period; or
 - (b) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Water System sold or disposed of bears to the book value of the Water System immediately prior to such sale or disposition.
 - C. The City may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Water System.
 - D. If the ownership of all or part of the Water System is transferred from the City through the operation of law, the City shall to the extent authorized by law, reconstruct or replace such transferred portion using any proceeds of the transfer unless the City reasonably determines that such reconstruction or replacement is not in the best interest of the City

and the Owners, in which case any proceeds shall be used for the payment, redemption/prepayment or defeasance of the Bonds.

Section 11. Events of Default and Remedies.

- 11.1. **Continuous Operation Essential.** City Official hereby finds and determines that the continuous operation of the Water System and the collection, deposit and disbursement of the Net Revenues in the manner provided in this Master Declaration and in any Supplemental Declaration are essential to the payment and security of the Bonds, and the failure or refusal of the City to perform the covenants and obligations contained in this Master Declaration or any such Supplemental Declaration will endanger the necessary continuous operation of the Water System and the application of the Net Revenues to the operation of the Water System and the payment of the Bonds.
- 11.2. **Events of Default.** The following shall constitute “Events of Default” so long as they are occurring and have not been cured in accordance with the terms of this Master Declaration:
- A. If the City shall fail to pay any Bond principal or interest when due.
 - B. Except as provided in Section 11.3, if the City shall default in the observance and performance of any other of its covenants, conditions and agreements in this Master Declaration and the default continues for ninety (90) days after the City receives a written notice, specifying the Event of Default and demanding the cure of such default, from a Credit Provider or from the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding.
 - C. If the City shall sell, mortgage or otherwise permanently dispose of all or any portion of the Water System in violation of Section 10.9.
 - D. If an order, judgment or decree shall be entered by any court of competent jurisdiction:
 - (i) Appointing a receiver, trustee or liquidator for the City or the whole or any part of the Water System;
 - (ii) Approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State; or
 - (iii) Assuming custody or control of the City or of the whole or any part of the Water System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within sixty (60) days from the date of the entry of such order, judgment or decree.

E. If the City shall:

- (i) Admit in writing its inability to pay its debts generally as they become due;
- (ii) File a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
- (iii) Consent to the appointment of a receiver of the whole or any part of the Water System; or
- (iv) Consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any part of the Water System.

11.3. **Exception.** It shall not constitute an Event of Default under 11.2.B if the default cannot practicably be remedied within ninety (90) days after the City receives notice of the default, so long as the City promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied.

11.4. **Remedies.** If an Event of Default occurs, any Owner may exercise any remedy available at law or in equity including mandamus where applicable. However, the Bonds shall not be subject to acceleration.

A. Books of City Open to Inspection.

- (i) The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the Water System shall at all reasonable times be subject to the inspection and use of any persons holding at least twenty percent (20%) of the principal amount of Outstanding Bonds and their respective agents and attorneys.
- (ii) The City covenants that if the Event of Default shall happen and shall not have been remedied, the City will continue to account, as a trustee of an express trust, for all Net Revenues and other amounts, securities and funds pledged under this Master Declaration.

B. **Appointment of Trustee.** Whenever any Event of Default exists, Owners representing 51 percent or more of the Outstanding Bonds may appoint a commercial bank or other financial institution with a reported capital and surplus in excess of \$50 million as trustee (the "Trustee") to represent the interests of the Owners.

11.5. Trustee Duties Upon Default.

A. Upon the occurrence of an Event of Default the Trustee may pursue any other available remedy at law or in equity to enforce the payment of the principal of, premium, if any,

and interest on the outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Master Declaration.

- B. In addition, upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Master Declaration, the Trustee will be entitled, as a matter of right to the fullest extent permitted by Oregon law, to the appointment of a receiver or receivers of the Net Revenues and other amounts pledged under the Master Declaration, pending such proceedings, with such powers as the court making such appointment may confer.
- C. If an Event of Default has occurred and is continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Master Declaration, the Trustee will be obligated to exercise any of the rights and powers conferred by this Master Declaration, as the Trustee, being advised by counsel, deems most expedient in the interest of the Owners.
- D. If a Trustee has been appointed pursuant to 11.4.B, no Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Master Declaration, unless:
 - (i) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
 - (ii) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise its powers under the Master Declaration;
 - (iii) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
 - (iv) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.
- E. If the Trustee takes any judicial or other action in an Event of Default the Trustee has full power in its direction with respect to any continuance, discontinuance, withdrawal, compromise, settlement or other disposition of such action, unless opposed by the written request of the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Trustee is appointed attorney-in-fact of the Owners for the purpose of bringing any suit action or proceedings in an Event of Default.
- F. Waivers of Event of Default.
 - (i) No delay or omission of any Owner or of the Trustee to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or

to be an acquiescence therein; and every power and remedy given by this Section 11 to the Owners and to the Trustee may be exercised from time to time and as often as may be deemed expedient by the Owners and/or the Trustee as applicable.

- (ii) The owners of not less than fifty percent (50%) in principal amount of the affected Bonds that are at the time Outstanding, or their attorneys-in-fact duly authorized, or the Trustee may, on behalf of the Owners of all of affected Bonds, waive any past default under this Master Declaration with respect to such Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.
- (iii) If a default occurs under Section 6 and that default has not become an Event of Default, that default shall be deemed waived at the end of the first Fiscal Year following that default in which the City has complied with Section 6.

11.6. Remedies Granted in Master Declaration Not Exclusive.

No remedy by the terms of this Master Declaration conferred upon or reserved to the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Declaration or existing at law or in equity or by statute on or after the date of adoption of this Master Declaration. However, the Bonds shall not be subject to acceleration.

Section 12. Amendment of Master Declaration.

- 12.1. This Master Declaration may be amended by Supplemental Declaration without the consent of any Owners for any one or more of the following purposes:
 - A. To cure any ambiguity or formal defect or omission in this Master Declaration;
 - B. To add to the covenants and agreements of the City in this Master Declaration, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Master Declaration as theretofore in effect;
 - C. To authorize issuance of Bonds or Subordinate Obligations as permitted by this Master Declaration;
 - D. To modify, amend or supplement this Master Declaration or any Supplemental Declaration to qualify this Master Declaration under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America;
 - E. To confirm, as further assurance, any security interest or pledge created under this Master Declaration or any Supplemental Declaration;

- F. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the owners of any Outstanding Bonds;
 - G. So long as a Credit Facility (other than a Reserve Credit Facility) is in full force and effect with respect to the Bonds affected by such Supplemental Declaration, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:
 - (i) Would result in a downgrading or withdrawal of the rating(s) then assigned to the affected Bonds by the Rating Agencies;
 - (ii) Changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption/prepayment and purchase provisions, and provisions regarding notices of redemption/prepayment and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility;
 - (iii) Materially and adversely affects the rights and security afforded to the Owners of any Outstanding Bonds not secured by such Credit Facility; or
 - H. To modify any of the provisions of this Master Declaration or any Supplemental Declaration in any other respect whatever, as long as the modification shall take effect only after all affected Outstanding Bonds cease to be Outstanding.
- 12.2. This Master Declaration may be amended for any other purpose only upon consent of Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding; provided, however, that no amendment shall be valid without the consent of Owners of 100 percent (100%) of the aggregate principal amount of the Bonds Outstanding which:
- A. Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Owner; or
 - B. Reduces the percent of Owners required to approve Supplemental Declarations.
- 12.3. For purposes of Section 12.2, and subject to Section 12.4, the initial purchaser of a series of Bonds may be treated as the Owner of that Series at the time that series of Bonds is delivered in exchange for payment.
- 12.4. Except as otherwise expressly provided in Section 12.5, Section 12.6 or a Supplemental Declaration, as long as a Credit Facility securing all or a portion of any Outstanding Bonds is in effect, the issuer of such Credit Facility shall be deemed to be the Owner of the Bonds secured by such Credit Facility for the purpose of the execution and delivery of a Supplemental Declaration of any amendment, change or modification of this Master Declaration or the initiation by Owners of any action which under this Master Declaration requires the written approval or consent of or can be initiated by the Owners

of at least a majority in principal amount of the affected Bonds at the time Outstanding, or following an Event of Default for all other purposes.

- 12.5. The issuer of a Credit Facility shall not be deemed to be an Owner for purposes of any amendment, change or modification of this Master Declaration which:
- A. Would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or
 - B. Changes the maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption/prepayment and purchase provisions, and provisions regarding notices of redemption/prepayment and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or
 - C. Reduces the percentage or otherwise affects the classes of affected Bonds, the consent of the Owners of which is required to effect any such modification or amendment.
- 12.6. No issuer of a Credit Facility shall be entitled to act as an Owner during any period in which:
- A. The issuer's Credit Facility is not in full force and effect;
 - B. The issuer of a Credit Facility shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law;
 - C. The issuer of the Credit Facility shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or
 - D. An order or decree shall have been entered, with the consent or acquiescence of the issuer of a Credit Facility, appointing a receiver or receivers or the assets of the issuer of a Credit Facility, or if such order or decree having been entered without the consent or acquiescence of the issuer of a Credit Facility, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.
- 12.7. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Declaration, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the notice is sent requesting consent, waiver or other action as provided herein.

Section 13. Defeasance.

- 13.1. The City shall be obligated to pay Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with the escrow agent or trustee, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if the City:

- A. Irrevocably deposits money or Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased;
- B. Files with the escrow agent or trustee a certificate from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and
- C. Files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause interest on the defeased federally tax-exempt Bonds to be includable in gross income under the Code.

Section 14. BEO System.

- 14.1. Unless otherwise provided by a Supplemental Declaration, all Bonds shall be subject to the BEO System pursuant to the provisions of this Section 14.1.
- 14.2. The Bonds shall be initially issued as a BEO security issue with no Bonds being made available to the Owners upon the execution and delivery of the letter of representations among the Paying Agent, DTC and the City. Ownership of the Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC BEO system. The Bonds shall be initially issued in the form of separate single fully registered typewritten Bonds for each maturity of the Bonds (the “Global Bonds”). Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the “Nominee”) of DTC (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the “Depository”) as the “Registered Owner”, and such Global Bonds shall be lodged with the Depository until early redemption or maturity of the Bond issue. The Paying Agent shall remit payment for the maturing principal and interest on the Bonds to the Owner for distribution by the Nominee for the benefit of the owners (the “Beneficial Owner” or “Record Owner”) by recorded entry on the books of the Depository participants and correspondents. While the Bonds are in BEO form, the Bonds will be available in denominations of \$5,000 or any integral multiple thereof within a maturity.
- 14.3. In the event the Depository determines not to continue to act as securities depository for the Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the BEO system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a BEO system, the Bonds shall no longer be a BEO issue but shall be registered in the registration books maintained by the Paying Agent in the name of the Owner as appearing on the Bond register and thereafter in the name or names of the Owners of the Bonds transferring or exchanging Bonds.
- 14.4. While the Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to

any Registered Owner on behalf of which such participants or correspondents act as agent for the Owner with respect to:

- A. The accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the Bonds;
 - B. The delivery to any participant or correspondent or any other person, other than an Owner as shown in the registration books maintained by the Paying Agent, of any notice with respect to the Bonds, including any notice of redemption/prepayment;
 - C. The selection by the Depository of the beneficial interest in Bonds to be redeemed prior to maturity; or
 - D. The payment to any participant, correspondent, or any other person other than the owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal of or interest on the Bonds.
- 14.5. Notwithstanding the BEO system, the City may treat and consider the Owner in whose name each Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- 14.6. Upon delivery by the Depository to the City and to the Owner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the Bonds it holds to the Paying Agent for re-registration.

Section 15. Redemption of Bonds.

- 15.1. Unless otherwise provided by a Supplemental Declaration, all Bonds shall be subject to the redemption terms of this Section 15.
- 15.2. The City reserves the right to purchase Bonds in the open market.
- 15.3. If Bonds are subject to mandatory redemption the Paying Agent shall, without further action by the City, select the particular Bonds to be redeemed in accordance with the mandatory redemption schedule, by lot within each maturity, call the selected Bonds, and give notice of their redemption in accordance with this Section 15.

- 15.4. If certain maturities of Bonds are subject to both optional and mandatory redemption, the City may elect to apply the Bonds which it has previously optionally redeemed to any mandatory redemption maturity. In addition, if the City purchases Bonds which are subject to mandatory redemption, the City may elect to apply against the mandatory redemption requirement any such Bonds which it has previously purchased. If the City makes such an election, it shall notify the Paying Agent not less than sixty days prior to the mandatory redemption date to which the election applies.
- 15.5. So long as the BEO System remains in effect with respect to the Bonds, and unless DTC consents to a shorter period, the Paying Agent shall provide not less than 20 days nor more than 60 days' notice of redemption, and shall provide such information in connection therewith as required by the letter of representations submitted to DTC in connection with the issuance of the Bonds.
- 15.6. During any period in which the BEO System is not in effect with respect to the Bonds, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bonds to be redeemed, at the address shown on the Bond Register or at such other address as is furnished in writing by such owner to the Paying Agent. All such official notices of redemption shall be dated and shall state:
- A. The redemption date;
 - B. The redemption price;
 - C. If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
 - D. That on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and
 - E. The place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.
- 15.7. The City shall deposit with the Paying Agent, on or before the redemption date, an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.
- 15.8. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price or unless the notice was conditional as described in Section 15.9) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Paying Agent at the Redemption Price. Installments of interest due

on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued. Notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any such Bonds. From and after such notice having been given and such deposit having been made, the Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the City shall be under no further liability in respect thereof.

- 15.9. Any notice of optional redemption given for the Bonds pursuant to this Section 15 may state that the optional redemption is conditional upon receipt by the Paying Agent of amounts sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Bonds as promptly as practicable.

Section 16. Authentication, Registration and Transfer.

- 16.1. The provisions of this Section 16 apply only if the Bonds cease to be a BEO issue, and unless otherwise specified in a Supplemental Declaration or Section 17 herein.
- 16.2. No Bond shall be entitled to any right or benefit under this Master Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at Closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Master Declaration.
- 16.3. All Bonds shall be in registered form. The Paying Agent will be appointed when the City issues publicly offered Bonds. A successor Paying Agent may be appointed for the Bonds by the City. The Paying Agent shall provide notice to Owners of any change in the Paying Agent not later than the Bond payment date following the change in Paying Agent.
- 16.4. The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent and the City and Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- 16.5. The Paying Agent shall mail each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

- 16.6. Bonds may be exchanged for an equal principal amount of Bonds of the same Series and maturity which are in different authorized denominations, and Bonds may be transferred to other owners if the Owner submits the following to the Paying Agent:
 - A. Written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and
 - B. The Bonds to be exchanged or transferred.
- 16.7. The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following the payment date.
- 16.8. The Paying Agent shall not be required to exchange or transfer any Bonds which have been designated for redemption if such Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.
- 16.9. For purposes of this Section, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 16.6.
- 16.10. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 17. The Series 2024 Bond.

- 17.1. Pursuant to the authority of the Resolution and this Master Declaration, the City has entered into its Series 2024 Bond, a draw-down borrowing, under the WIFIA Loan Agreement for the Ashland Water System Resiliency Improvement Project (WIFIA - _____) with the United States Environmental Protection Agency in a maximum principal amount up to \$[_____], dated as of [_____] (the “WIFIA Loan Agreement”). The Parity WIFIA Amount shall be a “Bond” and “Parity Bond” as defined in this Master Declaration. The Series 2024 Bond shall bear interest, shall mature and shall have such other terms as outlined in the WIFIA Loan Agreement.
- 17.2. The Parity WIFIA Amount shall be a special obligation of the City, and shall be payable solely from the Net Revenues and amounts required to be deposited in the Debt Service Account as required and as provided by this Master Declaration. The Parity WIFIA Amount is not a general obligation of the City and is payable solely from the amounts described in the previous sentence. The Series 2024 Bond is not secured by the Bond Reserve Account or any subaccount therein.
- 17.3. The Series 2024 Bond shall be in substantially the form attached to the WIFIA Loan Agreement and shall be signed with the manual signature of an authorized City Official.

- 17.4. The Series 2024 Bond proceeds shall be used to finance the projects described in the Resolution and to pay costs incurred in connection with the issuance of the Series 2024 Bond.
- 17.5. The Series 2024 Bond is placed directly with the United States Environmental Protection Agency and not publicly issued. Because of this, the provisions related to book entry bonds in this Master Declaration do not apply to the Series 2024 Bond.

EXECUTED ON BEHALF OF THE CITY OF ASHLAND, OREGON BY AN AUTHORIZED CITY OFFICIAL AS OF THE _____ DAY OF _____, 2024.

City of Ashland, Oregon

By: _____
_____, City Official