

Klickitat County Fire District 3

200 Husum Street, Husum, WA 98623

Special Meeting

Regarding the proposed voted Bond.

Thursday July 5 2018

Called to order: 12:01

Attendance: Commissioner Montag, Commissioner Connor, Commissioner Virts,
Secretary Plumb, Eric Bosler.

Approval of agenda:

**Motion to approve the agenda made by Commissioner Connor, seconded by Commissioner Virts.
(3 yay 0 nay). motion passed.**

1. Review information for a 2018 voted Bond:

Commissioners briefly discussed the progress Robert Merritt has made with respect to clarifying the wording to be on the ballot. Final cost estimates are still pending for capital projects involving the facilities. Robert Merritt will have skilled engineers review the buildings in the coming weeks. Resolution 2018-10 declaring intent to reimburse from Bond Proceeds was reviewed and it was agreed by the Commissioners that it applied only to the purchase of the two pickup trucks (a total value of \$85,000) and it was not relevant to the Bond Counsel fees. The Bond Counsel Fees will be paid only when the Bond is successful.

2. Bond Counsel Engagement Letter for the Issuance of Unlimited Tax General Obligation Bonds.

The Commissioners have given Robert Merritt permission to seek a Bond Counsel on their behalf. Mr. Merritt has done that, and the Commissioners now have to authorize and sign the letter of engagement between Bond Counsel Foster Pepper and the Commissioners of Klickitat County Fire District 3.

Each Commissioner stated they have reviewed the letter of engagement, and it is their understanding that no fees will be paid to Foster Pepper unless the Bond is successful.

**Motion to approve the letter of engagement with Foster Pepper for Bond Counsel made by Commissioner Virts, seconded by Commissioner Connor, (3 yay, 0 nay) motion passed.
Letter signed by Commissioner Chair Montag.**

Motion to adjourn made by Commissioner Connor, seconded by Commissioner Virts.

Meeting adjourned: 12:10

APPROVED BY:

Attest:

Tom Montag 7/12/18
Chairman – Commissioner Thomas Montag. (date)

District Secretary Rozalind Plumb
Absent on 7/12/18

Robert Connor 7/12/18
Commissioner Robert Connor (date)

Charles Virts 7-12-2018
Commissioner Charles Virts (date)

July 2, 2018

Honorable Board of Fire Commissioners
Attn: Tom Montag, Chair
Klickitat County Fire Protection District No. 3, Washington
200 Husum Street
Husum, Washington 98623

**Re: Bond Counsel Engagement Letter for the Issuance of Unlimited Tax General
Obligation Bonds**

Dear Commissioners:

We greatly appreciate the opportunity to serve as bond counsel to Klickitat County Fire Protection District No. 3, Washington (the "District"). The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the District in connection with the issuance of the above-referenced bonds (the "Bonds"). We understand that the Bonds will be issued to finance costs of acquiring fire, rescue and emergency medical service equipment and to replace or improve one or more District fire stations. We also understand that the Bonds may be sold to D.A. Davidson & Co., Seattle, Washington (the "Purchaser"), through a negotiated public sale.

SCOPE OF ENGAGEMENT

In this engagement, we will perform the following duties as bond counsel to the District with respect to the Bonds: (1) subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Bond Opinion") regarding the validity and binding effect of the Bonds, the source of payment and security for the Bonds, and the excludability of interest on the Bonds from gross income for federal income tax purposes; (2) prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Bonds, and coordinate the authorization and execution of such documents; (3) review legal issues relating to the structure of the Bonds; and (4) review the section of the official statement, private placement memorandum or other form of offering or disclosure document to be disseminated in connection with the sale of the Bonds involving the federal income tax treatment of interest on the Bonds.

Our Bond Opinion will be addressed to the District and will be delivered by us on the date the Bonds are exchanged for their purchase price (the "Closing"). The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume

continuing compliance by the District after the Bonds are issued with applicable laws relating to the Bonds. During the course of this engagement, we will rely on the District to provide us with complete and timely information on all developments pertaining to any aspect of the Bond and its security. We understand that officials and employees of the District will cooperate with us in this regard.

ATTORNEY-CLIENT RELATIONSHIP

Upon execution of this engagement letter, the District will be our client and an attorney-client relationship will exist between us. In this transaction we represent only the District, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel regarding the Bonds are limited to those contracted for in this letter. The District's execution of this engagement letter will constitute an acknowledgment of those limitations. Our representation of the District regarding the Bonds will be concluded upon issuance of the Bonds. Nevertheless, subsequent to the Closing, we will mail the appropriate Internal Revenue Service Form 8038, and prepare and distribute to the participants in the transaction a transcript of the proceedings pertaining to the Bonds.

CONFLICTS

Bond Financing and Purchaser. Upon execution of this engagement letter, Foster Pepper will represent the District as its bond counsel in connection with the Bonds. Foster Pepper presently represents (and has from time to time represented) the Purchaser as underwriter's counsel on financings by other municipal issuers. Our representation of the Purchaser, however, is unrelated to the issuance of the Bonds. Foster Pepper will represent the District in negotiating a bond purchase agreement regarding the sale of the Bonds to the Purchaser.

The Washington Rules of Professional Conduct prohibit an attorney, and all members of that attorney's firm, from representing a client in a matter which is adverse to the interests of another client of the firm. This is called a conflict of interest. The conflict of interest arises because a lawyer has a duty of loyalty to every client, even if the lawyer is not representing the client in a particular matter. Since Foster Pepper will represent the District as bond counsel with respect to the Bonds and represents the Purchaser on unrelated matters, a conflict of interest exists.

The Rules of Professional Conduct allow clients to waive conflicts of interest when: (1) the lawyer reasonably believes the representation of the one client will not adversely affect the relationship with the other client; (2) the representation is not prohibited by law; (3) the representation does not involve the assertion of claims by one client against another client in a proceeding in which the lawyer representing both clients; and (4) all clients consent in writing after full disclosure of the material facts. We have considered the conflicts presented here, and we believe that it is appropriate to ask the District to waive the conflict. In seeking this consent, we observe that no matter in which we represent the Purchaser is directly or substantively related to the District's Bonds. This means the likelihood of us inadvertently sharing your confidential information with the Purchaser is remote. Another concern you may have is whether Foster

July 2, 2018

Page 3

Pepper will have divided loyalties in connection with its representation of you (e.g. for fear we might offend our other clients). Because our engagements with you and the Purchaser each are limited in scope, we do not foresee circumstances in which we might be compelled not to forcefully advocate your interests in negotiations with the Purchaser. We have obtained a written waiver from the Purchaser for any conflicts that may arise from our representation of issuers who issue bonds underwritten by the Purchaser. If you have any questions, however, we would encourage you to seek legal advice from the District's general counsel.

Execution of this letter will confirm that the District has consented to our representation of the Purchaser consistent with the circumstances described in the foregoing paragraphs, and that the District has waived the conflicts of interest identified herein.

Regarding Other Foster Pepper Clients. Our Firm represents many political subdivisions, companies and individuals. It is possible that during the time that we are representing the District, one or more of our present or future clients will have transactions with the District. It is also possible that we may be asked to represent, in an *unrelated* matter, one or more of those types of clients. For example, from time to time we serve as counsel to bond underwriters or purchasers, or we represent neighboring governments, or we assist developers in land use or environmental matters. We do not foresee, however, that any such prior or future representation will adversely affect our ability to represent the District as provided in this letter, either because such matters were or will be sufficiently different from the issuance of each series of the Bonds so as to make such representations not adverse to our representation of the District, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of each series of the Bonds. Execution of this letter will signify the District's consent to our representation of others consistent with the circumstances described in this paragraph. To the extent we believe such future representation may adversely affect our representation of the District, we will disclose such representation to the District and, if required by ethical rules, seek the appropriate District consent. However, the District's consent to our representation of other clients as described in this paragraph does not extend to our firm's lawyers representing a client in any litigation or similar dispute adverse to the District before any court or similar forum. A separate waiver would need to be sought, based on the facts of the relevant dispute.

FEE

Based upon: (1) our current understanding of the terms, structure, size and schedule of the financing represented by the Bonds; (2) the duties we will undertake pursuant to this engagement letter; (3) the time we anticipate devoting to the financing; and (4) the responsibilities we will assume in connection therewith, our fee (including out-of-pocket costs) will be \$15,000. To the extent we are requested to prepare the official statement in connection with the sale of the Bonds, our fee will increase by an additional \$7,500.

Our fee may be adjusted if: (1) the principal amount of the Bonds is greater than \$3,300,000; (2) material changes in the structure or schedule of the financing occur; (2) the

ballot proposition for the Bonds must be submitted at multiple elections before it is approved; (3) travel to and attendance at more than one on-site meeting is requested; or (4) unusual or unforeseen circumstances arise that require a significant increase in our time or responsibility. If, at any time, we believe that circumstances require an adjustment of our original fee, we will advise you. Our fee will be paid at the time of Closing of the Bonds. The District hereby authorizes the Purchaser of the Bonds to deduct our fee from the price paid to the District for the Bonds and to pay the fee directly to us *via* wire transfer. The District consents to payment of our fee in this manner. ***Payment of our fee is contingent on a successful Closing of the Bond.*** If for any reason, however, the financing represented by the Bonds is completed without the delivery of our Bond Opinion as bond counsel, or our services are otherwise terminated, we will expect to be compensated at our normal hourly rates for time actually spent on your behalf; provided that, (1) we submit a billing statement to the District that describes the time, legal services and expenses incurred on your behalf, and (2) such compensation shall not exceed the amount of the fee that would have been paid had the Bonds closed with our Bond Opinion.

RECORDS

Upon request, papers and property furnished by you will be returned promptly. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the termination of this engagement.

If the foregoing terms are acceptable to the District, please sign and date this engagement letter and return one original to me. Please feel free to call me at any time. My direct dial is (206) 447-6264. My email address is lee.marchisio@foster.com. We look forward to working with you. Thank you.

Sincerely,

FOSTER PEPPER PLLC



Lee Marchisio

The terms of engagement set forth herein are accepted and approved by the District this 5th day of July, 2018.

KLICKITAT COUNTY FIRE PROTECTION DISTRICT NO. 3

By: Dharm C Montag 7/5/18



Klickitat County Fire District 3

200 Husum Street – P.O. Box 151 Husum, WA 98623

(509) 493-2996

RESOLUTION – 2018-10

A RESOLUTION DECLARING INTENT TO REIMBURSE FROM BOND PROCEEDS

WHEREAS: Fire District #3 provides a variety of emergency and community services; and,

WHEREAS: The Fire District has established a Capital Improvements Project program to replace, improve or add certain structures, apparatus and/or equipment to enhance the continued delivery of emergency services to the Fire District; and,

WHEREAS: Certain capital and de minimis costs for elements of the Capital Improvement Projects will be expended by the Fire District *prior to* the issuance of General Obligation Bonds by the Fire District and payments for said expenditures will be made, thereof, from the Fire District's current Cash Balance and/or invested funds; and,

~~**WHEREAS:**~~

WHEREAS: The Fire District is anticipating the acquisition of certain apparatus and equipment-- the payment to be initially made from the Fire District's current Cash Balance and invested funds; and,


WHEREAS: The Board of Fire Commissioners desires to recover said Capital Improvement Project capital and de minimis costs from issued "Reimbursement Bonds"; and,

WHEREAS: The "Reimbursement Bonds" are expected to be a portion of a larger General Obligation bonds anticipated to be submitted to the voters for approval in 2018;

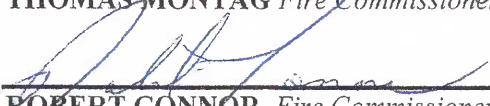
NOW THEREFORE BE IT RESOLVED BY THE FIRE COMMISSIONERS OF DISTRICT #3, KLICKITAT COUNTY, STATE OF WASHINGTON THAT:

1. Attachment 1 of this resolution identifies those capital projects or expenditures which are expected to be funded from the General Obligation Bond to be issued in 2019 after approval by the electorate.
2. Some project expenditures identified on Attachment 1 will be made prior to the issuance of the General Obligation bonds -- which may include, apparatus and/or equipment -- and initial payment made from the Fire District's current Cash Balance and /or invested Funds.
3. Said expenditures will be made with respect to which the Fire District reasonably expects to be reimbursed from the proceeds of "Reimbursement Bonds" that are a portion of the General Obligation Bond.
4. The maximum principal amount of the Reimbursement Bonds expected to be issued for the projects described in Attachment 1 is \$ 85,000.
5. This is a statement of official intent in compliance with Treasury Regulation Section 1.150-2.

ADOPTED AT AN OFFICIAL MEETING OF THE BOARD OF FIRE COMMISSIONERS,
KLICKITAT COUNTY FIRE DISTRICT #3 THIS 12th DAY OF APRIL 2018, THE
FOLLOWING COMMISSIONERS BEING PRESENT AND VOTING:

 4/12/18

THOMAS MONTAG *Fire Commissioner*

 4/12/18

ROBERT CONNOR, *Fire Commissioner*



CHARLES VIRTS, *Fire Commissioner*

ATTEST: 

Fire District Secretary

Klickitat County Fire District No. 3
For Discussion Purposes (As of 6/29/2018)

<u>20-YEARS - VOTED BOND</u>	
Recommended Principal Amount for the Ballot Title:	<u>\$3,065,000</u>
Funding Amount:	\$3,000,000
Est. Average Annual Payment (1):	\$235,335
Est. Net Borrowing Cost (1):	4.50%
Tax Levy Impact (1): (dollars per \$1,000 of assessed valuation)	\$0.48
Tax impact on a homeowner of:	
Annual Increase (1):	\$300,000
Monthly Increase (1):	\$143.56
	\$11.96

Assumptions:

1. Net Borrowing Cost is preliminary and subject to change.
2. Assumed Assessed value for the 2019 Tax Collection year: \$491,776,841
3. Assumes a non-rated bond or possible fixed rate bank financing, the District does not have audited financial statements.



Klickitat County Fire District 3

200 Husum Street – P.O. Box 151 Husum, WA 98623

(509) 493-2996

NOTICE OF SPECIAL MEETING

The Fire Commissioners of Klickitat County Fire District 3 will have a Special Meeting regarding the proposed voted Bond.

Thursday July 5th 2018 at 12:00pm,
at the Husum Fire Hall, 200 Husum Street, Husum WA. 98623.

The purpose of the Special Meeting is to:

1. Review information for a 2018 voted Bond.
2. Take action on a Letter of engagement with Bond Council Foster Pepper.

Questions? Please contact the Office at (509) 493 2996