

Summary - An ordinance authorizing the issuance by the City of Fernley, Nevada of its General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020, and providing other matters relating thereto.

BILL NO. 285

ORDINANCE NO. 2020-006

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF THE CITY OF FERNLEY, NEVADA, GENERAL OBLIGATION (LIMITED TAX) WATER AND SEWER REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2020; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF THE BONDS; PROVIDING FOR ADOPTION OF THE ORDINANCE AS IF AN EMERGENCY EXISTS; AND PROVIDING OTHER MATTERS RELATING THERETO.

WHEREAS, the City of Fernley in the County of Lyon and State of Nevada (the “City”, the “County” and the “State,” respectively) is a political subdivision of the State, a body corporate and a city duly organized as a city under the provisions of Nevada Revised Statutes (“NRS”) Chapter 266 (the “City Act”); and

WHEREAS, the City now owns and operates a municipal water system (the “Water System”) and a municipal sanitary sewer system (the “Sewer System”; the Water System and the Sewer System are herein collectively designated the “Utility System”); and

WHEREAS, pursuant to the City Act, pursuant to NRS 268.672 through 268.740, inclusive (the “City Bond Law”), and pursuant to Chapter 350 of NRS and all laws amendatory thereof which includes the Local Government Securities Law, being NRS 350.500 through 350.720, and all laws amendatory thereof (the “Bond Act”), and specifically NRS 268.714 and NRS 268.728, the City Council of the City (the “Council”) is authorized to issue bonds in order to refund, pay and discharge certain outstanding bonds of the City for the purpose of reducing interest rates and effecting other economies and to evidence such borrowing by the issuance of bonds; and

WHEREAS, there remain unpaid and outstanding certain bonds previously issued by the City and designated as the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2014” (the “2014 Bonds”), the “City of Fernley, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2015A” (the “2015A Bond”), the “City of Fernley, Nevada, General Obligation (Limited Tax) Water Refunding Bond (Additionally Secured by Pledged Revenues), Series 2015B” (the “2015B Bond”), the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged

Revenues), Series 2016” (the “2016 Bonds”), the “City of Fernley, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2017” (the “2017 Sewer Bonds”), and the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2017” (the “2017 Refunding Bonds”); and

WHEREAS, if after a sale of the Bonds (as defined herein) pursuant to the provisions of NRS 350.105 to 350.195, inclusive, it is determined by the City Treasurer/Finance Director (the “Finance Director”), or in her absence, the City Manager as the chief administrative officer of the City, that a refunding (the “Project”) will cause the City to achieve interest rate savings or effect other economies, the Finance Director or City Manager is hereby authorized to specify in the Certificate of the Finance Director (as defined herein) which installments of principal of the 2014 Bonds, if any, will be refunded (the “Refunded Bonds”); to sell the Bonds to the best bidder therefor (the “Purchaser”); and to execute the Certificate of the Finance Director (as defined herein) for the Bonds; and

WHEREAS, the City hereby determines that it is necessary and for the best interest of the City to complete the Project and that the bonds herein authorized to be issued for such purpose shall be designated as the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2020” (the “Bonds” or the “Bond”); and

WHEREAS, the Bonds are to bear interest at the rates per annum provided in the Certificate of the Finance Director, which rates must not exceed by more than 3% the Index of Twenty Bonds most recently published in The Bond Buyer prior to the time a negotiated offer is accepted for the Bonds, and are to be sold at a price equal to the principal amount thereof, plus any accrued interest to the date of delivery of the Bonds, less a discount not exceeding 9% of the principal amount thereof, all as specified by the Finance Director or the City Manager in a certificate dated on or before the date of delivery of the Bonds (the “Certificate of the Finance Director”); and

WHEREAS, the Council has determined and hereby declares:

(A) It is necessary and for the best interests of the City to effect the Project and to issue the Bonds;

(B) Each of the limitations and other conditions to the issuance of the Bonds in the City Act, the City Bond Law, the Bond Act, and in any other relevant act of the State or the Federal Government, has been met; and pursuant to NRS 350.708, this determination of the Council that the limitations in the Bond Act have been met shall be conclusive in the absence of fraud or arbitrary or gross abuse of discretion; and

(C) This Ordinance pertains to the sale, issuance and payment of the Bonds; this declaration shall be conclusive in the absence of fraud or gross abuse of discretion in accordance with the provisions of NRS 350.579(2); accordingly, and pursuant to NRS 350.579, this Ordinance may be adopted as if an emergency exists and may become effective at any time when an emergency ordinance of the City may go into effect.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF FERNLEY DO ORDAIN:

SECTION 1. **Short Title.** This Ordinance shall be known and may be cited as the “2020 Water and Sewer Refunding Bond Ordinance.”

SECTION 2. **Definitions.** The terms in this Section and in the preambles hereof defined for all purposes of this Ordinance and of any instrument amendatory hereof or supplemental hereto, and of any other instrument or any other document relating hereto, except where the context by clear implication otherwise requires, shall have the meanings in this Section and in said preambles specified:

“**Bond**” or “**Bonds**” means the bond issued hereunder and designated as the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020.”

“**2014 Bonds**” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2014.

“**2015A Bond**” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Sewer Refunding Bond (Additionally Secured by Pledged Revenues), Series 2015A.

“**2015B Bond**” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Water Refunding Bond (Additionally Secured by Pledged Revenues), Series 2015B.

“**2016 Bonds**” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2016.

“**2017 Sewer Bonds**” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2017.

“2017 Refunding Bonds” means the Outstanding City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2017.

“Bond Fund” means, collectively, the accounts designated as the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020, Interest Account” (the “Interest Account”) and the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020, Principal Account” (the “Principal Account”) and created in this Ordinance.

“Bond Year” means the 12 month period commencing on February 2 of a calendar year and ending on February 1 of the following calendar year.

“Certificate of the Finance Director” means the certificate executed by the Finance Director or the City Manager on or before the date of closing on the Bonds.

“City Clerk” or “Clerk” means the de jure or de facto clerk of the City, or his or her successor in functions, if any.

“City Manager” means the de jure or de facto City Manager of the City and chief administrative officer of the City or his or her successor in functions, if any.

“Commercial Bank” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation.

“Federal Government” means the United States, or any agency, instrumentality or corporation thereof.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States.

“Finance Director”, **“Finance Director/Treasurer”** , **“Treasurer”** or **“City Treasurer”** means the de jure or de facto City Treasurer/Finance Director of the City and chief financial officer of the City or his or her successor in functions, if any.

“Fiscal Year” means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year; but if the Nevada Legislature changes the statutory fiscal year relating to the City, the Fiscal Year shall conform to such modified statutory fiscal year from the time of each such notification, if any.

“General Taxes” means general (ad valorem) taxes levied by the City against all taxable property within the boundaries of the City (unless otherwise qualified).

“Gross Revenues” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Utility System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Utility System, or otherwise, and includes all revenues received by the City from the Utility System, including, without limitation, all fees, rates, and other charges for the use of the Utility System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Utility System, except to the extent any such moneys shall be received as payments for the use of the Utility System, services rendered thereby, the availability of any such service or the disposal of any such commodities. “Gross Revenues” shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues.

“Net Revenues” means the Gross Revenues remaining after the deduction of Operation and Maintenance Expenses of the Utility System.

“Operation and Maintenance Expenses” means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Sewer System, the Water System, or the Utility System, as the case may be, including, without limitation:

(a) engineering, auditing, reporting, legal and other overhead expenses relating to the administration, operation and maintenance of the Utility System;

(b) fidelity bond and property and liability insurance premiums pertaining to the Utility System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Sewer System, the Water System, or the Utility System, as the case may be;

(c) payments to pension, retirement, health and hospitalization funds, and other insurance and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance;

(d) any general taxes, assessments, excise taxes or other charges which may be lawfully imposed upon the City, the Sewer

System, the Water System or the Utility System, as the case may be, revenues therefrom or the City's income from or operations of any properties under its control and pertaining to the Sewer System, the Water System or the Utility System, as the case may be, or any privilege in connection with the Sewer System, the Water System or the Utility System, as the case may be, or its operations;

(e) the reasonable charges of any Paying Agent or Registrar and any depository bank pertaining to the Bonds or any other securities payable from Gross Revenues or otherwise pertaining to the Sewer System, the Water System, or the Utility System, as the case may be ;

(f) contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the Sewer System, the Water System, or the Utility System, as the case may be, or to the issuance of the Bonds, or any other securities relating to the Sewer System, the Water System or the Utility System, as the case may be, including, without limitation, the expenses and compensation of any receiver or other fiduciary under the Bond Act;

(g) the costs incurred by the Council in the collection and any refunds of all or any part of Gross Revenues;

(h) any costs of utility services furnished to the Sewer System, the Water System, or the Utility System, as the case may be;

(i) any lawful refunds of any Gross Revenues; and

(j) all other administrative, general and commercial expenses pertaining to the Sewer System, the Water System, or the Utility System, as the case may be;

but excluding:

(i) any allowance for depreciation;

(ii) any costs of extensions, enlargements, betterments and other improvements, or any combination thereof;

(iii) any reserves for major capital replacements, other than normal repairs;

(iv) any reserves for operation, maintenance or repair of the Sewer System, the Water System, or the Utility System, as the case may be;

(v) any allowance for the redemption of any Bond or other security or the payment of any interest thereon or any prior redemption premium due in connection therewith;

(vi) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Sewer System, the Water System, or the Utility System, as the case may be, or otherwise; and

(vii) any liabilities imposed on the City for any ground of legal liability not based on contract, including, without limitation, negligence in the operation of the Sewer System, the Water System or the Utility System, as the case may be.

“Outstanding” when used with reference to the Bonds or any other designated securities payable from Net Revenues and as of any particular date means all of the Bonds or other securities in any manner theretofore and thereupon being executed and delivered:

(a) Except any Bond or other security canceled by the City, the Paying Agent or otherwise on the City’s behalf, at or before such date;

(b) Except any Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of maturity or to any Redemption Date shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Section 55 hereof; and

(c) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

“Parity Securities” means securities of the City pertaining to the Utility System and payable from and secured by Net Revenues on a parity with the Bonds, the 2014 Bonds, the 2015A Bond, the 2015B Bond, the 2016 Bonds, the 2017 Sewer Bonds, the 2017 Refunding Bonds and any future Parity Securities, to the extent issued in accordance with the terms, conditions and limitations hereof.

“**Paying Agent**” means the Finance Director or any successor thereto as paying agent for the Bonds.

“**Person**” means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State or any other body corporate and politic other than the City), partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

“**Project**” means the refunding of certain of the 2014 Bonds with all or a portion of the proceeds of the Bonds as specified in Certificate of the Finance Director.

“**Purchaser**” means the lawful purchaser of the Bonds designated in the Certificate of the Finance Director.

“**Redemption Date**” means a date fixed for the redemption prior to their respective maturities of any Bonds or other designated securities payable from any Net Revenues in any notice of prior redemption or otherwise fixed and designated by the City.

“**Redemption Price**” means, when used with respect to a Bond or other designated security payable from any Net Revenues, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such Bond or other security on a Redemption Date in the manner contemplated in accordance with the security’s terms.

“**Refunded Bonds**” means the installments of principal of the 2014 Bonds designated in the Certificate of the Finance Director.

“**Registrar**” means the Finance Director or any successor thereto as registrar for the Bonds.

“**Sewer Gross Revenues**” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Sewer System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Sewer System, or otherwise, and includes all revenues received by the City from the Sewer System, including, without limitation, all fees, rates, and other charges for the use of the Sewer System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Sewer System, except to the extent any such moneys shall be received as payments for the use of the Sewer System, services rendered thereby, the availability of any such

service or the disposal of any such commodities. “Sewer Gross Revenues” shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Sewer Gross Revenues or Sewer Net Revenues.

“**Sewer Net Revenues**” means the Sewer Gross Revenues remaining after the payment of the Operation and Maintenance Expenses related to the Sewer System.

“**Sewer System**” means the sewer system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

“**Subordinate Securities**” means securities of the City pertaining to the Utility System and payable from and secured by Net Revenues subordinate and junior to the pledge thereof to the Bonds, the 2014 Bonds, the 2015A Bond, the 2015B Bond, the 2016 Bonds, the 2017 Sewer Bonds and the 2017 Refunding Bonds, to the extent issued in accordance with the terms, conditions and limitations hereof.

“**Superior Securities**” means special obligation bonds or securities which have a lien on all or a portion of the Net Revenues that is superior to the lien thereon of the Bonds herein authorized, the 2014 Bonds, the 2015A Bond, the 2015B Bond, the 2016 Bonds, the 2017 Sewer Bonds and the 2017 Refunding Bonds.

“**Tax Code**” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

“**Trust Bank**” means a “commercial bank,” as defined herein, which bank is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

“**Utility System**” means the Water System and the Sewer System of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

“**Water Gross Revenues**” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Water System or

any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the City from the Water System, including, without limitation, all fees, rates and other charges for the use of the Water System, or for any service rendered by the City in the operations thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. “Water Gross Revenues” shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Water Gross Revenues or Water Net Revenues to the extent lawfully available for the purposes of the Water System. The Water Gross Revenues also include the “Alternate Water Gross Revenues,” if any, as such term is defined in the ordinances authorizing the Parity Securities.

“**Water Net Revenues**” means the Water Gross Revenues remaining after the deduction of Operation and Maintenance Expenses relating to the Water System.

“**Water System**” means the water system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, improvements, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof. The Water System also includes the “Alternate Water System,” as such term is defined in the ordinances authorizing the Parity Securities.

Other capitalized terms used herein shall have the meanings given to such terms in the text hereof, except where the context by clear implication otherwise requires.

SECTION 3. **Acceptance of Offer.** In accordance with the City Bond Law, the Bond Act and with this Ordinance, the Finance Director, or in her absence, the City Manager, is authorized to execute the Certificate of the Finance Director.

SECTION 4. **Ratification.** All action heretofore taken by the Council and the officers of the City directed toward the Project and toward the issuance, sale and delivery of the Bonds is hereby ratified, approved and confirmed.

SECTION 5. **Estimated Life of Facilities.** The Council, on behalf of the City, has determined and does hereby declare:

A. The estimated life or estimated period of usefulness of the improvements to be refinanced by the Bonds is not less than 7 years from the date of issuance of the Bonds; and

B. The Bonds shall mature at such time or times not exceeding such estimated life or estimated period of usefulness.

SECTION 6. **Necessity of Project and Bonds.** It is necessary and in the best interests of the Council, its officers, and the inhabitants of the City, that the City effect the Project and defray wholly or in part the cost thereof by the issuance of the Bonds therefor; and it is hereby so determined and declared.

SECTION 7. **Authorization of Project.** The Council hereby authorizes the Project.

SECTION 8. **Ordinance to Constitute Contract.** In consideration of the purchase and the acceptance of the Bonds by those who shall own the same from time to time, the provisions hereof shall be deemed to be and shall constitute a contract between the City and the registered owners from time to time of the Bonds.

SECTION 9. **Bonds Equally Secured.** The covenants and agreements herein set forth to be performed shall be for the equal benefit, protection and security of the owners of any and all of the Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction except as otherwise expressly provided in or pursuant to this Ordinance.

SECTION 10. **General Obligations.** All of the Bonds, as to the principal thereof, the interest thereon and any prior redemption premiums due in connection therewith (the "Bond Requirements"), shall constitute general obligations of the City, which hereby pledges its full faith and credit for their payment. So far as possible, Bond Requirements shall be paid from Net Revenues of the Utility System (the "Pledged Revenues"). However, the Bonds as to all Bond Requirements shall also be payable from the General Taxes (except to the extent that other moneys such as Net Revenues are available therefor) as herein provided.

SECTION 11. **Limitations upon Security.** The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City, except for the proceeds of General Taxes and any other moneys pledged for the payment of the Bonds. No property of the City, subject to such exception, shall be liable to be forfeited or taken in payment of the Bonds.

SECTION 12. **No Recourse Against Officers and Agents.** No recourse shall be had for the payment of the Bond Requirements of the Bonds or for any claim based thereon or otherwise upon this Ordinance or any other instrument relating thereto, against any individual member of the Council or any officer or other agent of the Council or City, past, present or future, either directly or indirectly through the Council or the City, or otherwise, whether by virtue of any constitution, statute

or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the Bonds and as a part of the consideration of their issuance specially waived and released.

SECTION 13. **Authorization of Bonds.** For the purpose of providing funds to pay all or a portion of the cost of the Project, the City shall issue its “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020”, in the aggregate principal amount designated in the Certificate of the Finance Director (not to exceed the amount necessary to effect the Project; not to exceed \$12,500,000). The Bonds shall be in the form substantially as set forth in Section 22 hereof.

SECTION 14. **Bond Details.** The Bonds shall be issued in fully registered form, i.e., registered as to both principal and interest and shall be dated the date of delivery of the Bonds. The Bonds shall be issued as a single Bond. The installments of principal of the Bond shall bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) at the rate(s) shown in the Certificate of the Finance Director from the date of delivery of the Bond (not to exceed by more than 3 percent the Index of Twenty Bonds most recently published in The Bond Buyer before bids for the Bonds are received), payable on February 1 and August 1 of each year, commencing on August 1, 2020. The installments of principal of the Bond shall be payable on the dates and in the amounts designated in the Certificate of the Finance Director (not to exceed 7 years from the date of delivery of the Bonds).

The installments of principal and interest prior to final payment shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, and the registration panel appended to the Bond. The final payment shall be payable upon presentation and surrender of the Bond at the office of the Paying Agent or such other office as designated by the Paying Agent. If any installment of principal of the Bond shall not be paid on the date due, it shall continue to draw interest at the interest rate set forth in the Certificate of the Finance Director until the principal thereof is paid in full. Payment of principal of and interest on the Bond shall be made to the registered owner thereof by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day). The Paying Agent may make payments of principal and interest on the Bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

SECTION 15. **Prepayment.** The installments of principal of the Bond, maturing on and after the date set forth in the Certificate of the Finance Director, if any, shall be subject to prepayment, at the option of the City, on and after the date set forth in the Certificate of the Finance Director, if any, at a price equal to the principal amount prepaid, the accrued interest thereon to the redemption date, and a premium, if any, in the amount set forth in the Certificate of the Finance Director.

SECTION 16. **Notice of Prepayment.** Unless waived by any registered owner of a Bond, written notice of prepayment shall be given by the Registrar, by electronic mail or otherwise, at least 30 days prior to the date fixed for prepayment to the registered owner of the Bond as shown on the registration records kept by the Registrar. Actual receipt of notice by the registered owner shall not be a condition precedent to redemption. A certificate by the Registrar that notice of prepayment has been given as provided in this Section shall be conclusive as against all parties; and no owner may object thereto or may object to the cessation of interest on the prepayment date on the ground that he failed actually to receive such notice of prepayment.

Notwithstanding the provisions of this Section, any notice of prepayment may contain a statement that the prepayment is conditional upon the receipt by the Paying Agent of funds on or before the date fixed for prepayment sufficient to pay the redemption price of the installments of the Bond so called for prepayment, and that if such funds are not available, such prepayment shall be cancelled by written notice to the owner of the Bond called for prepayment in the same manner as the original prepayment notice was given.

SECTION 17. **Registration, Transfer and Exchange of the Bonds.** The Bonds shall be subject to the following provisions relating to their registration, transfer and exchange:

A. Records for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment in form satisfactory to the Registrar duly executed by the owner or his or her attorney duly authorized in writing, the Registrar shall register the name of the transferee on the registration panel appended to the Bond.

B. The person in whose name any Bond shall be registered, on the registration records kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of payment and for all other purposes; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the registered owner thereof or his or her legal representative. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

C. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it or the City may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond of a like principal amount. If such lost, stolen, destroyed or mutilated Bond shall have matured, or been called for prepayment, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement.

D. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such Bond shall be promptly canceled by the Paying Agent or Registrar, and counterparts of a certificate of such cancellation shall be furnished by the Paying Agent or Registrar to the Council, upon request.

SECTION 18. **Execution and Authentication.**

A. Prior to the execution of any Bonds by facsimile signature, and pursuant to NRS 350.638 and to the act known as the Uniform Facsimile Signatures of Public Officials Act, cited as Chapter 351, NRS, the Mayor of the City (the “Mayor”), the Treasurer and the City Clerk (the “Clerk”) shall each file with the Secretary of State of Nevada his or her manual signature certified by him or her under oath.

B. The Bonds shall be approved, signed and executed in the name of and on behalf of the City with the manual or facsimile signature of the Mayor, shall be countersigned and executed with the manual or facsimile signature of the Treasurer, and shall bear a manual impression or a facsimile of an impression of the official seal of the City attested with the manual or facsimile signature of the Clerk.

C. No Bond shall be valid or obligatory for any purpose unless the registration panel has been duly manually executed by the Registrar. By executing the registration panel pursuant to this Ordinance, the Registrar shall be deemed to have assented to all of the provisions of this Ordinance.

D. The Mayor, the Treasurer and the Clerk are hereby authorized and directed to prepare and to execute the Bonds as herein provided.

SECTION 19. **Use of Predecessor’s Signature.** The Bonds bearing the signatures of the officers in office at the time of the execution of the Bonds shall be valid and binding obligations of the City, notwithstanding that before their delivery any or all of the persons who executed them shall have ceased to fill their respective offices. The Mayor, the Treasurer, and the Clerk at the time of the execution of a signature certificate relating to the Bonds, may each adopt as and for his own facsimile signature the facsimile signature of his or her predecessor in office if such facsimile signature appears upon any of the Bonds.

SECTION 20. **Incontestable Recital.** Pursuant to NRS 350.628, of the Bonds shall contain a recital that they are issued pursuant to the Bond Act, which recital shall be conclusive evidence of the validity of the Bonds and the regularity of their issuance.

SECTION 21. **State Tax Exemption.** Pursuant to NRS 350.710, the Bonds, their transfer and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

SECTION 22. **Bond Form.** Subject to the provisions of this Ordinance, the Bonds shall be in substantially the following form, with such omissions, insertions, endorsements, and

variations as may be required by the circumstances, be required or permitted by this Ordinance, or be consistent with this Ordinance and necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto:

(Form of Bond)

TRANSFER OF THIS BOND OTHER THAN BY REGISTRATION IS NOT EFFECTIVE

**CITY OF FERNLEY, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
WATER AND SEWER REFUNDING BOND
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2020**

NO. _____

<u>Interest Rate</u> ____ % per annum	<u>Maturity Date</u> _____	<u>Dated as of</u> _____	<u>Principal Amount</u> \$ _____
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The City of Fernley, Nevada (the “City” and the “State”, respectively) for value received hereby acknowledges itself to be indebted and promises to pay to the registered owner specified on the registration panel appended to this Bond (the “Registered Owner”) the Principal Amount specified above, in installments of principal in the amounts and dates as provided in the ordinance authorizing the issuance of this Bond adopted by the Council of the City (the “Council”) on May 6, 2020 (the “Ordinance”) and the Certificate of the Finance Director (as defined in the Ordinance), together with interest on the unpaid installments of principal from the date of delivery of this Bond appearing above until payment of such installments of principal shall have been discharged as provided in the Ordinance, at the interest rate per annum stated above, being payable on February 1 and August 1 of each year, commencing on August 1, 2020. The final payment of principal and interest on this Bond is payable upon presentation and surrender hereof at the office of the City’s Finance Director, the City’s paying agent for the Bond (the “Paying Agent”), who is also now acting as the City’s Registrar for the Bond (the “Registrar”). Installments of principal and interest on this Bond will be paid on each payment date (or, if such payment date is not a business day, on the next succeeding business day), by check or draft mailed to the Registered Owner. If upon presentation at maturity payment of this Bond is not made as herein provided, interest shall continue at the rate specified in the Certificate of the Finance Director until the principal hereof is paid in full. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

This Bond must be registered in the name of the Registered Owner as to both principal and interest on the registration records kept by the Registrar in conformity with the provisions stated herein and endorsed hereon and subject to the terms and conditions set forth in the Ordinance. No transfer of this Bond shall be valid unless made on the registration panel appended to this Bond and the registration records maintained at the office of the Registrar by the Registered Owner or his or her attorney duly authorized in writing.

The City and the Registrar and Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of payment and for all other purposes, except to the extent otherwise provided hereinabove and in the Ordinance.

This Bond is issued by the City upon its behalf and upon the credit thereof, for the purpose of defraying wholly or in part the cost of refunding a portion of certain of the City's bonds, under the authority of and in full conformity with the Constitution and laws of the State and the City and pursuant to the Ordinance.

This Bond is issued pursuant to Chapter 266 (the "City Act") of Nevada Revised Statutes ("NRS"); pursuant to NRS 350.500 through 350.720, and all laws amendatory thereof, designated in NRS 350.500 thereof as the Local Government Securities Law (the "Bond Act"); and pursuant to NRS 268.672 through 268.740 (the "City Bond Law"), inclusive; pursuant to NRS 350.628, this recital is conclusive evidence of the validity of the Bond and the regularity of their issuance; and pursuant to NRS 350.710, the Bond, its transfer, and the income therefrom shall forever be and remain free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS.

The installments of principal on the Bond are subject to prepayment at the option of the City, as set forth in the Ordinance and the Certificate of the Finance Director, upon at least 30 days written notice by electronic mail or otherwise to the registered owner of the Bond as shown on the registration records maintained by the Registrar.

It is hereby certified, recited and warranted that all the requirements of law have been fully complied with by the proper officers of the City in the issuance of this Bond; that the total indebtedness of the City, including that of this Bond does not exceed any limit of indebtedness prescribed by the Constitution or by the laws of the State or the City Act; that provision has been made for the levy and collection of annual general (ad valorem) taxes ("General Taxes") against all the taxable property within the City sufficient to pay the principal of, interest on, and any prior redemption premiums due on this Bond (the "Bond Requirements") when the same become due (except to the extent other revenues are available therefor), subject to the limitations imposed by the Constitution and by the statutes of the State; and that the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of Bond Requirements of this Bond according to its terms.

Payment of the principal of and interest on the Bond is additionally secured by a pledge of the net revenues (herein called the "Net Revenues") derived by the City from the operation and use of, and otherwise pertaining to, the water system and sewer system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, through purchase, construction or otherwise, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, machinery, apparatus, structures, and buildings, and related or appurtenant furniture,

fixtures and other equipment or any combination thereof (herein called the “Utility System”), whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Utility System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Utility System, which Net Revenues are so pledged as more specifically provided in the Ordinance.

The Bond is equally and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues on a parity with the lien of the 2014 Bonds, the 2015A Bond, the 2015B Bond, the 2016 Bonds, the 2017 Sewer Bonds and the 2017 Refunding Bonds (each as defined in the Ordinance), subject to any superior securities hereafter issued with a lien on the Net Revenues superior to the lien thereon of the Bonds. Additional securities may be issued and made payable from the Net Revenues of the Utility System and having a lien thereon superior to, subordinate to or on a parity with such pledge, in each case subject to the conditions of and in accordance with the Ordinance.

Reference is made to the Ordinance and to the Bond Act, for an additional description of the nature and extent of the security for the Bond, the accounts, funds, or revenues pledged, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the Registered Owner of the Bond with respect thereto, the terms and conditions upon which the Bond is issued, and a statement of rights, duties, immunities, and obligations of the City, and other rights and remedies of the Registered Owner of the Bond.

To the extent and in the respects permitted by the Ordinance, the provisions of the Ordinance may be amended or otherwise modified by action of the City taken in the manner and subject to the conditions and exceptions prescribed in the Ordinance. The pledge of Net Revenues under the Ordinance may be discharged at or prior to the maturity or prior redemption of the Bond upon the making of provision for the payment thereof on the terms and conditions set forth in the Ordinance.

This Bond shall not be entitled to any benefit under the Ordinance, or be valid or obligatory for any purpose until the Registrar shall have manually signed the certificate of authentication hereon.

No recourse shall be had for the payment of the Bond Requirements of this Bond or for any claim based thereon or otherwise in respect to the Ordinance or other instrument pertaining thereto against any individual member of the Council, or any officer or other agent of the City, past, present, or future, either directly or indirectly through the Council or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of this Bond and as a part of the consideration of its issuance specially waived and released.

IN WITNESS WHEREOF, City of Fernley, Nevada, has caused this Bond to be executed in its name with the manual or facsimile signature of the Mayor, to be attested with the manual or facsimile signature of the City Clerk, has caused a manual or facsimile impression of the seal of the City to be affixed hereon, and has caused this Bond to be countersigned with the manual or facsimile signature of the City Treasurer, all as of date hereof.

CITY OF FERNLEY, NEVADA

By: (Manual or Facsimile Signature)
Mayor

Countersigned:

By: (Manual or Facsimile Signature)
City Treasurer

(MANUAL OR FACSIMILE
CITY SEAL)

Attest:

By: (Manual or Facsimile Signature)
City Clerk

(End of Form of Bond)

(Form of Registration Panel)

PROVISION FOR REGISTRATION AS TO PRINCIPAL AND INTEREST

This Bond must be registered as to both principal and interest on the registration records of the City, kept by the City's Finance Director, as Registrar. After registration as to principal and interest, the Registrar shall note such registration on such registration records and in the registration blank below, and the principal and interest on this Bond shall be paid to such Registered Owner. This Bond may be transferred by the Registered Owner or his or her legal representative only upon a duly executed assignment in form satisfactory to the Registrar, such transfer to be made on said registration records and endorsed hereon.

Every privilege, registration and transfer shall be exercised only in accordance with the authorizing Ordinance and such reasonable rules and regulations as the Registrar may prescribe.

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Signature of Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(End of Form of Registration Panel)

(Form of Prepayment Panel for Bond)

The following installments of principal (or portions thereof) of this Bond have been prepaid by the City of Fernley, Nevada, in accordance with the terms of the Ordinance authorizing the issuance of this Bond.

<u>Date of Prepayment</u>	<u>Principal</u>	Signature of Authorized <u>Representative of Paying Agent</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

(End of Form of Prepayment Panel for Bond)

(Form of Assignment for Bonds)

For value received, the undersigned hereby sells, assigns and transfer unto _____ the within Bond and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the records kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Name and address of transferee:

Social Security or other tax
identification number of
transferee:

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

(End of Form of Assignment for Bonds)

SECTION 23. **Delivery of Bonds; Deposit of Proceeds.** When the Bonds have been duly executed, the City Treasurer shall deliver them to the Purchaser upon receipt of the agreed purchase price, as stated in the Certificate of the Finance Director. The City Treasurer shall cause the proceeds of the Bonds to be applied as follows:

A. First, there shall be deposited into a special account hereby created and designated as the “City of Fernley, Nevada, Refunding Account,” an amount fully sufficient, together with any other legally available monies deposited therein, to immediately refund, pay and discharge the principal of and accrued interest on Refunded Bonds on the date of delivery of the Bonds.

B. Second, the balance of the proceeds received from the sale of the Bonds shall be deposited into a special account hereby created and designated as the “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured By Pledged Revenues), Series 2020, Expense Account” (the “Expense Account”) and shall be used solely to defray wholly or in part the cost of the Project including, without limitation, as provided in NRS 350.516, the costs of issuing the Bonds, and the costs of rebates to the United States under Section 148(f) of the Tax Code, which the Council hereby determines are necessary and desirable and appertain to the Project. After the Project is complete and after all expenses have been paid or adequate provision therefor is made, pursuant to NRS 350.650, any unexpended balance of Bond proceeds shall be deposited into the Bond Fund hereinafter created to be used to pay the principal of and interest on the Bonds.

SECTION 24. **Completion of Project.** The City, with the proceeds derived from the sale of the Bonds, shall proceed to complete the Project with due diligence.

SECTION 25. **Use of Investment Gain.** The City Treasurer shall invest sums accounted for in the Expense Account and the Bond Fund only in obligations which are direct obligations of the United States or other investments to the extent permitted by the laws of the State. Pursuant to NRS 350.658 and the Bond Act, and except as may otherwise be required hereby, any gain from any investment and any reinvestment of any proceeds of the Bonds shall be deposited promptly upon the receipt of such gain at any time or from time to time into the Expense Account to defray, in part, the costs of issuance of the Bonds or, if adequate provision has been made for the Project, into the Bond Fund hereinafter created, for the respective payment of the principal of or interest on the Bonds or any combination thereof. As provided herein, the annual General Taxes for the payment of the principal of or interest on the Bonds levied after such deposits of any such investment or reinvestment gain, may be diminished to the extent of the availability of such deposit for the payment of such principal or interest.

SECTION 26. **Prevention of Bond Default.** Subject to the provisions of this Ordinance, the Treasurer shall use any Bond proceeds credited to the Expense Account, without further order or warrant, to pay the Bond Requirements of the Bonds as the same become due

whenever and to the extent moneys otherwise available therefor are insufficient for that purpose, unless such Bond proceeds shall be needed to defray obligations accrued and to accrue under any contracts then existing and relating to the Project. The Treasurer shall promptly notify the Council of any such use.

SECTION 27. **Purchaser Not Responsible**. The validity of the Bonds shall not be dependent on nor be affected by the validity or regularity of any proceedings relating to the Project, or any part thereof, or to the completion of the Project. Neither the Purchaser, nor any subsequent owner of any Bond shall in any manner be responsible for the application or disposal by the City or by any of its officers, agents and employees of the moneys derived from the sale of the Bonds or of any other moneys referred to in this Ordinance.

SECTION 28. **General Tax Levies**. So far as possible, the Bond Requirements of the Bonds shall be paid from Net Revenues of the Utility System. However, pursuant to NRS 350.596, at any time when there are not on hand from such tax levy or levies sufficient funds on deposit in the Bond Fund to pay, when due the principal of and interest on the Bonds, the Bond Requirements shall be paid out of the Expense Account or out of a general fund of the City or out of any other funds that may be available for such purpose, including, without limitation, any proceeds of General Taxes. For the purpose of repaying any moneys so paid from any such fund or funds (other than any moneys available without replacement for the payment of such Bond Requirements on other than a temporary basis), and for the purpose of creating funds for the payment of the Bond Requirements, there are hereby created two separate accounts designated as the "City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2020, Interest Account" (the "Interest Account") and the "City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2020, Principal Account" (the "Principal Account") (collectively, the "Bond Fund"). Pursuant to NRS 350.592 and 350.594, there shall be duly levied immediately after the issuance of the Bonds and annually thereafter, until all of the Bond Requirements shall have been fully paid, satisfied and discharged, a General Tax on all property, both real and personal, subject to taxation within the boundaries of the City, including the net proceeds of mines, fully sufficient to reimburse such fund or funds for any such amounts temporarily advanced to pay such initial installments of principal and interest, and to pay the interest on the Bonds becoming due after such initial installment, and to pay and retire the Bonds as they thereafter become due at maturity as herein provided, after there are made due allowances for probable delinquencies. The proceeds of such annual levies shall be duly credited to such separate accounts for the payment of such Bond Requirements. In the preparation of the annual budget or appropriation resolution or ordinance for the City, the Council shall first make proper provisions through the levy of sufficient General Taxes for the payment of the interest on and the retirement of the principal of the bonded indebtedness of the City, including, without limitation, the Bonds, subject to the limitation imposed by NRS 361.453 and Section 2, art. 10, of the State Constitution, and the amount of money necessary for this purpose shall be a first charge against all the revenues received by the City.

SECTION 29. **Priorities for Bonds.** As provided in NRS 361.463, in any year in which the total General Taxes levied against the property in the City by all overlapping units within the boundaries of the City exceeds the limitation imposed by NRS 361.453, or a lesser or greater amount fixed by the State Board of Examiners in any Fiscal Year, and it becomes necessary by reason thereof to reduce the levies made by any and all such units, the reductions so made shall be in General Taxes levied by such unit or units (including, without limitation, the City and the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The General Taxes levied for the payment of such bonded indebtedness and the interest thereon shall always enjoy a priority over General Taxes levied by each such unit (including, without limitation, the City and the State) for all other purposes where reduction is necessary in order to comply with the limitation of NRS 361.453.

SECTION 30. **Correlation of Levies.** General Taxes shall be levied and collected in the same manner and at the same time as other taxes are levied and collected, and the proceeds thereof for the Bonds shall be kept in the Principal Account and in the Interest Account, which accounts shall be used for no other purpose than the payment of principal and interest, respectively, as the same fall due.

SECTION 31. **Use of General Fund.** Any sums becoming due on the Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from general funds on hand belonging to the City, reimbursement to be made for such general funds in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596.

SECTION 32. **Use of Other Funds.** Nothing in this Ordinance prevents the City from applying any funds (other than General Taxes but including Net Revenues) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, fall due, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.

SECTION 33. **Legislative Duties.** In accordance with NRS 350.592, it shall be the duty of the Council annually, at the time and in the manner provided by law for levying other General Taxes of the City, if such action shall be necessary to effectuate the provisions of this Ordinance, to ratify and carry out the provisions hereof with reference to the levy and collection of General Taxes; and the Council shall require the officers of the City to levy, extend and collect such General Taxes in the manner provided by law for the purpose of creating funds for the payment of the principal of the Bonds and the interest thereon. Such General Taxes when collected shall be kept for and applied only to the payment of the principal of and the interest on the Bonds as hereinbefore specified.

SECTION 34. **Appropriation of General Taxes.** In accordance with NRS 350.602, there is hereby specially appropriated the proceeds of such General Taxes to the payment of such principal of and interest on the Bonds; and such appropriations will not be repealed nor the General

Taxes postponed or diminished (except as herein otherwise expressly provided) until the Bond Requirements of the Bonds have been wholly paid.

SECTION 35. **Pledge of Gross Revenues.** Subject only to the provisions of this Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby additionally pledged to secure the payment of principal of and interest on the Bonds in accordance with their terms and the provisions of this Ordinance, all of the Gross Revenues of the Utility System, after provision is made for the payment of the Operation and Maintenance Expenses of the Utility System. This pledge shall be valid and binding from and after the date of the delivery of the Bonds; and the Gross Revenues, as received by the City shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City (except as herein otherwise provided) irrespective of whether such parties have notice thereof. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any and all other obligations and liabilities of the City payable from the Gross Revenues, after provision is made for the payment of the Operation and Maintenance Expenses, except as herein otherwise provided. The lien of this pledged for the Bonds and any Parity Securities shall be equitably and ratably secured by the pledge of Gross Revenues hereunder, after provision is made for the payment of the Operation and Maintenance Expenses; and the Bonds and any Parity Securities are not entitled to any priority one over the other in the application of Gross Revenues.

SECTION 36. **Water Revenue Fund and Sewer Revenue Fund.** So long as any of the Bonds hereby authorized shall be Outstanding, the entire Gross Revenues of the Water System upon their receipt from time to time by the City shall be set aside and credited immediately to a special account heretofore created, hereby continued and designated as the “City of Fernley Water System Gross Revenue Fund” (the “Water Revenue Fund”). In addition, and so long as any of the Bonds hereby authorized shall be Outstanding, the entire Gross Revenues of the Sewer System upon their receipt from time to time by the City shall be set aside and credited immediately to a special account heretofore created, hereby continued and designated as the “City of Fernley Sewer System Gross Revenue Fund” (the “Sewer Revenue Fund”); so long as any of the Bonds hereby authorized shall be Outstanding, the Water Revenue Fund, and the Sewer Revenue Fund shall be administered and the moneys on deposit in each account shall be applied in the order of priority specified in Sections 37 through 41 hereof.

SECTION 37. **Operation and Maintenance Fund.** First, as a first charge on the Water Revenue Fund so long as any of the Bonds hereby authorized shall be Outstanding, there shall be set aside in and credited to, from time to time, a separate account heretofore created, hereby continued and designated as “City of Fernley Water System Operation and Maintenance Fund” (the “Water System Operation and Maintenance Fund”) money sufficient to pay operation and maintenance expenses of the Water System; and so long as any of the Bonds hereby authorized shall be Outstanding as a first charge on the Sewer Revenue Fund there shall be set aside in and credited to, from time to time, a separate account heretofore created, hereby continued and designated as the

“City of Fernley Sewer System Operation and Maintenance Fund” (the “Sewer System Operation and Maintenance Fund”) money sufficient to pay operation and maintenance expenses of the Sewer System. Such operation and maintenance expenses of the Water System and of the Sewer System are to be as budgeted and approved in accordance with the Budget Act and as such expenses become due and payable thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for operation and maintenance expenses of the Water System shall be transferred to the Water Revenue Fund and shall be used for the purposes thereof as herein provided. Any surplus remaining at the end of the Fiscal Year and not needed for operation and maintenance expenses of the Sewer System shall be transferred to the Sewer Revenue Fund and shall be used for the purposes thereof as herein provided.

SECTION 38. Bond Funds.

A. Second, from any moneys remaining in the Water Revenue Fund and Sewer Revenue Fund, i.e., from the Net Revenues, and concurrent with transfers to any bond funds, reserve funds and rebate funds created with respect to Superior Securities, there shall be credited to such bond funds reserve funds, and rebate funds such amounts as are required to be deposited by the ordinances authorizing the issuance of the Superior Securities, if any.

B. Third, and subject to the aforesaid provisions, from any moneys thereafter remaining in the Water Revenue Fund and the Sewer Revenue Fund, i.e., from the Net Revenues, concurrent with transfers to the bond funds created with respect to the 2014 Bonds, the 2015A Bond, the 2015B Bond, the 2016 Bonds, the 2017 Sewer Bonds and the 2017 Refunding Bonds and any other Parity Securities, there shall be transferred and credited to the Bond Fund, the following:

1. Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds, and monthly thereafter, commencing on each interest payment date, one-sixth of the amount necessary, together with any other moneys from time to time available therefor and on deposit therein from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds.

2. Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal on the Outstanding Bonds, and monthly thereafter, commencing on each principal payment date, one twelfth of the amount necessary to pay the next maturing installments of principal of the Outstanding Bonds. The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds as such Bond Requirements become due.

SECTION 39. Rebate Account. Fourth, after the aforementioned deposits, and from the Net Revenues there shall be transferred and credited to a special and separate account hereby

created and designated as the “City of Fernley, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2020, Rebate Account” (the “Rebate Account”) and to any other fund or account established for payment of amounts due the United States under Section 148(f) of the Tax Code in connection with any Parity Securities in such amounts as are required to be deposited therein to meet the City’s obligations under the covenant contained in Section 54 hereof, in accordance with Section 148(f) of the Tax Code. Such deposits shall be made at such times as are required by Section 148(f) of the Tax Code and such covenant and amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

SECTION 40. **Payment of Subordinate Securities.** Fifth, any moneys thereafter remaining in the Water Revenue Fund and Sewer Revenue Fund, i.e., from the Net Revenues, may be used by the City for the payment of the principal of and interest on, and payments to the United States required by Section 148(f) of the Tax Code with respect to, Subordinate Securities, and may be used to create reasonable reserves for such securities.

SECTION 41. **Surplus Revenues.** Sixth, any moneys thereafter remaining in the Water Revenue Fund and Sewer Revenue Fund, i.e., from the Net Revenues, may be used by the City at the end of any Fiscal Year of the City, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that Fiscal Year, for any lawful purposes of the City, as the Council may from time to time determine, including, without limitation, for the creation of operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Utility System, to pay any other obligations pertaining to the Utility System or otherwise.

SECTION 42. **Termination of Deposits.** No payment need be made into the Bond Fund if the amounts in that fund total a sum at least equal to the entire amount of the Outstanding Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such Fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due. Such Bond Requirements shall be paid when due and are not subject to acceleration.

SECTION 43. **Equal Security.** The Bonds and any Parity Securities from time to time Outstanding shall be equally and ratably secured by the pledge of Gross Revenues hereunder and shall not be entitled to any priority one over the other in the application of the Gross Revenues regardless of the time or times of the issuance of the Bonds and any Parity Securities.

SECTION 44. **Defraying Delinquencies.** If at any time the City shall for any reason fail to pay into the Bond Fund or the Rebate Account the full amount above stipulated from the Net Revenues, then an amount shall be paid first into the Bond Fund and second into the Rebate Account at such time equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If the Parity Securities are Outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate account therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bonds and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate accounts.

SECTION 45. **Conditions to Additional Parity Securities.**

A. Nothing herein, except as expressly hereinafter provided, shall prevent the issuance by the City of additional Parity Securities payable from Net Revenues and constituting a lien thereon on a parity with the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

1. At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the City shall not be in default in the payment of principal of or interest on the Bonds.

2. The Net Revenues (subject to adjustments as hereinafter provided) projected by the City Treasurer, City Engineer, an Independent Accountant or consulting engineer to be derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that Fiscal Year) of the Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities of the City and the Parity Securities proposed to be issued (excluding any reserves therefor).

B. In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance Expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Parity Securities.

C. In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be

paid with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities.

D. A written certificate or written opinion by the City's Treasurer, the City Engineer, or an independent accountant or consulting engineer that the foregoing earnings test is met shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Parity Securities.

E. In connection with the authorization of any such additional securities the Council may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City herein and no such covenant or agreement may be materially adverse to the interests of the holders of the Bonds. Any finding of the Council to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of this Ordinance.

SECTION 46. **Subordinate Securities.** Nothing herein, except as expressly hereinafter provided, shall prevent the City from issuing additional Subordinate Securities payable from all or a portion of the Net Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any Outstanding Parity Securities.

SECTION 47. **Superior Securities.** The City may issue Superior Securities payable from the Net Revenues and having a lien thereon prior and superior to the lien thereon of the Bonds, as long as the Superior Securities are issued as special obligations and the requirements of Section 45 herein are met.

SECTION 48. **Issuance of Refunding Bonds.**

A. At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the City shall find it desirable to refund any Outstanding Bonds or other Outstanding Parity Securities, Superior Securities or Subordinate Securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Gross Revenues is changed (except as provided in Section 43 hereof).

B. The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any; and the owner or owners of the refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

C. Any refunding bonds or other refunding securities payable from any Gross Revenues shall be issued with such details as the Council may by ordinance provide, subject to the provisions of this Section but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bonds).

D. If only a part of the Outstanding Bonds and other Outstanding securities of any issue or issues payable from the Gross Revenues is refunded, then such securities may not be refunded without the consent of the owner or owners of the unrefunded portion of such securities:

1. Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by the refunding securities and by the Outstanding securities not refunded on and before the last maturity date or last Redemption Date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Net Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

2. Unless the lien on any Gross Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

3. Unless the refunding bonds or other refunding securities are issued in compliance with Section 45 hereof.

SECTION 49. **Operation of the Utility System.** The City shall at all times operate the Utility System properly and in a sound and economical manner and shall maintain, preserve and keep the Utility System properly, or cause the same so to be maintained, preserved and kept, in good repair, working order and condition. The City also shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Utility System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water and sanitary systems of like size and character.

Except for the use of the Utility System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the Utility System shall be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of until the Bond Requirements have been paid in full, or unless provision has been made therefor as hereinafter provided.

SECTION 50. **Payment of Taxes, Etc.** The City shall pay or cause to be paid all taxes, assessments and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Utility System or any part thereof, or upon any portion of the Gross Revenues, when the same shall become due. The City shall duly observe and comply with all valid

requirements of any municipal or governmental authority relative to the Utility System or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The City shall not create or suffer to be created any lien or charge on the Utility System or any part thereof, or upon the Gross Revenues, except the pledge and lien created by this Ordinance for the payment of the Bonds and any Outstanding Superior Securities, Parity Securities or Subordinate Securities issued in accordance herewith, and except as herein otherwise permitted. The City shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Utility System or any part thereof, or upon the Gross Revenues. Nothing herein contained requires the City to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings.

SECTION 51. **No Competing Facilities.** The City shall neither construct nor permit to be constructed other facilities or structures to be operated by the City separate from the Utility System and competing for Gross Revenues otherwise available for the payment of the Bonds or any other securities payable from Net Revenues; provided, however, that nothing herein contained shall impair the police powers of the City or otherwise cause the City to violate any applicable law.

SECTION 52. **Rate Covenant.** The City shall charge against users or against purchasers of services or commodities pertaining to the Utility System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of:

A. an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;

B. an amount equal to the debt service due in such Fiscal Year on the then Outstanding Bonds, any Outstanding Parity Securities and any Outstanding Superior Securities; and

C. any other amounts payable from the Net Revenues and pertaining to the Utility System, including, without limitation, debt service on any Subordinate Securities and any other securities pertaining to the Utility System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

The foregoing rate covenant is subject to compliance by the City with any legislation of the United States of America, the State or other governmental body, or any regulation or other action taken by the United States, the State or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates and other charges collectible by the City for the use of or otherwise pertaining to, and all services rendered by, the Utility System.

Subject to the foregoing, the City shall cause all fees, rates and other charges pertaining to the Utility System to be collected as soon as reasonable and shall provide methods of collection and penalties to the end that the Gross Revenues shall be adequate to meet the requirements hereof.

SECTION 53. **Books of Record and Account.** So long as any of the Bonds remain Outstanding, proper books of record and account shall be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Utility System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues.

SECTION 54. **Tax Covenant.** The City covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

SECTION 55. **Defeasance.** When all Bond Requirements of any Bond have been duly paid, the pledge, the lien, and all obligations hereunder as to that Bond shall thereby be discharged and the Bond shall no longer be deemed to be Outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the City has placed in escrow or in trust with a Trust Bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from the Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment then. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this Section, "Federal Securities" shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the owner thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the registered owner of the Bonds at the addresses last shown on the registration records for the Bond maintained by the Registrar.

SECTION 56. **Amendments.** This Ordinance may be amended or supplemented by instruments adopted by the City, without receipt by the City of any additional consideration, but with

the written consent of the owners of 66% in aggregate principal amount of the Bonds Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding Bonds which may then be held or owned for the account of the City, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if the refunding securities are not owned by the City. No such instrument shall permit:

A. A change in the maturity or in the terms of redemption of the principal or any installment thereof of any Outstanding Bond or any installment of interest thereon;

B. A reduction in the principal amount of any Bond, the rate of interest thereon, without the consent of the owner of the Bond; or

C. A reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the owners of which is required for any modification or amendment; or

D. The establishment of priorities as between Bonds issued and Outstanding under the provisions of this Ordinance; or

E. The modification of, or other action which materially and prejudicially affects the rights or privileges of the owners of less than all of the Bonds then Outstanding.

Whenever the City proposes to amend or modify this Ordinance under the provisions hereof, it shall cause notice of the proposed amendment to be mailed within 30 days to each registered owner of the Bonds. The notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the City Clerk for public inspection.

At any time within one year from the date of such notice there shall be filed in the office of the City Clerk an instrument or instruments executed by the owners of at least 66% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Council may adopt the amendatory instrument and the instrument shall become effective.

If the owners of at least 66% in aggregate principal amount of the Bonds Outstanding, at the time of the adoption of the amendatory instrument, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no owner of any Bond, whether or not the owner shall have consented thereto, shall have any right or interest to object to the adoption of the amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin the City from taking any action pursuant to the provisions thereof. Any consent given by the holder of a Bond pursuant to the provisions hereof shall be irrevocable.

Bonds authenticated and delivered after the effective date of any action taken as provided in this Section may bear a notation by endorsement or otherwise in form approved by the City as to the action; and if any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond Outstanding at such effective date and upon presentation of his Bond, suitable notation shall be made on the Bond as to any such action. If the City so determines, new Bonds so modified as in the opinion of the City to conform to such action shall be prepared, registered and delivered; and upon demand of the owner of any Bond then Outstanding, shall be exchanged without cost to the owner for Bonds then Outstanding upon surrender of such Bonds.

SECTION 57. Replacement of Registrar or Paying Agent. If the Registrar or Paying Agent initially appointed hereunder shall resign, or if the Finance Director shall reasonably determine that it is in the best interests of the City to appoint a successor Registrar or Paying Agent, the Finance Director may, upon notice by electronic mail or otherwise to the owner of the Bonds as last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent shall take effect until a successor is appointed. It shall not be required that the same institution or person serve as both Registrar and Paying Agent hereunder, but the City shall have the right to have the same institution or person serve as both Registrar and Paying Agent.

SECTION 58. Call for Prior Redemption; Notice of Redemption. The City hereby irrevocably elects to call for prior redemption the Refunded Bonds on the date set forth in the Certificate of the Finance Director (the "Redemption Date"), at a price equal to the installments of principal of the Refunded Bonds so redeemed plus accrued interest thereon to the Redemption Date. All action heretofore and hereafter taken by the registrar for the Refunded Bonds and the officers of the City directed toward delivering a conditional notice of prior redemption of the Refunded Bonds in accordance with the terms of this Ordinance and the ordinance authorizing the issuance of the Refunded Bonds is hereby ratified, approved and confirmed.

SECTION 59. Delegated Powers. The officers of the City are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Ordinance, including, without limitation:

- A. The printing or other preparation of the Bonds;
- B. The execution of such certificates as may be reasonably required by the Purchaser, relating, inter alia,
 - 1. to the signing of the Bonds,
 - 2. to the tenure and identity the officials of the City,

3. to the assessed valuation of the taxable property in and the indebtedness of the City,
 4. to the rate of taxes levied against the taxable property within the City,
 5. the exemption of interest on the Bonds from federal income taxation,
 6. the delivery of the Bonds and the receipt of the Bond purchase price,
 7. the completeness and accuracy of any information provided in connection with the Bonds as of the date of delivery of the Bonds, and
 8. if it is in accordance with the fact, the absence of litigation, pending or threatened, affecting the validity of the Bonds;
- C. The completion and execution of the Certificate of the Finance Director; and
- D. The assembly and dissemination of financial and other information concerning the City and the Bonds.

SECTION 60. **Emergency.** The Council has expressed in the preambles of this Ordinance that it pertains to the sale, issuance and payment of the Bonds, that this Ordinance may accordingly be adopted as if an emergency now exists, and may become effective at any time when an emergency ordinance of the City may go into effect. Consequently, pursuant to NRS 350.579, final action shall be taken immediately, and this Ordinance shall be in effect from and after its publication by title as herein provided.

SECTION 61. **Publication and Effective Date.** After this Ordinance is signed by the Mayor and attested and sealed by the Clerk, this Ordinance shall be posted in full at the City Hall and shall be published once by its title only in the Leader Courier/Mason Valley News, a newspaper published and having a general circulation in the City, and such publication to be in substantially the following form, together with the names of the Council members voting for or against its passage and a statement that typewritten copies of this Ordinance are available for inspection by all interested parties at the office of the City Clerk, and shall be effective after its publication:

(Form of Publication)

BILL NO. 285

ORDINANCE NO. 2020-006

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF THE CITY OF FERNLEY, NEVADA, GENERAL OBLIGATION (LIMITED TAX) WATER AND SEWER REFUNDING BONDS (ADDITIONALLY SECURED BY PLEDGED REVENUES), SERIES 2020; PROVIDING THE FORM, TERMS AND CONDITIONS THEREOF AND COVENANTS RELATING TO THE PAYMENT OF THE BONDS; PROVIDING FOR ADOPTION OF THE ORDINANCE AS IF AN EMERGENCY EXISTS; AND PROVIDING OTHER MATTERS RELATING THERETO.

PUBLIC NOTICE IS HEREBY GIVEN that an adequate number of copies of the above-numbered and entitled proposed Ordinance have been deposited with the City Clerk for public inspection and distribution upon request at the office of the City Clerk of the City of Fernley at her office at 595 Silver Lace Blvd., Fernley, Nevada, and that such Ordinance was proposed, passed and adopted at the regular meeting of the Fernley City Council on May 6, 2020, by the following vote of the City Council:

Those Voting Aye:

Raymond Lacy
Stan Lau
Fran McKay
Shellie Severa
Albert Torres

Those Voting Nay:

Those Absent:

The Ordinance shall be in full force and effect on _____, 2020, i.e., the date of its publication by title together with an adequate summary of the Ordinance. The ordinance has been posted in full in the City Hall. An adequate summary of the Ordinance is as follows:

The preambles of the Ordinance recite, generally, that the City desires to issue its “City of Fernley, Nevada, General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2020” to refund, pay and discharge certain outstanding bonds of the City for the purpose of reducing interest rates and effecting other economies (collectively, the “Project”). The ordaining clause is then set forth.

Section 1 provides that the Ordinance shall be known as the 2020 Water and Sewer Refunding Bond Ordinance; Section 2 provides certain definitions used in the Ordinance; Section 3 authorizes the Finance Director to execute the Certificate of the Finance Director; and Section 4 ratifies action previously taken toward the Project and toward the issuance, sale and delivery of Bonds.

Section 5 determines the estimated useful life of the improvements refinanced with the proceeds of the Bonds; Section 6 determines the necessity of the Bonds and the Project; and Section 7 authorizes the Project. Section 8 states that the Ordinance constitutes a contract between the City and the owner of the Bonds and Section 9 states the covenants in the Ordinance are for the equal benefit of the owners of the Bonds.

Section 10 provides the Bonds are general obligations of the City and are payable from any legally available moneys of the City, including annual general (ad valorem) taxes (“General Taxes”), to the extent that the net revenues derived from the operation of the City’s water system and sewer system (the “Net Revenues”) are unavailable. Section 11 provides that Bonds are not secured by any property of the City, other than proceeds of General Taxes and any other moneys pledged for the repayment of the Bonds. Section 12 provides no recourse for payment of the Bonds that may be had against the City Council or other officers or agents of the City.

Sections 13 and 14 provides the authorization and terms of the Bonds, Section 15 and 16 provides the terms of prepayment of the Bonds and notice of prepayment. Section 17 provides for the registration, transfer and exchange of the Bonds; Section 18 provides for the execution and authentication of the Bonds; Section 19 provides for the use of the signatures of the predecessors of current City officials on the Bonds; Section 20 provides for an incontestable recital in the Bonds; Section 21 provides that the Bonds, their transfer and the income therefrom shall be exempt from taxation by the State or any political subdivision thereof (except for the tax on estates imposed pursuant to the provisions of Chapter 375A of Nevada Revised Statutes (“NRS”) and the tax on generation-skipping transfers imposed pursuant to the provisions of Chapter 375B of NRS); and Section 22 provides for the form of the Bonds.

Section 23 provides for the use of Bond proceeds; Section 24 provides that the City shall proceed to complete the Project with due diligence; Section 25 provides for the use of any investment gain; Section 26 provides for use of Bond proceeds to avoid a default in the repayment of the Bonds; and Section 27 provides the purchaser of the Bonds is not responsible for the use of Bond proceeds by the City.

Sections 28 through 34 provide for the levy of General Taxes to pay the principal of and interest on the Bonds, to the extent Net Revenues are unavailable. Section 35 provides for a pledge of the Net Revenues for repayment of the Bonds; and Section 36 provides for the continuation of the “Water Revenue Fund” and the “Sewer Revenue Fund”; and Section 37 provides for the continuation of the “Water System Operation and Maintenance Fund” to pay the operation

and maintenance costs of the water system and the continuation of the “Sewer System Operation and Maintenance Fund” to pay the operation and maintenance costs of the sewer system.

Sections 38 through 42 provide for the use of moneys in the Bond Fund; Section 43 provides that the Bonds and any other parity securities issued in the future are equally secured by a pledge of the Net Revenues; Section 44 provides the terms for defraying delinquencies, Section 45 provides for the issuance of parity securities, Section 46 provides for the issuance of subordinate securities; Section 47 provides for the issuance of superior securities; and Section 48 provides for the issuance of refunding securities.

Sections 49 through 54 contain certain protective covenants; Section 55 sets forth conditions for defeasance of the Bonds; Section 56 contains provisions for the amendment of the Ordinance in certain circumstances, Section 57 provides for replacement of the registrar or paying agent of the Bonds, Section 58 elects to call for prior redemption the Refunded Bonds on the date set forth in the Certificate of the Finance Director, and Section 59 authorizes City officers and employees to take certain actions relating to the Bonds.

Section 60 provides that the Ordinance may be adopted as if an emergency exists and Section 61 provides for the publication of the Ordinance, the form of the publication, and for the effective date of the Ordinance. Section 62 repeals any inconsistent ordinances or resolutions, and Section 63 is a severability clause.

IN WITNESS WHEREOF, the City Council of the City of Fernley, Nevada has caused this Ordinance to be published by title only.

DATED this May 6, 2020.

/s/ Roy Edgington
Mayor

(SEAL)

Attest:

/s/ Kimberly Swanson
City Clerk

(End of Form of Publication)

SECTION 62. **Implied Repealer.** All resolutions and ordinances, bylaws and orders, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any resolution, ordinance, bylaw, order, or part thereof, heretofore repealed.

SECTION 63. **Severability.** If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Proposed on May 6, 2020.

Passed on May 6, 2020.

Those Voting Aye:

Raymond Lacy
Stan Lau
Fran McKay
Shellie Severa
Albert Torres

Those Voting Nay:

Those Absent:

(SEAL)

Mayor

City Clerk

This Ordinance shall be in full force and effect May __, 2020.

STATE OF NEVADA)
)
COUNTY OF LYON) ss.
)
CITY OF FERNLEY)

I am the duly chosen and qualified City Clerk of the City of Fernley (the “City”), and in the performance of my duties as City Clerk do hereby certify:

1. The foregoing pages are a true, correct, complete and compared copy of an Ordinance which was introduced, finally adopted and approved at the meeting of the City Council on May 6, 2020, as recorded in the official record book of the proceedings of the City kept in my office.

2. All of the members of the Council present at the meeting voted on the passage of the Ordinance as set forth therein.

3. All members of the Council were given due and proper notice of such meeting.

4. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020 and, if applicable, the Governor of Nevada’s Declaration of Emergency Directive 006, as extended, Section 1 which suspends the requirement in NRS 241.023(1)(b) that there be a physical location designated for meetings of public bodies where members of the public are permitted to attend and participate. A copy of the notice of meeting and excerpts from the agenda for the meeting relating to the ordinance, as posted no later than 9:00 a.m. on the third working day prior to the meeting at the Council’s principal office, on the City’s website, the State of Nevada’s official website, and unless such requirement was suspended by the Governor of Nevada’s Declaration of Emergency Directive 006, as extended, at:

- (i) Fernley Post Office
315 Main Street
Fernley, Nevada
- (ii) North Lyon County Fire Protection District
195 E Main Street
Fernley, Nevada
- (iii) Lyon County Library
575 Silver Lace Blvd.
Fernley, Nevada
- (iv) Senior Citizen’s Center
1170 W. Newlands Dr.

Fernley, Nevada

- (v) Fernley City Hall
595 Silver Lace Blvd.
Fernley, Nevada

and

5. At least 3 working days before such meeting, such notice was given to each member of the Council and to each person, if any, who has requested notice of meetings of the Council in accordance with the provisions of Chapter 241 of NRS.

6. Upon request, the Council provides at no charge, at least one copy of the agenda for its public meetings, any proposed ordinance or regulation which will be discussed at the public meeting, and any other supporting materials provided to the Council for an item on the agenda, except for certain confidential materials and materials pertaining to closed meetings, as provided by law.

7. A copy of the notice so given of the meeting of the Council held on May 6, 2020 is attached to this certificate as Exhibit "A."

8. A copy of the affidavit of publication of adoption of the ordinance is attached to this certificate as Exhibit "B."

9. A copy of the ordinance was posted in full at City Hall after its adoption on May 6, 2020.

IN WITNESS WHEREOF, I have hereunto set my hand this May 6, 2020.

City Clerk

EXHIBIT “A”

(Attach Copy of Notice of Meeting of May 6, 2020)

EXHIBIT “B”

(Attach Affidavit of Publication of Adoption of Ordinance)