

Gig Harbor City Council Meeting



**May 29, 2001
7:00 p.m.**

**AGENDA FOR
GIG HARBOR CITY COUNCIL MEETING
May 29, 2001 - 7:00 p.m.**

CALL TO ORDER:

CONSENT AGENDA:

These consent agenda items are considered routine and may be adopted with one motion as per Gig Harbor Ordinance No. 799.

1. Approval of the Minutes of City Council Meetings of May 9, 2001.
2. Correspondence / Proclamations:
 - a) Letter from Jim Franich - Public Loading Dock.
 - b) Proclamation - Hire A Veteran Month.
3. Wastewater Outfall Extension - Amendment to Contract.
4. Approval of Payment of Bills for May 14, 2001.
Checks #32885 through #333010 in the amount of \$904,442.46.

OLD BUSINESS:

1. First Reading of Ordinance - Providing for the Issuance and Sale of Limited Tax General Obligation Bonds.

NEW BUSINESS:

1. Temporary Hearing Examiner Contract.
2. Sewer Extension Easement Agreement - Tucci Property.
3. Appointment to Gig Harbor Arts Commission.

STAFF REPORTS:

1. John Vodopich - Planning Department.
2. Gig Harbor Police Department - April Stats.

PUBLIC COMMENT:

COUNCIL COMMENTS / MAYOR'S REPORT:

ANNOUNCEMENT OF OTHER MEETINGS:

EXECUTIVE SESSION: For the purpose of discussing property acquisition per RCW 42.3 1.110(b).

ADJOURN:

DRAFT

GIG HARBOR CITY COUNCIL MEETING OF MAY 14, 2001

PRESENT: Councilmembers Young, Pasin, and Picinich. Councilmember Ekberg acted as Mayor Pro Tem in Mayor Wilbert's absence. Councilmembers Owel, Dick and Ruffo were absent.

CALL TO ORDER: 7:02 p.m.

SWEARING IN CEREMONY: Gig Harbor Police Chief, Mitch Barker, introduced the city's newest police officer, Dan Welch. Chief Barker reported on Dan's achievements while attending the Police Academy, and then introduced Dan and his family. Mayor Pro Tem Ekberg performed the ceremony.

PUBLIC HEARINGS:

1. Update to Comprehensive Parks, Recreation and Open Space Plan. This public hearing opened at 7:04 p.m. David Skinner, Public Works Director, explained that this was the second public hearing, and that comments from the public hearings would be addressed in the final draft that comes before Council.

Nick Tarabochia - 2788 Harborview Drive. Mr. Tarabochia restated his issues from the last meeting regarding public access to the beach.

Bruce Rogers - 2804 Harborview Drive #C. Mr. Rogers first thanked Council for budgeting money for improvements to the street end of Harborview. He said that he would like to see some simple improvements to the street-end such as a benches and flower pots, but that he was opposed to public access and trails on the beach due to safety and privacy issues.

George Hoivik - Tacoma. Mr. Hoivik said that he owns property on the beach addressed by the previous two speakers. He asked Council to keep in mind that the street is public access and the only service to properties in that area. He said that something should be done to protect the access to the beach owners' properties, to provide these property owners with parking, and to allow for public access to the viewpoint. He suggested that the city hire someone familiar with public viewpoint design and to provide adequate funding to do the project properly.

The public hearing was closed at 7:10 p.m. and the hearing on the Update to the Comprehensive Stormwater Plan opened at this time.

2. Comprehensive Stormwater Plan. David Skinner explained that this was not an update, but a new Comprehensive Plan. He explained that comments from the public hearings would be integrated into the final draft. Members from Gray & Osborne were present to answer any questions.

There were no questions from Council or the audience, and the public hearing was closed at 7:12 p.m.

CONSENT AGENDA:

These consent agenda items are considered routine and may be adopted with one motion as per Gig Harbor Ordinance No. 799.

1. Approval of the Minutes of City Council Meetings of April 23, 2001.
2. Correspondence / Proclamations:
 - a) Temporary Opening of Erickson Street
 - b) Environmental Education Staff Memo
3. Kimball Drive Improvement Project - Ratification of Contract Award.
4. Architectural Services Contract - J.A. Brennan Architects.
5. Amendment to the Owner/Architect Agreement - Gig Harbor Civic Center.
6. Liquor License Application - Happy at the Bay.
7. Approval of Payment of Bills for May 14, 2001.
Checks #32693 through #32 in the amount of \$.
8. Approval of Payroll Checks for the month of April.
Checks #704 through #752 in the amount of \$179,775.74.

MOTION: Move to approve the Consent Agenda as presented.
Young/Picinich - unanimously approved.

OLD BUSINESS:

1. Second Reading - Ordinance Amending Title 17.91 Mixed Use District. John Vodopich, Planning Director, presented this ordinance to allow additional uses to be permitted in the Mixed Use Overlay District, and recommended adoption of the ordinance.

MOTION: Move to adopt Ordinance No. 884.
Picinich/Pasin - unanimously approved.

NEW BUSINESS:

1. Amendment to the Consultant Services Contract - Engineering Study at Wastewater Treatment Plant. David Skinner, Public Works Director, explained that due to an error in the comprehensive sewer plan model, new flow projections were required to be calculated. He recommended an amendment to the engineering contract to perform these revisions.

MOTION: Move to approve the execution of the Consultant Services Contract Amendment with Earth Tech, Inc. for the amended contract amount for a total not-to-exceed sixty-eight thousand forty three dollars and no cents (\$68,043.00.)
Picinich/Young - unanimously approved.

2. Street Name Request. John Vodopich presented this request from Randy Lussier to rename private lanes in the new development off Stinson Avenue. The recommendations are to change Harbormaster Lane to Reliance Court, to allow Harbormaster Lane to remain the name of the street fronting the apartments, to assign Reliance Ridge Lane to the new development at the top of the hill, and to use Scott Lane for the additional units north of the current Harbormaster

Lane. Councilmember Young said he was concerned that having both roads named "Reliance" would cause confusion for public safety personnel. Mr. Skinner explained that this would not be an issue as there were no dwellings located on Reliance Court, nor was there any future capability of construction on that road.

MOTION: Move to adopt the name changes/additions as recommended.
Picinich/Pasin - unanimously approved.

3. Design Manual Update - Consultant Services Contract. John Vodopich presented this contract to assist the city in the ongoing update of the Design Manual.

MOTION: Move to approve the contract with Ms. Stanton to provide editorial and graphic design services in an amount not to exceed two thousand dollars.
Young/Pasin - unanimously approved.

4. First Reading of Ordinance - Providing for the Issuance and Sale of Limited Tax General Obligation Bonds. David Rodenbach, Finance Director, presented this ordinance providing for the issuance and sale of bonds for the construction of the Civic Center. He introduced Dave Trageser, Bank of America Securities, who handed out a time schedule for the bonds and gave an overview of the current bond market. Mr. Trageser reported that the city had received an A-2 bond rating, which is a very strong, positive rating which would allow for aggressive bids for bond insurers. This will return for a second reading at the next meeting.

STAFF REPORTS: None.

PUBLIC COMMENTS:

Pat Rosenthal - 7227 McDonald Avenue and Jane Moxey - 4108 Forest Beach Drive. Together, Ms. Rosenthal and Ms. Moxey announced the upcoming Quilt Festival 2001. They showed an assortment of quilt examples that would be on display around Gig Harbor, and in the Council Chambers prior to the October invitational event. They explained that the quilts would be auctioned off and the proceeds would go to benefit breast cancer research.

Holly D'Annunzio - PO Box 1038, Gig Harbor. Ms. D'Annunzio reported on the success of the recent Arbor Day Celebration held in Gig Harbor. She said that 450 trees have been distributed for planting in the community, and 150 seedling kits were given to students to grow a tree for future planting. She talked about the plan to double their current budget and to spend the funds in Gig Harbor. She volunteered to assist and manage an effort to obtain grants for an Environmental Education Resource Center to be located in Gig Harbor, possibly at the Austin/Erickson Park. She explained some of the program elements and curriculum that might be included in such a Resource Center, then gave an overview of her background. She concluded by saying that environmental donations are on the rise, and that it would be nice to capture some of these funds for a Resource Center.

COUNCIL COMMENTS / MAYOR'S REPORT: None.

ANNOUNCEMENT OF OTHER MEETINGS:

City Council Meeting - Tuesday, May 29th at 7:00 p.m. due to Memorial Day.

EXECUTIVE SESSION:

MOTION: Move to adjourn to Executive Session at 7:45 p.m. for the purpose of discussing pending and potential litigation per RCW 42.31.110(i), for approximately 25 minutes.
Picinich/Pasin - unanimously approved.

MOTION: Move to return to regular session at 8:00 p.m.
Picinich/Pasin - unanimously approved.

ADJOURN:

MOTION: Move to adjourn at 8:00 p.m.
Picinich/Young - unanimously approved.

Cassette recorder utilized.
Tape 617 - Side B 140 - end.
Tape 618 - Side A 000 - 319.

Mayor

City Clerk

Jim Franich
3702 Harborview Dr.
Gig Harbor WA, 98332

RECEIVED

MAY 15 2001

May 15, 2001

CITY OF GIG HARBOR

Gig Harbor City Council
3105 Judson St.
Gig Harbor WA, 98335

Dear Gig Harbor City Council,

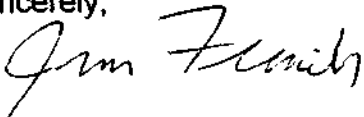
I am writing to remind you how important our local fishermen are. They have been a vital part of building this community for generations. A large component Gig Harbor's core area is the commercial fishermen and their heritage. It is now time for the community to honor their hard work as well as their presence here.

An important aspect of a "maritime city" such as our own is the presence of commercial maritime people and facilities, including fishermen and their docks. Due to the influx of big business and rising property taxes, many private dock owners in our city are threatened. Some are on the verge of being priced out of generations old family property. This directly threatens what makes our community so unique, especially our waterfront.

For many years the Commercial Fisherman's Club of Gig Harbor has been asking city officials to move forward on a project that would include a fisherman's loading dock and possible storage. I absolutely know that if we roll up our sleeves and seriously looked at this problem, we can find a location and funding to achieve such a project.

I have reviewed the comprehensive plan draft and see many very ambitious projects. However, there is no mention of any loading dock public or commercial. I would like to take this opportunity and suggest that we put such a project into the appropriate section of the plan.

Sincerely,



Jim Franich



STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT

May 11, 2001

Office of the Mayor
Gig Harbor City Hall
3105 Judson Street PO Box 145
Gig Harbor, WA 98335

Dear Mayor,

We want to thank you for taking time out of your busy schedule to review our request for supporting Governor Locke's June 2001 "Hire A Veteran Month" proclamation.

This is the third straight year we've successfully contacted mayors statewide in support of this event. I would also like to extend my appreciation to the over 100 mayors who responded with support proclamations, and to invite them to participate in this year's event.

Offices around the state work hard yearlong helping veterans obtain employment and veteran services. "Hire A Veteran Month" in June is a special time when we pay tribute to our veterans around the state for their sacrifices that made our country what it is today.

During the month of June special events will take place across the state for veterans, your support for "Hire A Veteran Month" will be greatly appreciated.

To participate in this noteworthy event please forward a copy of your completed proclamation to our office so that a historical record can be maintained for future reference, there is a proclamation (sample only) enclosed for your information. You may want to create your own, or tailor the sample for your city.

Please feel free to contact me if you have any questions. Thank you for supporting the community and our veterans.

Sincerely,

Sal Cantu, LVER
Tacoma Worksource Center
1305 Tacoma Ave.
Tacoma, WA 98402
253-589-7345
(E-mail) salcantu@hotmail.com

PROCLAMATION OF THE MAYOR OF THE CITY OF GIG HARBOR

WHEREAS, June has been designated as "Hire-A-Veteran Month" in Washington State; and

WHEREAS, June 2001 is the tenth Anniversary of the Desert Storm war homecoming celebrations, Governors and Mayors across the country issued proclamations welcoming our veterans home from the war, we are honoring that event again this year with job fairs and other employment events across the state; and

WHEREAS, the Pierce County Veterans will set up a major Hire-A-Vet Job Fair at Amvets Post #1 on June 29, 2001 to honor our veterans and to show their appreciation and support for the veterans in our community; and

WHEREAS, our community is committed to help veterans by supporting events like this that benefit veterans, their families and the community; and

WHEREAS, the Governor of Washington State, Gary Locke, has signed a Proclamation and has requested the support of our citizens and community leaders;

NOW, THEREFORE, I, Gretchen A. Wilbert, Mayor of the City of Gig Harbor, hereby declare June 2001, as

HIRE-A-VETERAN MONTH 2001

in the city of Gig Harbor and I encourage all employers, service providers and our Citizens to join me in observing this event of honor for our service men and women, recognizing that when we help a veteran to secure employment, we also help the family, our community and ourselves.

In Witness Whereof, I have hereunto set my hand and caused the Seal of the City of Gig Harbor to be affixed this 29th day of May, 2001.

Gretchen A. Wilbert, Mayor

Date



City of Gig Harbor. The "Maritime City"

3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-8136

TO: MAYOR WILBERT AND CITY COUNCIL MEMBERS
FROM: DAVID R. SKINNER, P.E., PUBLIC WORKS DIRECTOR
SUBJECT: CONSULTANT SERVICES CONTRACT AMENDMENT
- SEWER OUTFALL EXTENSION DESIGN
DATE: MAY 21, 2001

DRS

INTRODUCTION/BACKGROUND

On January 22, 2001, the City Council approved a consultant services contract for the design and permitting process of the sewer outfall extension project. The National Pollutant Discharge Elimination System (NPDES) permit issued August 15, 1997 and the September 30, 1997 settlement agreement with Waste Action Project stipulated that the City perform an engineering study to evaluate discharge alternatives, which included extension of the City's outfall outside Gig Harbor Bay. On May 8, 2000 the City Council directed the Public Works Department to proceed with the option of moving the existing sewer outfall into Colvos Passage.

As a result of our current discussions with the Department of Natural Resources and the Department of Fish and Wildlife, it is apparent that substantial mitigation of aquatic resource impacts would be required for trench excavation through the intertidal zone on the Gig Harbor sandspit, which is heavily used for surf smelt spawning. These costs may be reduced if an alternative to conventional trenching is used. Consultant services are needed to investigate and evaluate the feasibility of directional drilling or other trenchless techniques that would avoid trenching through this intertidal area. Additional scope of work includes the preparation of a detailed mitigation plan and the preparation of the SEPA/NEPA checklists.

The scope of service to be provided includes but is not limited to the following:

- Seismic Refraction Survey
- Offshore Drilling
- Feasibility Analysis
- Mitigation Planning for Upland and Marine Impacts
- SEPA/NEPA Checklists
- Sediment Chemistry

Council approval is being requested to execute a contract amendment to the engineering services contract with Cosmopolitan Engineering Group, for the additional feasibility analysis and related work.

FISCAL CONSIDERATIONS

The Consultant Service Contract with Cosmopolitan Engineering Group for engineering services is in the amount of \$388,939.00. Amendment No. 1 for the additional feasibility and engineering services is in the amount of \$32,400.00, for a total not to exceed amount of \$421,339.00. Sufficient funds are available for this work in the 2001 sewer fund.

MAYOR WILBERT AND CITY COUNCIL

May 21, 2001

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RECOMMENDATION

I recommend that the Council authorize execution of Amendment No. 1 to the Consultant Services Contract for survey and wetland related services between the City of Gig Harbor and Cosmopolitan Engineering Group, for the Sewer Outfall Extension Project in the not-to-exceed amount of Thirty-two thousand four hundred dollars and no cents (\$32,400.00).

**AMENDMENT TO CONSULTANT SERVICES CONTRACT
BETWEEN THE CITY OF GIG HARBOR AND
COSMOPOLITAN ENGINEERING GROUP**

THIS AMENDMENT is made to the AGREEMENT, dated January 22, 2001, by and between the City of Gig Harbor, a Washington municipal corporation (hereinafter the "City"), and Cosmopolitan Engineering Group, a corporation organized under the laws of the State of Washington, located and doing business at 117th South 8th Street, Tacoma, Washington 98402 (hereinafter the "Consultant").

RECITALS

WHEREAS, the City is presently engaged in the design of the Wastewater Outfall Extension and desires that the Consultant perform services necessary to provide the following consultation services.

WHEREAS, the Consultant agreed to perform the services, and the parties executed an Agreement on January 22, 2001 (hereinafter the "Agreement"); and

WHEREAS, the existing Agreement requires the parties to execute an amendment to the Agreement in order to modify the scope of work to be performed by the Consultant, or to exceed the amount of compensation paid by the City;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, it is agreed by and between the parties in this Amendment as follows:

Section 1. Amendment to Scope of Work. Section I of the Agreement is amended to require the Consultant to perform all work described in **Exhibit A – Scope of Services**, attached to this Amendment, which Exhibit is incorporated herein as if fully set forth.

Section 2. Amendment to Compensation. Section II(A) of the Agreement is amended to require the City to pay compensation to the Consultant for the work described in **Exhibit A** to the Amendment in the amount of: Thirty-two thousand four hundred dollars and no cents (\$32,400.00). This Amendment shall not modify any other of the remaining terms and conditions in Section II, which shall be in effect and fully enforceable.

Section 3. Effectiveness of all Remaining Terms of Agreement. All of the remaining terms and conditions of the Agreement between the parties shall be in effect and be fully enforceable by the parties. The Agreement shall be incorporated herein as if fully set forth, and become a part of the documents constituting the contract between the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement on this _____ day of _____, 2001.

THE CITY OF GIG HARBOR

By: William P. Fox
Its Principal

By: _____
Mayor

Notices to be sent to:

CONSULTANT
Cosmopolitan Engineering Group
William P. Fox, P.E., Project Manager
117th South 8th Street
Tacoma, Washington 98402
(253) 272-7220

David R. Skinner, P.E.
Director of Public Works
City of Gig Harbor
3105 Judson Street
Gig Harbor, Washington 98335
(253) 851-8145

APPROVED AS TO FORM:

City Attorney

ATTEST:

City Clerk

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

I certify that I know or have satisfactory evidence that William Fox is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the Principal / Proj. Mgr. of Cosmopolitan Eng. Group Inc., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 5/22/01



Molly M Towslee

Molly M. Towslee

(print or type name)

NOTARY PUBLIC in and for the
State of Washington, residing at:

Big Harbor

My Commission expires: 12/2/03

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

I certify that I know or have satisfactory evidence that Gretchen A. Wilbert is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the Mayor of Gig Harbor to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

(print or type name)
NOTARY PUBLIC in and for the
State of Washington, residing at:

My Commission expires:_____

EXHIBIT A SCOPE OF SERVICES

SCOPE OF WORK ADDITIONAL STUDIES TO INVESTIGATE DIRECTIONAL DRILLING FEASIBILITY AT THE GIG HARBOR SANDSPIT

OBJECTIVE

The objective of this scope of work is to assess the feasibility of installing the proposed Gig Harbor wastewater outfall extension through the Gig Harbor sandspit by directional drilling or other trenchless technique. If drilling is feasible, it is anticipated that significant requirements for mitigation of aquatic resource impacts in the intertidal zone would be avoided. Therefore, this scope also includes preparation of a detailed aquatic resource mitigation plan for submission to the reviewing agencies as part of the project permit applications. SEPA/NEPA documentation originally planned to be completed by City staff is also included in this scope.

Note: These tasks will not proceed unless we receive positive response from the Coast Guard that they are likely to issue the construction and permanent easements required for the directional drilling alternative.

SEISMIC REFRACTION SURVEY (GOLDER)

The purpose of this task is to obtain information on the soils to assist directional drilling contractors in evaluating subsurface conditions. The survey will consist of a seismic refraction line across the spit that will also extend approximately 100 feet offshore on either side of the spit.

OFFSHORE DRILLING (GOLDER)

A barge mounted drill rig is proposed to drill two boreholes, 30 feet below mudline on either side of the spit. This program is planned for one day. Golder Associates will provide a geologist on-site to log the hole. A brief report will be prepared that will present the borehole information and discuss the results relative to subsurface drilling or excavation.

FEASIBILITY ANALYSIS (COSMOPOLITAN)

This task will include the engineering evaluation of drilling feasibility. Tasks will include evaluation of the seismic and drilling data, coordinate discussions with directional drillers, outline construction methods and risks, construction cost estimating, and preparation of a technical memorandum summarizing the results and recommendations of this study.

MITIGATION PLANNING FOR UPLAND AND MARINE IMPACTS (GOLDER)

Compilation of a mitigation plan will use the results of the upland vegetation, marine bioresources, and geophysics surveys. Substrate and biological measures will be considered to mitigate for disturbances and losses caused by the construction of the outfall. The resulting plan will be used for inclusion in the HPA permit application and the ESA BA.

SEPA/NEPA CHECKLISTS (COSMOPOLITAN)

This task covers preparation of the SEPA and NEPA checklists. SEPA checklist is required for the local Shorelines permit and HPA permit. The NEPA will be required for the Coast Guard to proceed with their review of the City's request to cross the sandspit with the new outfall. Both checklists will incorporate or reference planned mitigation from the task above.

COSTS

Task	Cost
Seismic Refraction Survey	\$3,800
Offshore Drilling	12,000
Feasibility Analysis	7,400
Mitigation Planning	4,800
SEPA/NEPA Checklists	4,400
Total	\$32,400



City of Gig Harbor. The "Maritime City"

3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-8136

TO: MAYOR WILBERT AND CITY COUNCIL
FROM: DAVID RODENBACH, FINANCE DIRECTOR
DATE: MAY 25, 2001
SUBJECT: SECOND READING OF ORDINANCE - PROVIDING FOR THE
ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION
(LTGO) BONDS.

BACKGROUND

This is the second reading of an ordinance providing for the issuance and sale of limited tax general obligation bonds in the approximate amount of \$7,800,000. Draft copies of the bond ordinance, preliminary official statement and bond purchase agreement are attached.

The bonds will be priced May 24 and the final purchase offer and second reading will be May 29.

FISCAL CONSIDERATIONS

The proceeds of this note will provide funds for the construction of the civic center. The sizing of this bond issue is based on a project budget of \$7,670,000 and bond issue expenses of \$130,000.

The Civic Center bonds will be "wrapped" around the City's current outstanding 1997 LTGO bonds (this means principal payments on the Civic Center bonds won't begin until 2007). Assuming an average 5% interest rate, the estimated additional annual debt service cost (interest only) to the City for 2001 through 2006 is \$367,500. In 2007 both principal and interest payments will commence. Average annual debt service over the remaining life of the bonds (2001 - 2026) is about \$700,000 per year.

The City's remaining LTGO debt capacity, based upon 2000 assessed valuation is approximately \$2,500,000.

RECOMMENDATION

Staff recommends adoption of the ordinance at the second reading.

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* This Table of Contents is provided for convenience only and is not a part of this ordinance.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF GIG HARBOR, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF \$[7,800,000] TO PROVIDE FUNDS TO COMPLETE THE CITY'S CIVIC CENTER; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND APPROVING THE SALE OF SUCH BONDS.

WHEREAS, the best interests of the inhabitants of the City of Gig Harbor (the "City") require that the City complete its Civic Center project;

WHEREAS, in order to provide the funds required for such purpose, the City now desires to authorize the issuance of limited tax general obligation bonds in the principal amount of \$[7,800,000] (the "Bonds") and to authorize the sale of the Bonds;

WHEREAS, the City has received the offer from Banc of America Securities LLC, Seattle, Washington to underwrite the Bonds at terms acceptable to this City Council;

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

Section 1. Definitions. As used in this ordinance, the following words shall have the following meanings:

Bond Fund means the City's "Limited Tax General Obligation Bond Redemption Fund," as described in Section 8 of this ordinance.

[***Bond Insurance Policy*** means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.]

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agency of the State of Washington in either Seattle, Washington or New York, New York, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds means the \$[7,800,000] principal amount of the City of Gig Harbor, Washington Limited Tax General Obligation Bonds, 2001 issued pursuant to this ordinance for the purpose of paying costs authorized by Section 2 hereof.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

City means the City of Gig Harbor, Washington, a municipal corporation of the State of Washington.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Commission means the Securities and Exchange Commission.

Computation Date means the date selected by the City to make the arbitrage rebate computations.

Computation Period means the period between Computation Dates.

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

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 3 hereof.

Finance Director means the Finance Director of the City, or any successor to the functions of the Finance Director.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW.

Letter of Representations means the blanket issuer letter of representations from the City to DTC.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions.

Net Proceeds, when used with reference with the Bonds, means the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

NRMSIR means a nationally recognized municipal securities information repository.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive

payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Project means the completion of the City's Civic Center, which will house and support the City's governmental departments as well as serve as a community center.

Rebatable Arbitrage means the amount required to be paid pursuant to Section 148(f) of the Code

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SID means a state information depository for the State of Washington.

Underwriter means Banc of America Securities LLC, Seattle, Washington.

Section 2. Authorization of Bonds and Bond Details. For the purpose of providing funds for the Project, the City shall issue its limited tax general obligation bonds in the aggregate principal amount of \$[7,800,000]. The bonds shall be general obligations of the City, shall be

designated "City of Gig Harbor, Washington Limited Tax General Obligation Bonds, 2001" (the "Bonds"); shall be dated as of June 1, 2001; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date at the following per annum rates, payable on December 1, 2001, and semiannually thereafter on the first days of each succeeding June and December and shall mature on June 1 of the following years in the following principal amounts:

Maturity Years (June 1)	Principal Amounts	Interest Rates
2007	\$	%
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

Section 3. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time

through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the City upon prior notice to the Bond Registrar, DTC, each NRMSIR and SID, if any, and a successor Bond Registrar appointed by the City. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes [(except as provided in Section 11 of this ordinance)], and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City shall execute and deliver to DTC a Blanket Issuer

Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any substitute depository appointed by the Finance Director pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Council to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Council may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Council, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Council.

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Council shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Council

to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 4. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds maturing in the years 2007 through 2010, inclusive, are not subject to redemption prior to maturity. The Bonds maturing on or after June 1, 2012 are subject to redemption at the option of the City in whole or in part on any date on or after June 1, 2011 (and if in part, with maturities to be selected by the City) at a price of par plus accrued interest, if any, to the date of redemption.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the City.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(i) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption shall be conditioned by the Bond Registrar on the receipt of sufficient funds

for redemption) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar. Mailed notices will also be sent within the same period to Moody's Investors Service, Standard & Poor's Ratings Group and to the Underwriter or their business successors, if any.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(ii) Effect of Notice; Bonds Due. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the

redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same maturity and series in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(iii) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 35 days before the redemption date to the MSRB, the Insurer, to each NRMSIR, the SID, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(iv) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF GIG HARBOR, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BOND, 2001

INTEREST RATE: % MATURITY DATE: CUSIP NO.:
REGISTERED OWNER: CEDE & CO.
PRINCIPAL AMOUNT:

The City of Gig Harbor, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from June 1, 2001, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on December 1, 2001, and semiannually thereafter on the first days of each succeeding June and December. Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agencies of the State of Washington in either Seattle, Washington or New York, New York (collectively, the "Bond Registrar").

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. _____ duly passed by the City Council on May 29, 2001 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$[7,800,000] and is issued pursuant to the Bond Ordinance for providing funds to pay the cost of completing the City's Civic Center project and costs of issuance.

The bonds of this issue maturing on and prior to June 1, 2011 are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on and after June 1, 2012 are subject to redemption at the option of the City on and after June 1, 2011 in whole or in part on any date (and if in part, with maturities to be selected by the City), at a price of par plus accrued interest to the date of redemption.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The City hereby designates the bonds of this issue as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Gig Harbor, Washington has caused this bond to be executed by the manual or facsimile signatures of the Mayor and City Clerk and the seal of the City imprinted or impressed hereon as of this first day of June, 2001.

CITY OF GIG HARBOR, WASHINGTON

By /s/ manual or facsimile
Mayor

ATTEST:

_____/s/ manual or facsimile_____
City Clerk

[SEAL]

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Limited Tax General Obligation Bonds, 2001 of the City of Gig Harbor, Washington, dated June 1, 2001.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

Section 6. Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the Council.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be

as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Bond, are the proper officers of the City, although at the original date of such Bond any such person shall not have been such officer of the City.

Section 7. Tax Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

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

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

(b) *Arbitrage Rebate.*

(1) *General Rule.* The City will pay to the United States of America in accordance with the provisions of this section (i) rebate installment payments which, when added

to the future value as of the Computation Date of all previous rebate payments made with respect to the Bonds, equal at least 90% of the Rebatable Arbitrage with respect to the Bonds, and (ii) a final rebate installment payment in an amount which, when added to the future value of all previous rebate payments made with respect to the Bonds, equals 100% of the Rebatable Arbitrage.

(2) *Computation of Rebatable Arbitrage.* As of any Computation Date, the Rebatable Arbitrage for the Bonds is the excess of the future value, as of such date, of all Receipts over the future value, as of such date, of all Payments.

(3) *Payment Procedure.*

(i) The first rebate installment payment will be made for a Computation Date that is no later than five years after the issue date of the Bonds. Subsequent rebate installment payments will be made for a Computation Date that is not later than five years after the previous Computation Date for which rebate installment payment was made. Each rebate installment payment will be paid no later than 60 days after the Computation Date to which the payment relates.

(ii) A final rebate payment will be paid within 60 days of the date the Bonds are Discharged or such other period as is permitted by Internal Revenue Service regulations.

(iii) Each payment of Rebatable Arbitrage will be made to the Internal Revenue Service Center, Ogden, Utah 84201 and will be accompanied by IRS Form 8038-T.

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

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

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

The City further covenants that, if:

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

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

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

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the project described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the project funded by the proceeds of the Bonds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds allocable to the state or

local governmental use portion of the project to which the Private Person Use of such portion of the project funded by the proceeds of the Bonds relate. The City further covenants that it will comply with any limitations on the use of the project funded by the proceeds of the Bonds by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(d) *Designation under Section 265(b).* The City hereby designates the Bonds as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code. The City does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during 2001.

(e) *Modification of Tax Covenants.* The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds.

Section 8. Bond Fund and Provision for Tax Levy Payments. There has previously been established a fund of the City known as the "1997 Limited Tax General Obligation Bond Fund," which fund shall hitherto be known as the "Limited Tax General Obligation Bond Fund" (the "Bond Fund") and use to pay debt service on all outstanding limited tax general obligation bonds of the City, including the Bonds. The City hereby irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of

taxes within and as part of the tax levy permitted to cities without a vote of the electorate upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay such principal and interest as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 9. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for within 30 days of the defeasance and to the SID, if any, and to each NRMSIR or to the MSRB in accordance with Section 14.

Section 10. Sale of Bonds. The Bonds shall be sold by negotiated sale to the Underwriter, under the terms and conditions thereof as provided in its purchase offer and in this

ordinance. Said purchase offer is hereby in all respects accepted and approved, and the Finance Director is authorized to execute the purchase offer on behalf of the City.

The Mayor and the Finance Director of the City are hereby authorized to review and approve on behalf of the City the preliminary and final Official Statements relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The preliminary Official Statement for the Bonds, dated _____, 2001, is hereby deemed final for the purposes of Securities and Exchange Commission Rule 15c2-12.

The Finance Director and other City officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds.

[Section 11. Bond Insurance.

(a) In accordance with the offer of the Underwriter to purchase the Bonds, the Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.]

Section 12. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

The City is an obligated person with respect to less than \$10,000,000 of municipal securities, including the Bonds.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to each person upon request or to the SID, if any, a copy of its latest publicly available annual financial statements prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute). Such annual statements shall be available upon request to the office of the City Finance Director, the current address for whom is 3105 Judson Street, Gig Harbor, WA 98335; telephone number: (253) 851-8136.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners;

- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-238560);
- Defeasances;
- Release, substitution or sale of property, securing repayment of the Bonds;
and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no credit enhancements, debt service reserves or property secure payment of the Bonds.

(d) *Termination/Modification.* The City's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies each NRMSIR and the SID, if any, of such opinion and the cancellation of this section. The City may amend this section with an approving opinion of nationally recognized bond counsel in accordance with the Rule.

(e) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has

the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 13. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City with indemnity satisfactory to the City.

Section 14. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

ADOPTED by the City Council of the City of Gig Harbor, Washington, at a regular meeting thereof held this 29th day of May, 2001.

CITY OF GIG HARBOR, WASHINGTON

Mayor

ATTEST:

City Clerk

CERTIFICATE

I, the undersigned, City Clerk of the City Council, of the City of Gig Harbor, Washington (the "City") and keeper of the records of the City Council (the "City Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. _____ of the City Council (the "Ordinance"), duly adopted at a regular meeting thereof held on the 29th day of May, 2001.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the adoption of the Ordinance; that all other requirements and proceedings incident to the proper adoption of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of May, 2001.

City Clerk

CITY OF GIG HARBOR, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2001

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF GIG HARBOR, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF \$[7,800,000] TO PROVIDE FUNDS TO COMPLETE THE CITY'S CIVIC CENTER; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND APPROVING THE SALE OF SUCH BONDS.

APPROVED ON MAY 29, 2001

PREPARED BY:

PRESTON GATES & ELLIS LLP
Seattle, Washington

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2001

**BOOK-ENTRY ONLY
NEW ISSUE
NEGOTIATED**

**MOODY'S RATING: Applied For
(See the caption "BOND RATING" herein.)**

In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to the Internal Revenue Code of 1986, as amended, subject to certain conditions and assumptions described herein under "TAX EXEMPTION". The Bonds are not private activity bonds. Interest on the Bonds is included in the computation of certain federal taxes on corporations.

CITY OF GIG HARBOR, WASHINGTON

\$7,800,000*

LIMITED TAX GENERAL OBLIGATION BONDS, 2001

DATED: June 1, 2001

DUE: June 1, as shown below

The City of Gig Harbor, Washington (the "City"), Limited Tax General Obligation Bonds, 2001 (the "Bonds") will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. The Bonds will be initially issued in book-entry form only in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable on December 1, 2001, and semiannually thereafter on June 1 and December 1 of each year, to the maturity or prior redemption of the Bonds. The principal of and interest on the Bonds are payable by the fiscal agency of the State of Washington, currently, The Bank of New York, New York, New York and, (the "Fiscal Agent" or "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the Bonds. See Appendix B, "DTC AND BOOK-ENTRY SYSTEM hereto."

MATURITY SCHEDULE*

Due June 1	Amount	Rate	Yield or Price	Due June 1	Amount	Rate	Yield or Price
2007	\$ 220,000			2017	\$ 360,000		
2008	235,000			2018	388,000		
2009	245,000			2019	400,000		
2010	255,000			2020	420,000		
2011	270,000			2021	440,000		
2012	285,000			2022	460,000		
2013	300,000			2023	485,000		
2014	315,000			2024	510,000		
2015	338,000			2025	535,000		
2016	345,000			2026	560,000		

(Plus accrued interest from June 1, 2001)

The Bonds maturing on or after June 1, 2012 are subject to early redemption, at the option of the City, at any time on or after June 1, 2011 as a whole or in part within one or more maturities selected by the City at a price of par, plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS-Early Redemption" herein.

The City irrevocably covenants and agrees that it will include in its annual budget and levy taxes annually, in an amount permitted to cities without a vote, upon all the taxable property in the City, in amounts sufficient, together with all other money legally available therefor, to pay the principal of and interest on the Bonds as the same shall become due. The full faith, credit and resources of the City are irrevocably a pledge for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The Bonds do not constitute a debt or indebtedness of the State of Washington or any political subdivision thereof other than the City.

The City has designated the Bonds as "qualified tax-exempt obligations" under the Internal Revenue Code of 1986, as amended. See "CERTAIN OTHER FEDERAL TAX CONSEQUENCES" herein.

The Bonds are offered by the Underwriter when, as and if issued, with the approving legal opinion of Preston Gates & Ellis, LLP, Bond Counsel, Seattle, Washington. It is expected that the Bonds in book-entry form will be ready for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer, on or around June 12, 2001.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Banc of America Securities LLC

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Representations

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The delivery of this Official Statement does not imply that the information contained herein is correct as of any time subsequent to the date of the Official Statement as shown on the cover page. Neither the City nor the Underwriter has authorized any dealer, broker, salesperson or other persons to give any information or make any representations other than those made in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such a sale.

Disclosure Statement

The City will deliver to the Underwriter at the time of delivery of the Bonds a signed statement substantially to the effect that this Preliminary Official Statement, as of its date and as of the date of the Bonds, neither contains any untrue statement of a material fact nor omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect and, to its knowledge, that there has not been any material adverse change in the normal operations or financial condition of the City nor, to the best of the City's knowledge, in the general economy of the City since the date of the Preliminary Official Statement.

This Preliminary Official Statement, as of its date, is in a form "deemed final" by the City for purposes of SEC Rule 1 Sc2-12(b)(1) but is subject to revision, amendment, and completion in a final Official Statement which will be available within seven days of the sale date.

Secondary Market

It has been the practice of the Underwriter to maintain a secondary market in municipal bonds which it sells. The Underwriter intends to engage in secondary market trading of the Bonds, subject to applicable securities laws. The Underwriter, however, is neither obligated to engage in secondary trading nor to repurchase any of the Bonds at the request of the registered owners thereof and no assurance can be given that a secondary market for the Bonds will be available.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CITY OF GIG HARBOR, WASHINGTON
3105 Judson Street
Gig Harbor, WA 98335
(253) 851-8136

MAYOR

Gretchen A. Wilbert

Current Term Expires
December, 2001

CITY COUNCIL

Member	Position	Term Expires
John Picinich	Member	December, 2001
Steven Ekberg	Member	December, 2001
Derek Young	Member	December, 2001
Jim Pasin	Member	December, 2001
Bob Dick	Member	December, 2003
Marilyn Owel	Member	December, 2003
Frank Ruffo	Member	December, 2001

APPOINTED OFFICIALS

Mark Hoppen
David Rodenbach
David Skinner
Carol Morris

City Administrator
Finance Director
Public Works Director
City Attorney

BOND COUNSEL

Preston Gates & Ellis, LLP
Seattle, Washington

UNDERWRITER

Banc of America Securities LLC
Seattle, Washington

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PRELIMINARY OFFICIAL STATEMENT

CITY OF GIG HARBOR, WASHINGTON

\$7,800,000*

LIMITED TAX GENERAL OBLIGATION BONDS, 2001

INTRODUCTION

The City of Gig Harbor, Washington (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the "State"), furnishes this Official Statement in connection with the offering of \$7,800,000* principal amount of Limited Tax General Obligation Bonds, 2001 (the "Bonds"). This Official Statement provides information concerning the City and the Bonds.

DESCRIPTION OF THE BONDS

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds are issuable in the principal amount of \$7,800,000* and will be dated and bear interest from June 1, 2001. The Bonds will mature on the dates and in the principal amounts as set forth on the cover page of this Official Statement. The Bonds will bear interest payable semiannually on each June 1 and December 1, commencing December 1, 2001, at the rates set forth on the cover page of this Official Statement.

Interest on the Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Form, Denomination and Registration

The Bonds will be issued in fully registered form as to both principal and interest in the denomination of \$5,000 each or any integral multiple thereof within a single maturity. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC").

DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners or bond owners will mean Cede & Co. and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for which a DTC participant acquires an interest in the Bonds. See Appendix B, "DTC AND BOOK-ENTRY SYSTEM" hereto.

Authorization

The Bonds are issued in accordance with the provisions of the Constitution and applicable statutes of the State, pursuant to Ordinance No. __ (the "Ordinance") of the City Council, passed on May 29, 2001.

Purpose

Proceeds of the Bonds will be used to complete the Construction Document phase of the Civic Center by providing construction plans, specifications and estimates for the bid and award of the construction contract as defined in the Gig Harbor Civic Center Architectural Program dated August 2000. The project will provide for the construction of a 33,516 square-foot Civic Center located at the Henderson Bay High School site as well as site improvements surrounding the new Civic Center. This facility will house and support the City's governmental departments as well as serve as a community center for the citizens of the City. Construction of the facility is scheduled to commence in the summer of 2001 with the completion estimated to be August 2002.

* Preliminary, subject to change.

Security

The City irrevocably covenants and agrees that it will include in its annual budget and levy taxes annually, in an amount permitted to cities without a vote, upon all the taxable property in the City, in amounts sufficient, together with all other money legally available therefor, to pay the principal of and interest on the Bonds as the same shall become due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City.

Early Redemption

The Bonds maturing in years 2007 through 2011 are not subject to redemption prior to maturity. The Bonds maturing on or after June 1, 2012 are subject to redemption prior to their stated maturity dates at any time on or after June 1, 2011 in whole or in part (maturities to be selected by the City and randomly within a maturity in such a manner as the Bond Registrar shall determine) at a price of par, plus accrued interest to the date fixed for redemption.

Portions of the principal amount of any Bond, in increments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any of the denominations authorized by the Ordinance.

Open Market Purchase

The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Failure to Redeem the Bonds

If any Bond is not redeemed when properly presented at its maturity or call date, the City, through its Fiscal Agent, shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Defeasance of the Bonds

In the event that money and/or direct obligations as such obligations are defined in chapter 39.53 RCW, as now or hereafter amended, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are set aside in a special account of the City to effect such redemption and retirement, and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the bond redemption fund of the City for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of the Ordinance except the right to receive the moneys so set aside and pledged, and such Bonds shall be deemed not to be outstanding.

Procedure in the Event of Revisions of Book-Entry Transfer System

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar, provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

DEBT PAYMENT RECORD

The City has always promptly met principal and interest payments on outstanding bonds when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

FUTURE FINANCING

The City is considering the issuance of approximately \$1.25 million of Water and Sewer Revenue Bond Anticipation Notes within the next 3 months.

ASSESSED VALUATION DETERMINATION

The County Assessor (the "Assessor") determines the value of all real and personal property throughout the County (including the City) which is subject to ad valorem taxation. The Assessor's duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue. For tax purposes the assessed value of property is currently set at 100% of its actual value.

By State statute all property is subject to revaluation at least every four years. Pierce County revalues property every year based on market sales and conducts an on-site appraisal of property every six years. The property is listed by the Assessor on a tax roll at its current assessed value and the tax roll is filed in the Assessor's office.

The Assessor's determinations are subject to revision by the County Board of Equalization and, for certain property, subject to further revision by the State Board of Equalization. After all administrative procedures are completed, the taxing unit receives the Assessor's final certificate of assessed value of property within the taxing unit.

TAX COLLECTION PROCEDURE

Property taxes are levied in specific amounts, and the rate for all taxes levied for all taxing districts in the County (including the City) are determined, calculated and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district upon a tax roll which contains the total amount of taxes to be so levied and collected and assigns a tax account number to each tax lot. The tax roll is delivered to the County Treasurer by January 15 of each year, and an abstract of the tax roll, showing the total amount of taxes collectible in each of the taxing districts for the year, is delivered to the County Executive (an elected official) at the same time. All taxes are due and payable on the 30th of April of each year, but if the amount due from a taxpayer exceeds thirty dollars, one-half may be paid then and the balance no later than October 31 of that year.

The method of giving notice of payment of taxes due, accounting for the money collected, the division of the taxes among the various taxing districts, giving notice of delinquency, and collection procedure are all covered by detailed statutes. The lien for ad valorem property taxes which have been levied prior to the filing of federal tax liens is prior to such federal tax liens.

In other respects, and subject to the possible "Homestead Exemption," the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law the taxing unit may commence foreclosure of a tax lien on real property after three (3) years have passed since the first delinquency. Washington State's courts have not decided whether the Homestead Law (Chapter 6.12 RCW) may give the occupying home owner a right in the forced sale of the family residence for delinquent general property taxes to retain the first \$40,000 of proceeds of the sale. (See *Algona vs. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982), holding the homestead right superior to liens for local improvement district assessments.)

AUTHORIZATION OF INDEBTEDNESS

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The

budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur liabilities in excess of budgetary appropriations.

General Obligation Indebtedness

Under the Constitution and statutes of the State, the City may incur two types of general obligation indebtedness (including bonds). The two types are primarily differentiated by the limits on the real and personal property taxes which may be collected for the payment thereof.

Limited tax general obligation indebtedness such as the Bonds is payable from taxes upon all the taxable property in the City which may be imposed by the City within the limitations prescribed by State statute without a vote of the people (sometimes referred to as "non-voted debt" or "non-voted bonds" or "councilmanic bonds").

Unlimited tax general obligation indebtedness is payable from taxes without limitation as to rate or amount, imposed upon all taxable property in the City. Unlimited tax indebtedness may be incurred only after approval by 60% of the City voters at an election in which the total vote cast exceeds 40% of the votes cast at the last preceding general election of the City or State. Such unlimited tax indebtedness is sometimes referred to as "voted debt," "voted bonds" or "unlimited tax bonds."

Bonds issued to refund outstanding general obligation indebtedness of either type may be issued without voter approval.

Limits on Amount of General Obligation Indebtedness

State statutes limit the total principal amount of all City general obligation indebtedness incurred for "general" purposes, both limited tax and unlimited tax, to 2.5% of the actual value of taxable property within the City. Within this 2.5% limitation, non-voted indebtedness is further limited to 1.5% of the value of such taxable property.

The City is additionally authorized to incur general obligation indebtedness for the following "special" purposes, with voter approval, in the total principal amount of up to the following percentages of the actual value of taxable property within the City: water, artificial light and sewers, 2.5%; open space and park facilities, 2.5%; and capital facilities associated with economic development, 2.5%. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of the City's assessed valuation.

The State statutory limits on City general obligation indebtedness described in this section are more restrictive than those contained in the State Constitution. Both the Constitutional and statutory debt limits may be exceeded if necessary to meet obligations made mandatory by State law or, if necessary, to maintain the corporate existence of the City.

In computing total general obligation indebtedness, the following "assets" may be deducted against the principal amount of indebtedness outstanding: (a) money and investments on deposit in general obligation bond retirement funds; (b) taxes (both current and delinquent) levied for the payment of general obligation indebtedness; and (c) delinquent (but not current) taxes due the general fund.

In addition to limits on the total principal amount of general obligation indebtedness described in this section, the Constitution and statutes of the State impose other limitations on the City's levy of taxes upon real and personal property (See "TAXING POWERS AND LIMITATIONS" herein.)

Authorization of Short-Term Debt

As a result of 1982 legislation, any Washington municipal corporation may borrow money and issue short-term obligations, the proceeds of which may be used for any lawful purpose. Short-term obligations may be issued in anticipation of the receipt of revenues, taxes, or grants or the sale of (1) general obligation bonds if the bonds may be issued without the consent of the voters or if previously ratified by the voters; (2) revenue bonds if the bonds have been authorized by ordinance or resolution; or (3) local improvement district bonds if the bonds have been authorized by ordinance or resolution. These short-term obligations shall be repaid out of money derived from the source or sources in anticipation of which they were issued or from any money legally available for this purpose.

Additionally, the City may incur short-term indebtedness in the following ways: first, in an emergency, the Council members may put a plan into effect and authorize indebtedness outside the current budget. All expenditures for emergency purpose shall be paid by warrants from any available money in the fund properly chargeable with such expenditures. If there is insufficient money on hand in the fund, the warrants become registered interest-bearing warrants. In adopting the budget for any fiscal year, the Council members shall appropriate funds to retire any outstanding registered warrants issued since the adoption of the last preceding

budget. Second, the City may, without a vote of the electors, purchase property on a conditional sales contract if the total contract amount, together with the other non-voted general obligation indebtedness of the City, does not exceed 1.5% of the value of taxable property in the City; any item so purchased must be budgeted for payment in accordance with the terms of the contract.

TAXING POWERS AND LIMITATIONS

Pursuant to RCW 84.52.043, cities may levy, without a vote of the residents residing therein, a maximum of \$3.375 per thousand for general city purposes (the "regular levy"). Cities with full-time firemen may levy an additional \$.225 per thousand to fund the city's Fireman's Pension Fund (RCW 41.16.060), thus creating a maximum annual levy rate of \$3.60 per thousand dollars of assessed valuation. The City is currently levying \$1.5738 per thousand dollars of taxable assessed valuation for its regular levy for collection year 2001.

According to RCW 27.12.390, any city or town annexed to a rural library district, island library district, or intercounty rural library district, such as the City, shall be entitled to levy up to \$3.60 per thousand dollars of assessed valuation less any regular levy made by such library district in the incorporated area, notwithstanding any other provision of law.

106% Limitation

The 106% limitation (chapter 84.55 RCW) is a limitation on the amount of levies by individual taxing cities. All municipal regular property tax levies are subject to the 106% limitation. The law provides, in substance, that unless a higher rate is approved by a majority of the voters at an election, the regular property tax levy of a taxing City must be set so that the amount of the property taxes which will become payable in a given year will not exceed 106% of the amount of taxes levied by the taxing City in the highest of the three most recent years, plus a full value adjustment for new construction.

On November 4, 1997, at a State-wide general election, voters approved Senate Bill 5835, (the "Property Tax Act") which limits a municipality's regular tax levy to an amount of 100% of the highest property tax levy of the three most recent years multiplied by a limit factor. The limit factor is defined in the Property Tax Act as (i) the lesser of 106% or 100% plus inflation, or (ii) 106% or less, if approved by a majority plus one vote of the governing body of the municipality upon a finding of substantial need. The limitation does not affect the Bonds because debt service is not payable from regular levies, but from a special levy already approved by voters.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Initiative 695

Washington State Initiative Measure No. 695 ("I-695"), requiring voter approval for any increase in taxes, impact fees, permit fees, or any governmental "monetary charge," was approved by voters on November 2, 1999. Many aspects of I-695 were challenged in court, including whether utility rates were included in the term "monetary charge." On October 26, 2000, the Washington Supreme Court declared I-695 unconstitutional in its entirety.

Initiative 722

On November 7, 2000, the State's voters approved Initiative No. 722 ("I-722"). I-722 provides that any "tax" increase adopted by the State or any local government from July 2, 1999 (the date on which I-695 first qualified for the ballot) through December 31, 1999 (the last day before the effective date of I-695) is null and void and must be refunded to the taxpayers. "Tax" is defined in I-722 to include, but is not limited to, water, sewer and utility charges, sales and use taxes, property taxes, business and occupation taxes, impact, license and permit fees,

and any monetary charge by government. I-722 purports to exempt persons from paying the portion of property taxes attributable to any increase in value of property (other than for new construction or manufacture) over its 1999 valuation level, plus the lesser of 2% per year or the annual inflation rate (whichever is less). I-722 could be viewed as thereby limiting the rate of increase of property values for assessment purposes. The measure also reduces the limit on the total dollar amount of regular property taxes that may be levied annually by a city, without a vote of its electors, from 106% to 102% of the highest levy in the three previous years. Further, it eliminates a statutory provision that allowed cities and other taxing districts to forego nonvoted tax increases in any year, yet when levying taxes in future years to calculate the allowable tax level on a base that included the years in which no tax increase was actually imposed.

Several Washington municipalities, taxpayers and social service providers have filed lawsuits challenging various aspects of I-722, including its overall constitutionality, whether a refund of a "tax" that was properly imposed constitutes an unconstitutional gift of public funds and whether a refund unlawfully affects certain municipalities' ability to comply with their contractual obligations.

If I-722 were upheld, the City might be required to refund certain taxes already collected.

In November 1999, the City Council passed an ordinance levying taxes for 2000. See "AD VALOREM LEVY AMOUNTS AND RATES OF THE CITY." The City did not approve any additional taxes or fees between July 2, 1999 and December 31, 1999. Although the City believes that it cannot lawfully refund to taxpayers or customers a portion of taxes and rates already collected, it cannot predict the outcome of the litigation challenging I-722.

Future Initiative Legislation

Other tax and fee initiative measures may be filed, but it cannot be predicted whether any such initiatives might gain sufficient signatures to qualify for submission to the Legislature and/or the voters, or, if submitted, ultimately be approved.

AUTHORIZED INVESTMENTS

Chapter 39.59 RCW limits the investment of public funds to the following authorized investments: bonds of the State and any local government in the State, which bonds are rated at the time of investment in one of the three highest credit ratings by a nationally recognized rating agency; general obligation bonds of other states and subdivisions thereof so long as those bonds are rated in one of the three highest categories; registered warrants of a local government within the same county as the entity making the investment; and any investment authorized by law for the treasurer of the State or any local government, exclusive of certificates of deposit of banks or bank branches not located in the State. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in repurchase agreements; in the obligations of the federal home loan bank, federal national mortgage association and other government corporations subject to statutory provisions. Utility revenue bonds and warrants of any city and bonds or warrants of a local improvement district are also eligible investments (RCW 35.39.030).

Local Government Investment Pool

The State Treasurer's Office administers the Washington State Local Government Investment Pool (the "LGIP"), a \$3.5 billion dollar fund that invests money on behalf of 376 cities, counties and special taxing Cites (as of October 3, 2000). In its management of LGIP, the State Treasury adheres, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool that provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The LGIP is a conservatively managed, highly liquid money market fund. The pool is restricted to investments with maturities of one year or less, and the average investment life typically is less than 90 days. Permissible investments include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, and certificates of deposit issued by qualified Washington State depositories.

Authorized Investments for Bond Proceeds

In addition to the eligible investments discussed above, bond proceeds only may also be invested in mutual funds with portfolios consisting of U.S. government and guaranteed agency securities with average maturities of less than four years; municipal securities rated in one of the four highest categories; and money market funds consisting of the same, so long as municipal securities held in the fund(s) are in one of the two highest rating categories. Bond proceeds may also be invested in shares of money market funds with portfolios of securities otherwise authorized by law for investment by local governments (RCW 39.59.030).

See "THE CITY - Investment Practices" herein for a discussion of the City's investment portfolio.

NET DIRECT DEBT AND ESTIMATED NET OVERLAPPING GENERAL OBLIGATION DEBT¹
(As of December 31, 2000)

Direct Debt:

Voted General Obligation Bonds Outstanding	\$	140,000
Councilmanic Bonds Outstanding.....		1,460,000
The Bonds.....		7,350,000 ²
Other Non-Voted Debt		0
Less: Bond Fund Balance		(196,000)
Net Direct Debt:	\$	8,754,000

Estimated Net Overlapping Debt:

	Net G.O. Debt Outstanding	Percent of Overlap	Amount of Overlap
Pierce County.....	\$ 65,355,000	1.79 %	\$ 1,171,753
Port of Tacoma.....	50,920,000	1.79	912,945
School District No. 401.....	42,410,000	15.76	6,682,419
Rural Library District.....	710,000	.13	8,032
Estimated Net Overlapping Debt:			\$ 8,775,149
Net Direct plus Estimated Net Overlapping Debt:			\$ 17,529,149

BONDED DEBT RATIOS OF THE CITY

2000 Assessed Valuation for Collection Year 2001	\$	743,414,971
City Population (2000 U.S. Census)		6,465
Assessed Valuation Per Capita.....	\$	114,991
Net Direct Debt to Assessed Valuation.....		1.18%
Net Direct and Estimated Overlapping Debt to Assessed Valuation.....		2.36%
Net Direct Debt Per Capita	\$	1,354
Net Direct and Estimated Overlapping Debt Per Capita.....	\$	2,711

MAJOR TAXPAYERS WITHIN THE CITY³

Taxpayer	Type of Business	Assessed Value
Telephone Utilities of Washington Inc.	Telecommunications	\$ 26,153,486
Hogan, Robert E.	Fred Meyer Marketplace	16,582,000
Hogan, Charles R.	Harbor Plaza retail complex	12,678,900

1 Source: Pierce County Treasurer's and Assessor's offices. Calculations include the Bonds.
 2 Preliminary, subject to change.
 3 Source: Pierce County Treasurer's and Assessor's offices.

Olympic Property Group LLC	Peninsula Regional Medical Center	10,578,700
Point Fosdick Square LLC	Commercial Property	8,964,100
Erickson Forest Grove LLC	Apartments	6,599,400
Merrill Gardens LLC	Harbor Court Retirement Home	5,768,000
Stroh, Frederick	Medical complex	5,662,600
Reality Management LLC	Westside Business Center	5,372,108
Manor Care of Meadow Park Inc.	Healthcare	5,059,400

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STATUTORY DEBT LIMIT CALCULATION FOR THE CITY¹
 (As of December 31, 2000)

2000 Assessed Valuation for Collection Year 2001	\$ 743,414,971
General Purposes	
Non-Voted Debt Capacity (1.5% of Assessed Valuation)	\$ 11,151,225
Less: Councilmanic Bonds Outstanding (Includes the Bonds).....	(8,760,000)
Less: Other Non-voted Debt.....	0
Plus: Bond Fund Balance	<u>196,000</u>
Remaining Non-voted G.O. Capacity	\$ 2,587,225
Voted Debt Capacity (2.5% of Assessed Valuation)	\$ 18,585,374
Less: Voted Bonds Outstanding	(140,000)
Less: Councilmanic Bonds Outstanding (Includes the Bonds).....	(8,760,000)
Less: Other Non-voted Debt.....	0
Plus: Bond Fund Balance	<u>196,000</u>
Total Remaining Capacity For General Purposes	\$ 9,881,374
Utility Purposes	
Voted Debt Capacity (2.5 % of Assessed Valuation)	\$ 18,585,374
Less: Voted Bonds Outstanding	0
Remaining Capacity for Utility Purpose	\$ 18,585,374
Parks and Open Space and Economic Development Purposes	
Voted Debt Capacity (2.5 % of Assessed Valuation)	\$ 18,585,374
Less: Voted Bonds Outstanding	0
Remaining Capacity for Parks and Open Space and Economic Development	\$ 18,585,374

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¹ Reflects the issuance of the Bonds.

AD VALOREM TAX COLLECTION RECORD OF THE CITY¹

Collection Year	Adjusted Assessed Valuation ²	Tax Levy ³	Collected Year of Levy		Collected as of December 31, 2000	
			Amount	Percent	Amount	Percent
2001	\$ 743,414,971	\$ 1,169,986	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
2000	691,816,489	1,108,120	\$ 1,059,460	95.61%	\$ 1,060,395	95.69%
1999	620,616,211	1,081,429	1,046,824	96.80	1,070,383	98.98
1998	430,635,489	789,587	755,488	95.68	786,521	99.61
1997	367,919,096	730,297	707,980	96.94	736,083	99.97
1996	310,112,016	688,300	675,825	98.19	688,213	99.99

NOTE: Taxes are due and payable on April 30, of each year succeeding the levy. At least one half of the tax amount due must be paid on or before April 30, or else the total amount becomes delinquent on May 1. The second half of the tax due is payable on or before October 31, becoming delinquent November 1.

AD VALOREM LEVY AMOUNTS AND RATES OF THE CITY¹

Collection Year	Levy Amounts	Levy Rates per \$1,000
2001	\$ 1,169,986	\$ 1.5738
2000	1,108,120	1.6149
1999	1,081,429	1.7440
1998	789,587	1.8378
1997	730,297	1.9938
1996	688,300	2.0186

REPRESENTATIVE LEVY RATES - 2001

Taxing District	Minimum (Code 75)	Maximum (Code 79)
Pierce County	\$ 1.7484	\$ 1.7484
State Schools	2.9987	2.9987
City of Gig Harbor	1.5738	1.5738
School District No. 401	3.7218	3.7218
Port of Tacoma	.1788	.1788
EMS	.2433	.2433
Rural Library District	.5000	.5102
Fire District No. 5	<u>1.4591</u>	<u>1.4591</u>
Total	\$ 12.4239	\$ 12.4341

¹ Source: Pierce County Assessor's office and Office of Budget and Finance.

² Assessed valuation is stated as the full taxable assessed value of all taxable real and personal property in the City.

³ Includes both regular and excess levies.

⁴ Not available, in process of collection.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES¹
(Fiscal Year Ending December 31)

	2000	1999	1998	1997	1996
Revenues					
Taxes	\$ 3,885,463	\$ 3,547,593	\$ 3,344,725	\$ 2,732,347	\$ 2,061,484
Licenses & Permits	405,832	206,049	212,946	145,436	145,464
Intergovernmental	190,888	249,173	291,652	103,260	109,208
Charges for Services	180,448	79,010	101,276	41,528	17,346
Fines & Forfeits	95,721	124,202	94,955	68,967	112,832
Miscellaneous	56,165	38,496	38,538	29,932	35,223
Interest	<u>134,003</u>	<u>88,778</u>	<u>68,492</u>	<u>47,463</u>	<u>43,028</u>
Total Revenues	\$ <u>4,948,520</u>	\$ <u>4,333,301</u>	\$ <u>4,152,584</u>	\$ <u>3,168,933</u>	\$ <u>2,524,585</u>
Expenditures					
General Government	\$ 1,081,032	\$ 939,641	\$ 856,901	\$ 892,456	\$ 652,279
Security of Persons & Property	1,222,784	1,179,050	1,116,375	983,166	819,371
Physical Environment	2,696	2,639	1,597	2,917	1,370
Economic Environment	467,347	419,097	386,213	319,912	268,760
Mental & Physical Health	1,181	1,170	1,371	514	672
Culture & Recreation	179,802	192,493	153,604	118,664	165,281
Debt Service	0	0	0	919	102
Capital Outlay	<u>490,528</u>	<u>259,154</u>	<u>556,329</u>	<u>163,941</u>	<u>79,793</u>
Total Expenditures	\$ <u>3,445,370</u>	\$ <u>2,993,244</u>	\$ <u>3,072,390</u>	\$ <u>2,482,489</u>	\$ <u>1,987,628</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>1,503,150</u>	\$ <u>1,340,057</u>	\$ <u>1,080,194</u>	\$ <u>686,444</u>	\$ <u>536,957</u>
Other Financing Sources (Uses)					
Fixed Asset Disposal	\$ 8,282	\$ 610	\$ 8,226	\$ 1,300	\$ 0
Operating Transfers In	7,500	0	20,000	0	0
Operating Transfers Out	(1,555,000)	(679,520)	(545,000)	(700,000)	(950,000)
Other Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	\$ <u>(1,541,218)</u>	\$ <u>(678,910)</u>	\$ <u>(516,774)</u>	\$ <u>(698,700)</u>	\$ <u>(950,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (38,068)	\$ 661,147	\$ 563,420	\$ (12,256)	\$ (413,043)
Fund Balance - January 1	\$ <u>2,001,507</u>	\$ <u>1,340,360</u>	\$ <u>776,941</u>	\$ <u>789,197</u>	\$ <u>1,202,240</u>
Fund Balance - December 31	\$ <u>1,963,439</u>	\$ <u>2,001,507</u>	\$ <u>1,340,361</u>	\$ <u>776,941</u>	\$ <u>789,197</u>

¹ All years except 2000 have been audited by the Washington State Auditor.

2001 GENERAL FUND BUDGET OF THE CITY¹
(Fiscal Year Ending December 31)

Revenues

Taxes	\$ 3,892,000
Licenses & Permits	229,850
Intergovernmental Revenues	139,700
Charges for Services	92,100
Fines & Forfeits	125,500
Miscellaneous	118,400
Other	<u>38,000</u>
Total Revenues	\$ 4,635,550

Expenditures

Non-Departmental	\$ 879,700
Legislative	30,100
Municipal Court	290,350
Administrative/Finance	738,400
Police	1,551,400
Planning/Building	696,900
Parks & Recreation	734,100
Building	<u>80,800</u>
Total Expenditures	\$ 5,001,750

Fund Balance - January 1

\$ 1,615,069

Fund Balance - December 31

\$ 1,248,869

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¹ Source: The City.

SCHEDULE OF GENERAL OBLIGATION BOND DEBT SERVICE

(As of December 31)

Maturity Year	Unlimited Tax General Obligation Bonds		Limited Tax General Obligation Bonds Outstanding The Bonds ¹				Total G.O. Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2001	\$ 85,000	\$ 11,115	\$ 220,000	\$ 64,497	\$ 0	\$ 183,750	\$ 564,362
2002	55,000	4,400	230,000	55,258	0	367,500	712,158
2003	0	0	235,000	45,367	0	367,500	647,867
2004	0	0	250,000	35,145	0	367,500	652,645
2005	0	0	260,000	24,020	0	367,500	651,520
2006	0	0	265,000	12,190	0	367,500	644,690
2007	0	0	0	0	220,000	367,500	587,500
2008	0	0	0	0	235,000	356,500	591,500
2009	0	0	0	0	245,000	344,750	589,750
2010	0	0	0	0	255,000	332,500	587,500
2011	0	0	0	0	270,000	319,750	589,750
2012	0	0	0	0	285,000	306,250	591,250
2013	0	0	0	0	300,000	292,000	592,000
2014	0	0	0	0	315,000	277,000	592,000
2015	0	0	0	0	330,000	261,250	591,250
2016	0	0	0	0	345,000	244,750	589,750
2017	0	0	0	0	360,000	227,500	587,500
2018	0	0	0	0	380,000	209,500	589,500
2019	0	0	0	0	400,000	190,500	590,500
2020	0	0	0	0	420,000	170,500	590,500
2021	0	0	0	0	440,000	149,500	589,500
2022	0	0	0	0	460,000	127,500	587,500
2023	0	0	0	0	485,000	104,500	589,500
2024	0	0	0	0	510,000	80,250	590,250
2025	0	0	0	0	535,000	54,750	589,750
2026	0	0	0	0	560,000	28,000	588,000
Totals	\$ 140,000	\$ 15,515	\$ 1,460,000	\$ 266,477	\$ 2,350,000	\$ 6,466,000	\$ 15,667,992

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¹ Preliminary, subject to change – assumes 5% average interest rate.

THE CITY

General

The City was incorporated in 1946 and is a general purpose government which provides police protection, street improvement, parks and general administrative services. In addition, the City owns and operates a water and sewer system and a storm drainage system. The accounting policies of the City conform to the Budgeting, Accounting and Reporting System (BARS) for Category 1 local governments prescribed by the State Auditor.

Annexations

The Gig Harbor North Annexation was effective February 10, 1997. The annexation brings 795 acres, 504 people and an assessed valuation for approximately \$24 million into the City. Seventy percent of the area is currently undeveloped and is owned primarily by three businesses. The area is zoned for a variety of residential and commercial under special "planned community" zoning rules.

The Westside Annexation was approved by voters on February 4, 1997. The annexation was effective March 24, 1997. The annexation includes 629 acres, 1,299 people and assessed valuation of approximately \$144 million. The Westside is largely developed and includes substantial commercial property including three shipping centers and two car dealerships.

Labor Relations

The City has approximately 61 full-time equivalent employees, with a four full-time employee increase planned in 2001. The City has contracts with three labor unions representing 40 employees which expire as follows:

Name	No. of Employees	Contract Expires
Gig Harbor Employees Guild	41	12/31/02
Supervisory Bargaining Unit	2	12/31/02
Gig Harbor Police Officer Guild	11	12/31/03

There has never been a strike in the history of the City. Labor relations with the labor unions are considered good.

Pension System

Substantially all city full-time and qualifying part-time employees participate in either the Public Employees' Retirement System (PERS) or the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). PERS and LEOFF are statewide local government retirement systems administered by the Department of Retirement Systems. The City is current in its required contributions to these plans and has no unfunded liability at this time.

The City also participates in a defined contribution pension retirement system called the 401 Qualified Pension Plan administered by ICMA Retirement Corp. As of December 31, 1999 there were a total of 63 individuals covered by this system, 54 of whom were currently still employed by the City.

Basis of Accounting

The modified accrual basis of accounting is used by the City for its Governmental and Agency Funds. Under this method of accounting, expenditures, other than unmatured interest on general long-term debt and accumulated unpaid vacation, sick leave pay and compensation time which normally would not be liquidated with expendable available financial resources, are recognized in the accounting period in which the fund liability is incurred and material revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Property taxes are considered measurable and available if collected within 60 days of year-end.

The accrual basis of accounting is used for Proprietary fund types and the Pension Trust Fund. Under this method of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Allowances are provided for uncollectable accounts receivable. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary fund types, pension trust funds and non-expendable trust funds, utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Risk Management

The City is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more government entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring and/or joint hiring or contracting for risk management services of the same extent that they may individual purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 3, 1999, 60 municipalities participate in the pool.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the City above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$300,000 for liability and \$25,000 for property and thereafter purchases excess liability insurance through NLC Mutual Insurance Company and excess property coverage through AIG/Lexington and Commonwealth Insurance. In addition, AWC RMSA has adequate stop-loss coverage if all claims in 1999 exceed \$250,000 for property. Since the AWC RMSA is a cooperate program, the members of the AWC RMSA are jointly liable.

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GENERAL AND ECONOMIC INFORMATION

The City is located in northwestern Pierce County (the "County"), just west of the City of Tacoma, near the southern tip of Puget Sound. The City has a 2000 U.S. Census population of 6,465. Historical population of the County and the City is shown in the following table.

POPULATION¹

Year	Pierce County	City of Gig Harbor
2000 ²	700,820	6,465
1999	700,000	6,405
1998	686,800	6,350
1997	674,300	4,130
1996	665,200	4,110
1995	660,200	3,890
1994	648,900	3,730
1993	640,700	3,660
1992	624,000	3,600
1991	603,800	3,310
1990 ²	586,203	3,236

The City lies approximately 11 miles from Gig Harbor to Downtown Tacoma, 27 miles to SeaTac International Airport, and 43 miles to the City of Seattle. The Narrows Bridge (State Route 16) connects the City to mainland Washington State, allowing an average of 43,000 daily commuters access in and out of the area. The City occupies a total of approximately 2,809 acres (4.14 square miles), much of which constitutes residential property for professional and retired persons.

Local industry includes an active fishing fleet based in the City, including seine, gill netters, and trollers who fish predominantly from the waters surrounding the San Juan Islands and Alaska. Shell Oil has a distribution depot on the City's waterfront. There are also eight marinas providing moorage and services to power boats, sailboats and small fishing boats.

Situated in a sheltered harbor, the City has a picturesque, scenic harbor on Puget Sound. As such, tourism and recreation as an industry is inherent to the area's economy. Gig Harbor is known in the Puget Sound region for its quaint atmosphere and unique specialty shops. The City is a popular spot for pleasure boats, with year-round availability of anchorage and docking facilities.

Peninsula Light Company, which employs 91 people at its headquarters in the City, serves approximately 25,000 customers, covering approximately 112 square miles in Pierce County northwest of the Tacoma Narrows Bridge.

Two new commercial office complexes are under construction within the City. The 15,180 square-foot Rosedale-Skansie Building and the 17,000 square-foot Robinson-Savage Building will both open in 2001. Both are two-story structures designed for multi-tenant office space.

The Frank Russell Company, an internationally known pension consulting and investment management firm with offices throughout the world, is constructing a center for its Philanthropic Foundation within the City. The company recently constructed its corporate headquarters building in downtown Tacoma and employs 1,133 people in the Pierce County.

The Tacoma Narrows Airport, which is located on 644 acres within the District, is owned by the City of Tacoma. The airport is a full service facility accommodating over 100,000 air operations annually. The airport has about 14 tenants who employ 120 people. Future development plans near the airport include a \$100 million, 740-acre master plan project that would include a 100- to 500-room hotel and conference center, office space, an 18-hole championship golf course, 65 single-family homes ranging in price from \$200,000 to \$500,000, eight and one-half miles of bike and pedestrian trails, and a 1,000 square-foot extension of the existing 5,000 square-foot airport runway. The project would be developed on land adjacent to airport property.

Century Tel (formerly Telephone Utilities of Washington), one of the City's largest employers, has its Washington headquarters within the City and employs approximately 220 people. The company provides long distance phone service to about 2.8 million customers in 21 states, 180,000 of which are in Washington.

¹ Source: Washington State Office of Financial Management.

² Source: U.S. Census.

Gig Harbor experienced significant growth during the year 2000. Construction of the East West Road off of Highway 16 triggered permitting of several large retail developments in the Gig Harbor North area, including a Target store and an Albertson's supermarket as anchors of a commercial complex, which will include an additional five retail businesses (totaling 222,880 square feet). In the permit approval process at this time are an adjacent Home Depot with three accompanying retail businesses (totaling approximately 171,755 square feet).

In the old downtown waterfront district, a first class, \$11 million dollar/60,000 square foot office building is under construction on the waterfront, establishing Gig Harbor as the new home of the Frank Russell Family Foundation and Sunshine LLC. This development has triggered interest in development of adjacent properties that are expected to be permitted during the following year. Developers of the Soundview Office Plaza is nearing completion of the permitting process and will construct a 60,000 square foot building at the southern entrance to the City. These two new developments are providing a public park and trailhead, contributing public amenities and the quality of life, as well as economic development.

On the west side of SR16, construction has begun on a major new addition to the Peninsula Medical Center (96,000 square feet of office and retail), as well as two new warehouses (32,000 square foot) that will serve it. Other office and commercial projects under construction include the new Aravis Office Center (36,000 square feet) nearing permit approval, and the adjacent restaurant, Jekyll and Hyde's as well as other smaller office park buildings and warehouses.

Following are economic indicators for the City and Pierce County:

CITY OF GIG HARBOR NEW CONSTRUCTION¹

Year	No. of Bldgs.	Residential		Commercial	
		No. of Housing Units	Value	No. of Units	Value
2000	17	24	\$ 5,644,985	29	\$ 31,976,813
1999	16	19	3,230,571	9	4,100,782
1998	29	31	4,796,953	7	4,447,275
1997	16	17	2,685,775	8	3,785,661

CITY OF GIG HARBOR - TAXABLE RETAIL SALES

Year	Sales
2000	\$ 289,847,698
1999	258,241,428
1998	238,723,216
1997	209,230,242
1996	145,761,348

¹ Source: City of Gig Harbor Building Department.

PIERCE COUNTY BUILDING PERMIT ACTIVITY¹

Year	Total Number	Value
1999	11,259	\$ 1,089,637,800
1998	11,066	766,255,496
1997	10,167	691,657,810
1996	9,555	589,157,067
1995	8,141	521,650,520
1994	8,358	626,812,382

PIERCE COUNTY MAJOR EMPLOYERS 2001²

Firm/Organization	Product or Service	Number of Employees
US Army Fort Lewis (Military/Civilian)	Military	19,726/4,920
Local Public School Districts (K-12)	Education	12,633
Washington State Employee's	State Government	5,847
US Air Force McChord (Military/Civilian)	Military	3,463/1,955
Multicare Health System	Health Services	5,000
Pierce County Government	Government/Public	3,015
Washington State Higher Education	Education	2,599
Madigan Army Medical Center (Military/Civilian)	Military	1,179/1,413
Franciscan Health System	Health Services	2,553
Fred Meyers Stores	Retail Store	1,919
Tacoma, City of	Government/Public	1,906
Good Samaritan Hospital	Health Services	1,800
Puyallup Tribe (Excluding smoke shops) ³	Indian Tribe	1,795
US Postal Service (Tacoma)	Government/Public	1,614
Intel Corporation	Computer Electronics	1,600
Boeing Company, The (Frederickson Site)	Aerospace	1,450
Tacoma Public Utilities	Public Utility	1,128
State Farm Insurance Companies	Insurance	1,021
Emerald Queen Casino	Casino Gaming	1,000

PIERCE COUNTY AND WASHINGTON STATE MEDIAN HOUSEHOLD INCOME⁴

Year	Pierce County	Washington
2000	\$ 45,151	\$ 50,152
1999	43,624	48,289
1998	43,592	46,080
1997	42,000	43,460
1996	39,148	40,808
1995	37,625	38,707

¹ Source: Pierce County Building Department (City of Tacoma and unincorporated areas only).

² Sources: Economic Development Board for Tacoma Pierce County, October 2000.

³ Includes 1999 figures used for FTEs count as most current available.

⁴ Source: Washington State Office of Financial Management; year 2000 figures are forecast.

**TACOMA METROPOLITAN AREA (PIERCE COUNTY)
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT AND AVERAGE CIVILIAN
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT^{1, 2}**

	Annual Average				
	1999 ³	1998 ⁴	1997	1996	1995
Resident Civilian Labor Force					
Employment	320,100	316,800	313,300	297,900	293,500
Unemployment	<u>15,200</u>	<u>15,100</u>	<u>14,800</u>	<u>19,800</u>	<u>19,400</u>
Total	335,300	331,900	328,100	317,700	312,900
Percent of Labor Force	4.5%	4.6%	4.5%	6.2%	6.2%
Nonagricultural Wage and Salary Workers					
Manufacturing					
Textiles and apparel	1,500	1,500	1,400	1,400	1,300
Paper and allied products	1,500	1,500	1,500	1,400	1,400
Printing, publishing and allied	2,400	2,400	2,500	2,400	2,300
Lumber and wood products	4,000	4,000	4,100	4,000	3,900
Stone, clay, glass and concrete products	1,400	1,400	1,400	1,400	1,400
Metals, primary and fabricated	2,500	2,100	2,000	1,900	1,900
Machinery, computers and electrical	2,700	3,500	3,400	2,500	1,700
Transportation equipment	2,500	2,600	2,600	2,200	2,100
Other manufacturing ⁵	<u>6,100</u>	<u>6,600</u>	<u>6,700</u>	<u>6,800</u>	<u>6,500</u>
Total Manufacturing	24,500	25,600	25,600	24,000	22,500
Mining	200	200	200	200	200
Construction	14,900	13,500	12,600	12,300	11,800
Transportation, comm. and public utilities	9,500	9,400	9,600	10,000	9,900
Trade					
Wholesale trade	12,100	12,000	12,300	11,800	11,300
Retail trade	<u>46,700</u>	<u>46,400</u>	<u>44,700</u>	<u>43,000</u>	<u>44,200</u>
Total Trade	58,800	58,400	57,000	54,800	55,500
Finance, insurance and real estate	12,800	12,600	11,900	11,400	10,900
Services	69,500	67,700	64,600	62,300	59,900
Government					
Federal	10,300	10,700	10,700	10,700	11,000
State	10,900	10,400	10,100	9,800	9,700
Local	<u>27,900</u>	<u>27,100</u>	<u>25,500</u>	<u>26,100</u>	<u>25,900</u>
Total Government	49,100	48,200	46,300	46,600	46,600
Total Nonagricultural Wage and Salary Workers	<u>239,300</u>	<u>235,400</u>	<u>228,700</u>	<u>221,600</u>	<u>217,400</u>

1. Source: Washington State Employment Security Department.

2. Columns may not add to totals due to rounding.

3. Preliminary.

4. Revised.

5. Includes food and kindred products; rubber and miscellaneous plastics products; chemicals, petroleum and allied products; and miscellaneous manufacturing.

TAX EXEMPTION

Exclusion from Gross Income

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements

The City is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the requirement to comply with arbitrage rebate requirements to the extent applicable to the Bonds. The City has covenanted in the Ordinance to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the City's compliance with such requirements.

Corporate Alternative Minimum Tax

While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

For taxable years beginning after December 31, 1997, the corporate alternative minimum tax is repealed for a small business corporation that had average gross receipts of less than \$5 million for the 3-year period beginning after December 31, 1994, and such a small business corporation will continue to be exempt from the corporate alternative minimum tax so long as its average gross receipts do not exceed \$7.5 million.

Tax on Certain Passive Investment Income of S Corporations

Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax

Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

CERTAIN OTHER FEDERAL TAX CONSEQUENCES

Bonds are "Qualified Tax-Exempt Obligations" for Financial Institutions

Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued

by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The City is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing less than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has designated the Bonds as "qualified tax-exempt obligations" for purposes of the 80% financial institution interest expense deduction. Therefore, only 20% of the interest expense deduction of a financial institution allocable to the Bonds will be disallowed for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property & Casualty Insurance Companies

Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15 percent of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits

Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipt or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences

Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

PRESERVATION OF TAX EXEMPTION

The City covenants, by the Bond Ordinance, that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Internal Revenue Code of 1986 as amended (the "Code"), is applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes. The City certifies that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

ABSENCE OF MATERIAL LITIGATION

There is no litigation of any kind now pending or, to the knowledge of the City, threatened to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued or affecting the ability of the City to pay the principal of or the interest on the Bonds.

CONTINUING DISCLOSURE

Basic Undertaking to Provide Annual Financial Information and Notice of Material Events

To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (b) (5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the City will undertake (the "Undertaking") for the benefit of holders of the Bonds to provide or cause to be provided, either directly or

through a designated agent, to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") and to a State information depository, if any, established in the State (the "SID") annual financial information and operating data of the type included in this Official Statement as generally described below ("annual financial information") and to each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders of the Bonds; (viii) Bond calls (other than scheduled mandatory redemption of Term Bonds); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes. The City will also provide to each NRMSIR or to the MSRB, and to the SID, timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided

The annual financial information that the City undertakes to provide will consist of (1) the City's annual financial statements prepared (except as noted in the financial statements) in accordance with generally accepted accounting principle applicable to governmental units, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided (2) a statement of authorized, issued and outstanding general obligation debt of the City; (3) the assessed value of property within the City subject to ad valorem taxation and (4) ad valorem tax levy rates and amounts, and amount collected; and will be provided to each NRMSIR and the SID not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2001.

The annual financial information may be provided in a single or multiple documents, and may be incorporated by reference to other documents that have been filed with each NRMSIR and the SID, or, if the document incorporated by reference is a "final official statement" with respect to other obligations of the City, that has been filed with the MSRB.

Amendment of Undertaking

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to each NRMSIR or the MSRB and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the notice also will include a narrative explanation of the effect of that change in the type of information to be provided.

Termination of Undertaking

The City's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under the Undertaking shall terminate if those provisions of the Rule which require the City to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

Remedy for Failure to Comply with Undertaking

If the City or any other obligated person fails to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

The City is in compliance with its previous undertakings to provide continuing disclosure under the Rule.

BOND RATING

The City has applied for a rating on the Bonds from Moody's Investors Service, Inc.. A municipal bond rating reflects a rating agency's current assessment of a number of factors relating to the issuer of any debt, including the likelihood of repayment of such debt, the perceived quality of management and administration of the entity, the nature and relative health of the local economy in which the issuer exists and the overall financial condition and operational controls which exist for the issuer. The existence of a bond rating does not imply a recommendation by a rating agency to purchase, sell or hold any such security, inasmuch as it does not take into account a number of subjective variables, including the market price of any such security or suitability of such security for any particular investor.

A credit rating is based on current information furnished by the issuer or obtained by a rating agency from sources which it considers to be reliable. Moody's Investors Service, Inc. does not perform an audit in connection with any credit rating it may assign and may, on occasion, rely on unaudited financial information. A bond rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances.

APPROVAL OF BOND COUNSEL

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinion of Foster Pepper & Shefelman PLLC, Bond Counsel. A copy of the opinion of Bond Counsel in substantially the form included as Appendix A to this Official Statement will be delivered with the Bonds.

CONFLICTS OF INTEREST

Some or all of the fees of the Underwriter and Bond Counsel are contingent upon the issuance and sale of the Bonds. Furthermore, Bond Counsel from time to time serves as counsel to the Underwriter with respect to issuers other than the City and transactions other than the issuance of the Bonds. None of the councilmembers or other officers of the City have interests in the issuance of the Bonds that are prohibited by applicable law.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase all of the Bonds, at a price of ___% of the par value of the Bonds. The Bonds will be reoffered at a price of ___% plus accrued interest, resulting in an underwriting spread of \$ ___ per \$1,000 of principal. After the initial public offering, the public offering prices may be varied from time to time.

CONCLUDING STATEMENT

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Bonds. Additional information may be obtained directly from the City or the Underwriter.

The foregoing statements relating to the Ordinance and other documents are in all respects subject to and qualified in their entirety by provisions of such documents.

This Official Statement, starting with the cover page and all subsequent pages, including any appendices, comprise the entire Official Statement, which has been approved by the City. The City has represented to the Underwriter that the portions of this Official Statement directly pertaining to the City neither contain any misrepresentation of material fact nor omit any material fact necessary to understand the financial, economic or legal nature of the City or any information presented herein.

APPENDIX A

FORM OF LEGAL OPINION

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June ___, 2001

City of Gig Harbor
Gig Harbor, Washington

Banc of America Securities LLC
Seattle, Washington

Re: City of Gig Harbor, Washington
Limited Tax General Obligation Bonds, 2001 - \$ _____

Ladies and Gentlemen:

We have acted as bond counsel to the City of Gig Harbor, Washington (the "City"), and have examined a certified transcript of the proceedings taken in the matter of the issuance by the City of its Unlimited Tax General Obligation Bonds, 2001 (the "Bonds"), dated June 1, 2001, in the aggregate principal amount of \$ _____, issued for the purpose of providing the funds necessary to finance completion of the City's Civic Center. The Bonds are issued pursuant to Ordinance No. ___ adopted by the City Council of the City on _____, 2001 (the "Bond Ordinance"). Capitalized terms used in this opinion which are not otherwise defined shall have the meanings given to such terms in the Bond Ordinance.

The Bonds are subject to optional redemption as provided in the Bond Ordinance.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the City to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

From such examination, as of this date and under existing law, we express the following opinions.

1. The Bonds have been legally issued and constitute valid general obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. Both principal of and interest on the Bonds are payable out of annual levies of ad valorem taxes to be made upon all of the taxable property within the City within and as part of the tax levy permitted to cities without a vote of the electorate and in amounts which, together with other available funds, will be sufficient to pay such principal and interest as the same shall become due.

3. Interest on the Bonds is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds are not private activity bonds. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code. The opinions stated in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PRESTON GATES & ELLIS LLP

By
Cynthia M. Weed

APPENDIX B

DTC AND BOOK-ENTRY SYSTEM

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DTC AND BOOK ENTRY SYSTEM

Portions of the information relating to the Book Entry System under this heading have been furnished by DTC, but have not been independently verified by the Underwriter or the City. Neither the Underwriter nor the City makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

In September 1999, the Securities and Exchange Commission approved the integration of DTC and National Securities Clearing Corporation as separate subsidiaries of the Depository Trust and Clearing Corporation ("DTCC"). Through the integration, former owners of DTC (consisting of a number of its Direct Participants, the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc.) became part owners of DTCC.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("beneficial owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the beneficial owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BOND OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the

responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Bond Registrar. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to City or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The beneficial owner of each Bond, upon registration of certificates held in the beneficial owner's name, will become the Registered Owner of that Bond.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The City and the Bond Registrar will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements that may be in effect from time to time.

NEITHER THE CITY NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, NOR THAT DTC WILL ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Each beneficial owner, acting through DTC, will have all the rights and privileges of the ownership of its Bond or Bonds and will not be required to act in concert with other beneficial owners of the Bonds held by DTC. DTC will forward to the beneficial owners any notices received in respect of their Bonds and will act in accordance with their instructions with respect thereto.

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Dave Trageser
Vice President
NW Public Finance

May 28, 2001

Honorable Mayor and City of Gig Harbor Council Members
City of Gig Harbor
3105 Judson Street
Gig Harbor, Washington 98335

RE: City of Gig Harbor, Washington
Limited Tax General Obligation Bonds, 2001
\$ _____

Honorable Mayor and City Council Members:

Banc of America Securities LLC (the "Underwriter") offers to purchase from the City of Gig Harbor, Washington (the "Issuer") all of the above-described Bonds (the "Bonds") on the terms and based upon the covenants, representations and warranties set forth below and in Appendix A, which is incorporated into this agreement (the "Purchase Agreement") by reference, and contains a brief description of the Bonds, including principal amounts, maturity, interest rates, purchase price, and the proposed date and place of delivery and payment (the "Closing"). Other provisions of this Purchase Agreement are as follows:

1. Prior to the Closing, Issuer will approve a Preliminary Official Statement (hereinafter defined) and will pass an ordinance authorizing the Bonds (the "Ordinance"), with such changes as are requested by the Issuer, Underwriter and Bond Counsel. The Underwriter is authorized by Issuer to use these documents and the information contained in them in connection with the public offering of the Bonds and the final Official Statement in connection with the sale and delivery of the Bonds.
2. Issuer, to the best of its knowledge, represents and covenants to the Underwriter that:
 - (a) It has, and will have at the Closing, the power and authority to enter into and perform the Purchase Agreement, to pass the Ordinance and to deliver and sell the Bonds to the Underwriter;
 - (b) This Purchase Agreement and the Bonds do not and will not conflict with, or constitute or create a breach or default under, any existing law, regulation, order or agreement to which Issuer is subject;
 - (c) Other than the Ordinance, no governmental approval or authorization is required in connection with the sale of the Bonds to the Underwriter;
 - (d) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry only system and the Insurer) did not contain any untrue statement of a material fact or omit to state a

material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

- (e) The Issuer hereby ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated May __, 2001 (together with the Appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the Bonds by the Underwriter prior to the availability of the Official Statement and deems such Preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), except for the omission of maturity amounts, interest rates, redemption dates and prices, ratings, underwriters' discount and related terms;
 - (f) The Issuer agrees to cooperate with the Underwriter to permit the Underwriter to deliver or cause to be delivered, within seven business days after this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of a final Official Statement in sufficient quantity to comply with paragraph (b)(4) of the Securities and Exchange Commission Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB");
 - (g) The Issuer will have made an undertaking to provide continuing disclosure to meet the conditions of paragraph (d)(2) of the United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule") as required under paragraph (b)(5) of the Rule as provided in the Ordinance.
3. The Underwriter agrees to deliver three copies of the final Official Statement to each of the nationally recognized municipal securities information repositories on the business day on which the final Official Statement is available, and in any event no later than seven business days after the date hereof and to the MSRB within 10 business days of the date hereof.
4. The Underwriter shall have the right to cancel this Purchase Agreement by notifying the Issuer of its election to do so if, after the execution of this Purchase Agreement and prior to the Closing:
- (a) A decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling or a regulation (final, temporary, or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be issued and in the case of any such regulation, published in the Federal Register, or legislation shall have been introduced in, enacted by or favorably reported to either the House of Representatives or the Senate of the United States with respect to federal taxation upon interest received on bonds of the type and character of any of the Bonds which, in the reasonable judgment of the Underwriter, materially adversely affects the marketability of the Bonds or their sale by the Underwriter, at the contemplated public offering prices; or
 - (b) The United States shall have become engaged in hostilities which have resulted in declaration of war or national emergency, or other national or international calamity or

- other event shall have occurred or accelerated to such an extent as, in the reasonable opinion of the Underwriter, to have a materially adverse affect on the marketability of the Bonds; or
- (c) There shall have occurred a general suspension of trading on the New York Stock Exchange; or
 - (d) A general banking moratorium shall have been declared by United States, New York State or Washington State authorities; or legislation shall hereafter be enacted, or actively considered for enactment, with an effective date prior to the date of the delivery of the Bonds, or a decision by a court of the United States shall hereafter be rendered, or a ruling or regulation by the Securities and Exchange Commission or other governmental agency having jurisdiction on the subject matter shall hereafter be made, the effect of which is that:
 - (i) The Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and then in effect, or
 - (ii) The Ordinance is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect; or
 - (e) A stop order, ruling or regulation by the Securities and Exchange Commission shall hereafter be issued or made, the effect of which is that the issuance, offering or sale of the Bonds, as contemplated herein or in the final Official Statement, is in violation of any provision of the Securities Act of 1933, as amended and as then in effect, and which, in its reasonable judgment, adversely affects the marketability of the Bonds or the market price thereof.
5. The Underwriter's obligations hereunder are also subject to the following conditions:
- (a) At or prior to the Closing, the Issuer will deliver, make available to the Underwriter, or have adopted:
 - (i) The Bonds, fully registered in book-entry form only in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company;
 - (ii) A certificate, dated the date of the Closing, from an authorized officer of Issuer, in form and substance acceptable to the Issuer and the Underwriter, stating that on the date of the final Official Statement and on the date of the certificate (i) the representations and warranties of the Issuer contained in this Purchase Agreement were and are true and correct in all material respects, and the Issuer has complied with all agreements and covenants and satisfied all conditions contemplated by this Purchase Agreement, and the Ordinance on its part to be performed or satisfied at or prior to the date of the Closing; (ii) insofar as the Issuer and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain any untrue statement of a material fact or omit any statement or information which is required to be stated therein or necessary to make the

statements therein, in the light of the circumstances under which they were made, not misleading; (iii) insofar as the descriptions, statements and data, including financial data, of or pertaining to other bodies and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided, however, that no representation whatsoever is made with respect to the accuracy or sufficiency of the information provided by DTC; and (iv) execution of the certificate shall constitute execution of the final Official Statement by the Issuer;

- (iii) The approving opinion of Bond Counsel dated the day of Closing in the form attached to the Official Statement;
 - (iv) The Underwriter's obligations are subject to the assignment of a ____ insured rating of "Aaa" and "____" underlying rating by Moody's Investors Service.
 - (v) The following documents executed by authorized officers of the Issuer:
 - (1) A certificate, dated the day of the Closing to the effect that no litigation or other proceedings are pending or threatened in any way affecting the issuance, sale or delivery of, or security for, any of the Bonds,
 - (2) A certificate setting forth the facts, estimates and circumstances in existence on the date of Closing which establish that it is not expected that the proceeds of the Bonds will be used in a manner that could cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code and any applicable regulations thereunder, and
 - (3) A certified copy of the Ordinance.
6. Issuer will pay the cost of preparing, printing and executing the Bonds, if any, the fees and disbursements of Bond Counsel, bond registration, insurance premium, rating assignment and any trip fees, and other expenses of Issuer.

The Underwriter will pay fees and disbursements of Underwriter's travel expenses, and other expenses of the Underwriter. The Underwriter shall be reimbursed by Issuer for the printing and distribution costs of the Preliminary and Final Official Statements, in an amount not to exceed \$1,800.

The Underwriter also may advance for Issuer's account when approved or authorized by the Issuer the cost of the items for which Issuer is responsible by making payments to third-party vendors. In such cases, Issuer shall pay such costs or expenses directly, upon submission of appropriate invoices by Underwriter, or promptly reimburse the Underwriter in the event the Underwriter has advanced such costs or expenses for Issuer's account. It is understood that

Honorable Mayor and City Council Members
City of Gig Harbor
May 28, 2001
Page 5

Issuer shall be primarily responsible for payment of all such items and that the Underwriter may agree to advance the cost of such items from time to time solely as an accommodation to Issuer and on the condition that it shall be reimbursed in full by Issuer.

7. This Purchase Agreement is intended to benefit only the parties hereto, and Issuer's representations and warranties shall survive any investigation made by or for the Underwriter, delivery and payment for the Bonds, and the termination of this Purchase Agreement. Should the Issuer fail to satisfy any of the foregoing conditions or covenants, or if the Underwriter's obligations are terminated for any reasons permitted under this Purchase Agreement, then neither the Underwriter nor the Issuer shall have any further obligations under this Purchase Agreement, except that any expenses incurred shall be borne in accordance with Section 6.
8. This offer expires on the date, and at the time, set forth on Appendix A.

Respectfully submitted,
Banc of America Securities LLC

By: Dave Trageser
Vice President

Accepted May 28, 2001
CITY OF GIG HARBOR, WASHINGTON

By: _____

**APPENDIX A
DESCRIPTION OF BONDS**

- (a) **Purchase Price:** \$ _____ (\$ _____ per \$100) plus accrued interest from the dated date to date of Closing.
- (b) **Par:** \$ _____.
- (c) **Dated Date:** June 1, 2001.
- (c) **Denominations:** \$5,000 each.
- (d) **Form:** Book-entry only.
- (e) **Interest Payment Dates:** June 1 and December 1, commencing December 1, 2001.
- (f) **Maturity Schedule:** Bonds shall mature on June 1 of each year and shall bear interest as follows:

Due June 1	Amount	Rate	Yield or Price	Due June 1	Amount	Rate	Yield or Price
2007	\$			2017	\$		
2008				2018			
2009				2019			
2010				2020			
2011				2021			
2012				2022			
2013				2023			
2014				2024			
2015				2025			
2016				2026			

- (g) **Optional Redemption:** The Bonds maturing in years 2007 through 2011 are not subject to redemption prior to maturity. The Bonds maturing on or after June 1, 2012 are subject to redemption prior to their stated maturity dates at any time on or after June 1, 2011 in whole or in part (maturities to be selected by the City) at a price of par, plus accrued interest to the date fixed for redemption.
- (h) **Closing Date:** June 12, 2001.
- (i) **Offer Expires:** 11:59 p.m. May 28, 2001.
- (j) **Bond Counsel:** Preston Gates & Ellis LLP

For Information Purposes Only:

Average Coupon	%
True Interest Cost (T.I.C.)	%
Underwriting Discount	\$



City of Gig Harbor. The "Maritime City"

DEPARTMENT OF PLANNING & BUILDING SERVICES
3125 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-4278

TO: MAYOR WILBERT AND CITY COUNCIL MEMBERS
FROM: JOHN P. VODOPICH, AICP
DIRECTOR, PLANNING & BUILDING SERVICES
SUBJECT: LAND USE HEARING EXAMINER PROPOSALS - TEMPORARY
HEARING EXAMINER SERVICES
DATE: MAY 29, 2001

BACKGROUND

As directed by Council, staff prepared and released a request for proposals (RFP) for Land Use Hearing Examiner services for the City. The RFP was released on February 23rd and proposals were due by March 23rd. During this period, the RFP was advertised in the Peninsula Gateway, the Tacoma News Tribune, the Seattle Times, the Daily Journal of Commerce and posted on the City website.

In response to this RFP, Mr. Stephen K. Causseaux, Jr. and Mr. Robert R. Gillanders submitted proposals for consideration. Mr. Causseaux has quite an extensive background serving as Hearing Examiner for local jurisdictions in Washington State. Mr. Gillanders has legal experience in serving as General Counsel for a property developer but does not appear to have experience as a Hearing Examiner.

Currently, Mr. Causseaux has issued a decision while serving as the Pierce County Hearing Examiner, which is now the subject of a lawsuit to which the City is a party. In light of this fact, the City Attorney has advised against entering into a contract with Mr. Causseaux.

The contract with the City's current Hearing Examiner, Mr. Ron McConnell expires on June 30, 2001. Staff, acting on a recommendation from the City Attorney, has contacted Mr. Mike Kenyon who has indicated a willingness to serve as temporary Land Use Hearing Examiner. Attached to this memorandum is a contract with Mr. Kenyon for the temporary services as the City's Land Use Hearing Examiner at an hourly rate of \$155.00 through December 31, 2001 or until such a time as these services are no longer needed.

RECOMMENDATION

Planning and Building Services staff recommends that the Council approve the contract with Mr. Mike Kenyon as the City's temporary Land Use Hearing Examiner and further authorize staff to re-advertise the request for proposals (RFP) for Land Use Hearing Examiner services.

**LAND USE HEARING EXAMINER
EMPLOYMENT AGREEMENT**

THE PARTIES

The parties to this Agreement are Michael R. Kenyon, of Kenyon Dornay Marshall, P.S., 11 Front Street, Issaquah, WA 98027, hereinafter referred to as "Hearing Examiner," and the City of Gig Harbor, Washington, hereinafter referred to as the "City."

PURPOSE

The purpose of this agreement is to set forth the terms of the agreement between the parties whereby the City appoints a Land Use Hearing Examiner and the Hearing Examiner agrees to perform the Hearing Examiner duties as provided by state statute and city ordinance. The City desires to contract with an attorney for the position of Hearing Examiner, and the Hearing Examiner warrants that he is an attorney, licensed by the State of Washington, and a member in good standing of the Washington State Bar.

AGREEMENT

The parties hereto agree as follows:

- A. **Performance of Duties.** The Hearing Examiner shall at all times faithfully, and to the best of his/her ability and experience, perform all of the duties that are required of him/her pursuant to the expressed and implicit terms of this agreement and pursuant to the rules of professional ethics. The provisions of chapter 17.10 of the Gig Harbor Municipal Code and RCW 35A.63.170 are incorporated into the agreement as fully as if set forth therein.
- B. **Compensation.** The City shall compensate the Hearing Examiner for handling all hearings and administrative duties related thereto for the City of Gig Harbor as follows:
 - 1. The Examiner shall provide services to the City at an hour rate of one hundred fifty-five dollars (\$155.00) for his performance of the duties described herein.
 - 2. The City shall reimburse the Examiner for his travel to and from Gig Harbor and the Examiner's regular place of employment at thirty-four and one-half cents per mile (\$0.345). The City shall also reimburse the Examiner for his costs involved in photocopying, mailing and telephone expenses incurred in the performance of his duties as Examiner.

3. The Hearing Examiner shall submit monthly payment invoices to the City after such services have been performed. The City shall pay the full amount of the invoice within thirty (30) days of the receipt, unless there is a dispute. In the event of a dispute, the City shall pay the amount not in dispute, and the parties shall resolve the matter pursuant to Section I herein.
- C. Liability Insurance. The City shall provide and maintain public officials liability insurance covering the Hearing Examiner for the discharge of his official duties at limits consistent with levels of coverage maintained for other city public officials and employees.
- D. Hearing Examiner Pro Tem. In the event of a conflict or disqualification, or when in the discretion of the Hearing Examiner the use of a Hearing Examiner Pro Tem is required, the Hearing Examiner may assign cases to a Hearing Examiner Pro Tem. At least two weeks in advance of any hearing in which the Hearing Examiner Pro Tem is required, the Hearing Examiner shall propose candidates for the position of Hearing Examiner Pro Tem to the Mayor and Planning Director with a brief explanation of the need for the use of the Hearing Examiner Pro Tem, who shall be members of good standing of the Washington State Bar Association, and subject to approval by the Mayor. In the case of a scheduling conflict, the Mayor may decide not to approve the use of an Examiner Pro Tem, and request that the hearing be rescheduled to a time that would allow the Hearing Examiner's attendance. Salary of Hearing Examiners Pro Tem shall be paid by the Hearing Examiner when Hearing Examiners Pro Tem are employed for reasons other than a judicial conflict or disqualification of the Hearing Examiner.
- E. Qualifications and Independent Contractor Status.
1. Throughout the term of this Agreement, the Hearing Examiner, and all Hearing Examiners Pro Tem, shall be attorneys licensed by the State of Washington and members in good standing with the Washington State Bar.
 2. The independent contractor status of the Hearing Examiner and Hearing Examiners Pro Tem shall be governed by this Agreement. The Hearing Examiner and Hearing Examiners Pro Tem are independent contractors and shall provide professional services to the City pursuant to this Agreement. Neither the Hearing Examiner nor the Hearing Examiners Pro Tem are employees of the City, and all shall be responsible for paying federal income tax and other taxes, fees, or other charges imposed by law upon independent contractors from the compensation paid to them by the City. Neither the Hearing Examiner nor the Hearing Examiners Pro Tem shall be entitled to any benefits provided to City employees and shall specifically not be entitled to sick leave, vacation, unemployment insurance, worker's compensation, overtime, compensatory time or any other benefit not specifically addressed and provided for in this agreement. The Hearing Examiner and Hearing Examiners Pro Tem shall be solely and entirely responsible for their acts during the performance of this Agreement. The Hearing Examiner and Hearing

Examiners Pro Tem shall be subject to the rules of conduct of the relevant personnel policies of the City and the Code of Professional Conduct.

In addition, it is recognized that the Hearing Examiner and Hearing Examiners Pro Tem will provide work and services for other clients in their independent law practices. The Hearing Examiner and Hearing Examiners Pro Tem agree not to perform such services for other clients where a conflict of interest or ethical violation as defined in the rules of Professional Conduct for attorneys may exist.

- F. Indemnification. The Hearing Examiner is a public official of the City of Gig Harbor. The Hearing Examiner agrees to indemnify, defend and hold the City harmless for any and all claims or liabilities of any nature for any acts of the Hearing Examiner, intentional or otherwise, that are outside of the scope of his official duties as described herein.
- G. Term. This agreement shall commence on July 1, 2001 and terminate on December 31, 2001, unless earlier terminated as provided in this section and section H. This agreement may be terminated by the City or the Hearing Examiner with or without cause by providing a thirty (30) day written notice of termination to the other party.
- H. Nonexclusive Contract. This shall be a nonexclusive contract. The City reserves the right to appoint additional Hearing Examiners, to contract for additional hearing examiner services in the future, or to terminate this agreement. Nothing herein shall be interpreted to prohibit such future appointments. Nothing in this Agreement shall guarantee renewal of this Agreement, its level of payment, nor the level of cases forwarded to the Hearing Examiner in the future, regardless of whether the Hearing Examiner shall be within the terms of his appointment. In the event of such future appointments, the City reserves the right to renegotiate any and all provisions of this Agreement for future contract terms.
- I. Resolution of Disputes. Should any dispute, misunderstanding or conflict arise as to the terms and conditions contained in this Agreement, the matter shall first be referred to the City, and the City shall determine the term or provision's true intent or meaning. If any dispute arises between the City and the Hearing Examiner, which cannot be resolved by the City's determination in a reasonable period of time, or if the Hearing Examiner does not agree with the City's decision on the disputed matter, jurisdiction of any resulting litigation shall be with the Pierce County Superior Court, in Pierce County, Washington. The prevailing party shall be reimbursed by the other party for its costs, expenses and reasonable attorneys fees incurred in any litigation arising out of the enforcement of this Agreement.
- J. Integration. The written provisions and terms of this Agreement shall supersede all prior verbal statements of any officer or representative of the City, or any prior agreements between the parties and such statement or prior agreements shall not be effective or be construed as entering into, forming a part of, or altering this Agreement in any way. The entire agreement between the parties is contained in this Agreement document.

K. Severability. In the event that any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the remaining provisions shall remain in full force and effect.

L. Notice. Notice given pursuant to this Agreement shall be given in writing to the parties as follows:

Hearing Examiner: Michael R. Kenyon
Kenyon Dornay Marshall, P.S.
11 Front Street South
Issaquah, WA 98027
(425) 392-

City: John P. Vodopich, AICP
Director, Department of Planning & Building Services
City of Gig Harbor
3125 Judson Street
Gig Harbor, WA 98335
(253) 851-4278

M. Waiver and Modification. No waiver or modification of this agreement shall be valid unless in writing and duly executed by both parties. The failure of either party to insist upon strict performance of any of the provisions of this Agreement shall not be construed to be a waiver or relinquishment of said Agreement provision, and the same shall remain in full force and effect.

DATED this _____ day of _____, 2001

CITY OF GIG HARBOR

Gretchen A. Wilbert, Mayor

Michael R. Kenyon,
Land Use Hearing Examiner

ATTEST:

Molly M. Towslee, City Clerk

APPROVED AS TO FORM:

Carol A. Morris, City Attorney



City of Gig Harbor. The "Maritime City"

3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-8136

TO: MAYOR WILBERT AND CITY COUNCIL MEMBERS
FROM: DAVID R. SKINNER, P.E., PUBLIC WORKS DIRECTOR *DPS*
SUBJECT: GIG HARBOR NORTH SEWER LINE EXTENSION
- SWEDE HILL, LLC EASEMENT AGREEMENT
DATE: MAY 24, 2001

INTRODUCTION/BACKGROUND

A sewer line extension is required to serve the proposed developments of Gig Harbor North and South (Target, Albertson and Home Depot). To provide for the connection of these properties to the existing sewer main the developer is proposing to connect a new sewer line into the City's existing line near the bottom of Canterwood Blvd. In order to make this connection the developer is required to grant the City an easement across a portion of property owned by Swede Hill LLC (PC Lot 0122254054). The easement shall be 10 feet wide by 297.23 feet long.

The City's standard easement agreement has been prepared to reflect the required easement.

Council approval of the easement agreement is being requested.

FISCAL CONSIDERATIONS

No funds will be expended for the acquisition of the described easements.

RECOMMENDATION

I recommend that the Council accept the attached easement agreement.

AFTER RECORDING, RETURN TO:

**The City of Gig Harbor
Attn: City Clerk
3105 Judson Street
Gig Harbor, WA 98335**

Document Title: **EASEMENT AGREEMENT**

Grantor: Swede Hill, LLC

Grantee: City of Gig Harbor

Legal Description: SE ¼ of Sec 25, T22N, R1E, W.M.
The complete legal description may be found on Page 6 of the
document.

Property Tax Parcel No.: 0122254054

Reference No. of Documents Assigned or Released: _____

EASEMENT AGREEMENT

THIS INSTRUMENT, executed this date by and between the City of Gig Harbor, a Washington municipal corporation (the "City" herein), and Swede Hill LLC, a limited liability company organized under the laws of the State of Washington, as the owners of the within-described property (the "Owners" herein):

WITNESSETH:

WHEREAS, Owners own a fee simple and/or have a substantial beneficial interest in the following real property, commonly known as Pierce County Lot No. 0122254054, and legally described as follows (the "Property" herein):

(See attached Exhibit "A" on Page 6 of this document)

WHEREAS, the City desires an easement for the purpose of monitoring, inspecting, maintaining, operating, improving, repairing, constructing, and reconstructing a sanitary sewer facility.

NOW THEREFORE, the parties hereto agree as follows:

In consideration of one dollar (\$1.00), receipt of which is hereby acknowledged, Owners hereby convey and warrant to the City, a perpetual, nonexclusive easement, under, over, through and across the Property for the purposes of monitoring, inspecting, maintaining, improving, repairing, constructing, and reconstructing a sanitary sewer facility, which easement (the "Easement" herein) is legally described as follows:

(See attached Exhibit "B" on Page 7 of this document)

This Easement is subject to and conditioned upon the following terms and covenants, which both parties promise to faithfully and fully observe and perform:

1. **Responsibility to Repair Damage.** The City shall, upon completion of any work within the Property covered by the easement, restore the surface of the Easement, and any improvements on the Property not owned by the City, disturbed, damaged or destroyed during execution of the work, as nearly as practicable to the condition they were in immediately before commencement of the work or entry by the city. However, the City shall not be required to restore any such improvements installed and/or constructed on the Easement by the Owners subsequent to execution of this Easement Agreement, and as otherwise provided in Paragraph "2" below.

2. **Limitations on Owners.** The Owners shall retain the right to use the surface of the Easement. However, the Owners shall not directly or indirectly have the right to:

- A. Erect or install, or cause to be erected or installed, any buildings, structures, pavement, or facilities within the Easement; or
- B. Plant, or cause to be planted, any additional trees, shrubs, or vegetation with deep root patterns which may cause damage to or interfere with the drainage system located within the Easement; or
- C. Develop, landscape, or beautify, or cause to be developed, landscaped, or beautified, the Easement area in any way that would unreasonably increase the costs to the City of restoring the Easement or restoring any Owner-caused or Owner authorized improvements therein; or
- D. Grant any additional or subsequent easement inconsistent with the rights of the City as granted herein. The City shall make the final determination whether any proposed subsequent easement is inconsistent with the City's Easement.

3. **Notice of Entry.** The Owners, their successors and assigns, shall allow access to the Easement by the City, without the City having to give prior notice of its intent to access the Easement.

4. **Indemnification, Hold Harmless.** The Owners hereby release, covenant not to bring suit and agree to indemnify, defend and hold harmless the City, its officers, officials, employees, agents and representatives from any and all claims, costs, judgments, losses or suits including attorneys' fees, awards or liabilities to any person arising out of or in connection with this Easement, except for injuries or damages caused by the sole negligence of the City.

In the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Owners and the City, its officers, officials, employees, agents and representatives, the Owners' liability hereunder shall be only to the extent of the Owners' negligence.

The provisions of this section shall survive the termination of this Easement.

5. **Dispute Resolution and Attorneys Fees.** If any dispute arises between the Owners and the City under any of the provisions of this Easement which cannot be resolved

by agreement of the parties, jurisdiction of any resulting litigation shall be filed in Pierce County Superior Court, Pierce County, Washington. This Easement shall be governed by and construed in accordance with the laws of the State of Washington. The prevailing part of any such litigation shall be entitled to recover its reasonable attorneys' fees and costs, including any expert witness fees.

6. **Waiver.** No waiver by either party of any term or condition of this Easement shall be deemed or construed to constitute a waiver of any other term or condition or of any subsequent breach, whether of the same or a different provision of this Easement.

7. **Merger.** This easement contains all of the agreements of the Parties with respect to any matter covered or mentioned in this Easement and no prior agreements shall be effective for any purpose.

8. **Severability.** If any of the provisions contained in this Easement are held illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect.

9. **Easement Binding on Successors and Assigns.** This instrument shall be recorded in the records of the Pierce County Auditor at the expense of the Owners and shall inure to the benefit of and be binding upon the Owners, its legal representatives, heir and all owners of an after-acquired interest in the Property, and their successors and assigns.

Dated this _____ day of _____, 2001.

CITY OF GIG HARBOR

OWNERS: SWEDE HILL, LLC

By: _____

By: Thomas D. Thum

Its: _____

Its: Partner Member

ATTEST:

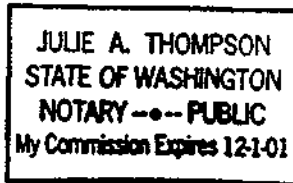
City Clerk

APPROVED AS TO FORM:
Office of the City Attorney

STATE OF WASHINGTON)
COUNTY OF Pierce) ss.
~~SNOHOMISH~~)

I certify that I know or have satisfactory evidence that Thomas D. Tucci is the person who appeared before me and said person acknowledged that he signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the Member of Swede Hill, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 5/15/01



Julie A. Thompson
NOTARY PUBLIC, State of Washington,
Residing at: Puyallup
My commission expires: 12/1/01

STATE OF WASHINGTON)
COUNTY OF PIERCE) ss.
)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the _____ of the City of Gig Harbor, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

NOTARY PUBLIC, State of Washington,
Residing at: _____
My commission expires: _____

EXHIBIT 'A'

LEGAL DESCRIPTION

COM AT SE COR OF SE TH N 660 FT TO POB TH N 88 DEG 01 MIN 08 SEC W 533.63 FT TH S 31 DEG 29 MIN W 34.46 FT TH N 88 DEG 01 MIN 08 SEC W 188.04 FT TH N 01 DEG 59 MIN E 30 FT TH N 88 DEG 01 MIN 08 SEC W TO INTER ELY LI OF SR 16 NARROWS BRIDGE TO OLYMPIC CR AS DEEDED UNDER #2430900 TH ALG SD ELY BDRY IN NLY DIRECTION TO INTER WITH W LI OF SE OF SE TH N ALG SD W LI TO INTER S LI OF N 1630 FT OF SE TH W ON SD S LI TO INTER ELY LI OF SD SR 16 BDRY TH NWLY ALG SD ELY LI OF SR 16 TO INTER N LI OF SW OF SE TH E TO ELY LI OF SE TH S TO POB EXC THEREFORE POR CYD TO P CO FOR CANTERWOOD BLVD NW ETN 854833 EASE & RESERV OF REC SEG G-6480SP DC10777PL06-29-94CL.

EXHIBIT "B"

Sanitary Sewer Easement Description

A strip of land 10.00 feet in width being 5.00 feet each side of a centerline across that portion of the Southeast quarter of Section 25, Township 22 North, Range 1 East, W.M. described as follows:

Commencing at the Southeast corner of the Southeast quarter of said Section 25;

Thence along the South line of said subdivision North $87^{\circ} 31' 45''$ West a distance of 1315.33 feet to the Southwest corner of the Southeast quarter of the Southeast quarter of said Section 25;

Thence along the West line of said Southeast quarter of the Southeast quarter North $02^{\circ} 27' 38''$ East a distance of 873.12 feet to the centerline of a sanitary sewer easement as hereinafter described;

Thence along the centerline of said sewer easement South $66^{\circ} 07' 06''$ East a distance of 54.23 feet to the westerly Right of Way of Canterwood Boulevard N.W. as established by Pierce County Public Works - Road Department under RID 1-92 approved March 10, 1993 the **POINT OF BEGINNING** of the centerline herein described;

Thence along said centerline North $66^{\circ} 07' 06''$ West a distance of 70.56 feet to an angle point in said centerline, said angle point being 5.00 feet easterly of the easterly margin of SR 16 when measured at right angles thereto;

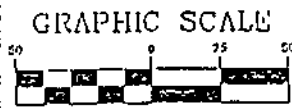
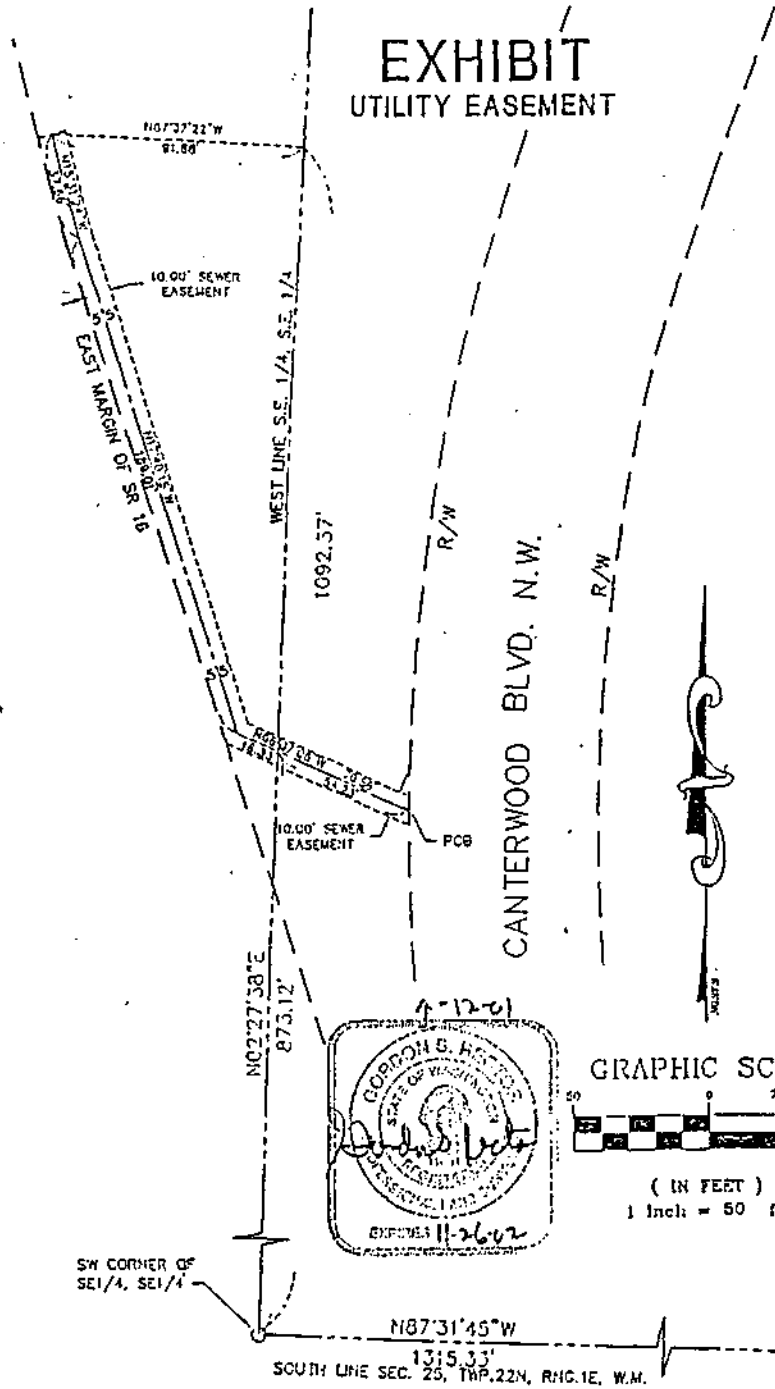
Thence along said centerline which is parallel to said easterly margin of SR 16 and 5.00 feet Easterly of, when measured at right angles thereto, North $17^{\circ} 40' 15''$ West a distance of 189.01 feet to an angle point in said centerline;

Thence along said centerline which is parallel to said easterly margin of SR 16 and 5.00 feet Easterly of, when measured at right angles thereto, North $15^{\circ} 31' 24''$ West a distance of 37.66 feet to the TERMINUS of said centerline, said terminus bears North $02^{\circ} 27' 38''$ East 1092.37 feet and North $87^{\circ} 32' 22''$ West 91.88 feet from said Southwest corner of the Southeast quarter of the Southeast quarter as measured along the West line and at right angles to the West line respectively of the Southeast quarter of the Southeast quarter of said Section 25;

The sidelines of said easement are to be lengthened or shortened so as to coincide with the Westerly Right-of-Way line of said Canterwood Boulevard Northwest.

All as shown on the Exhibit Map which by this is made part hereof.

EXHIBIT UTILITY EASEMENT



(IN FEET)
1 inch = 50 ft.

IACE
Engineering
Planning
Surveying
Penhallegon Associates Consulting Engineers, Inc.
700 SIXTH ST S KIRKLAND, WA 98033 (425) 827-2014

SCALE: 1"=50' DWG= 057235-EXBT DATE: 4/12/01 PROJ. NO.: 0057215



City of Gig Harbor. The "Maritime City"

3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-8136

TO: CITY COUNCILMEMBERS AND MARK HOPPEN
FROM: MAYOR GRETCHEN WILBERT *GW*
SUBJECT: APPOINTMENTS TO ART COMMISSION
DATE: MAY 23, 2001

INFORMATION/BACKGROUND

I'm please to announce that nine persons have responded with interest in serving on our newly adopted Gig Harbor Arts Commission. Nine positions are required by the ordinance. Interested persons are still invited to send a letter of interest in serving on the Gig Harbor Arts Commission for our file. My suggestion for the staggered 3-year terms is that they could be selected by drawing at the first meeting of the commission.

These nine volunteers will bring a wide variety of experience and knowledge to the Commission.

Suzanne Glasoe
Guy Hoppen
John Ancich

Denise Schmidt
Robin Peterson
Chris Erlich

Shirley Tomasi
Lita Dawn Stanton
Tony Winters

RECOMMENDATION

City Council approve the appointments to the Gig Harbor Arts Commission.



STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

P.O. Box 47600 • Olympia, Washington 98504-7600
(360) 407-6000 • TDD Only (Hearing Impaired) (360) 407-6006

CITY OF GIG HARBOR
MAY 23 2001

May 21, 2001

Mr. John P. Vodopich, AICP
Planning and Building Services
City of Gig Harbor
3125 Judson Street
Gig Harbor, WA 98335-1221

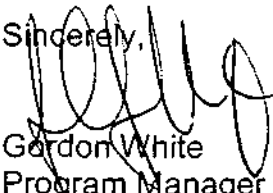
Dear Mr. Vodopich:

We are pleased to award a Section 306 Coastal Zone Management planning grant in the amount of \$26,500 for the project entitled "City of Gig Harbor Shoreline Master Program Update". This award is subject to legislative action. Should the Legislature provide funding specific to this purpose, Ecology reserves the right to revise funding sources accordingly.

In offering this award, our CZM Grant Team has made specific recommendations regarding your proposal. Ecology's project officer, **Randy Davis** (phone: 360-407-0242) will be in contact with you to coordinate any revisions needed to the scope of work. Our goal is to have an agreement in place by July 1, 2001. If the grant can not be signed by both parties within four (4) months of this letter, you will need to send a letter of justification. Otherwise, funds allocated to this project will be reprogrammed to other local jurisdictions in need. For any questions regarding grant administration, please contact Bev Huether at bhue461@ecy.wa.gov.

We look forward to working with you on this important environmental project.

Sincerely,

for

Gordon White
Program Manager
Shorelands and Environmental
Assistance Program

c: Joe Witczak
Randy Davis
Alice Schisel
Perry Lund
Bev Huether





City of Gig Harbor Police Dept.
3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-2236

TO: MAYOR WILBERT AND CITY COUNCIL
FROM: MITCH BARKER, CHIEF OF POLICE
SUBJECT: MARCH INFORMATION FROM PD
DATE: MAY 25, 2001

The April activity statistics are attached for your review.

The Reserves volunteered 121 hours in April. Their duties included patrol, high school security and court transports. We have interviewed five Reserve Officer candidates and have moved one along to the background portion of the process.

The Marine Services Unit provided six hours of public information duty at the annual Health and Safety Expo. The new boat is being assembled and we are aiming for a June 19, 2001 completion date. We will use the current boat until the new one is placed in service.

Lt. Colberg has just completed ten weeks in the School of Police Staff and Command. This is an intensive course attended by senior police administrators from our state as well as Oregon, Alaska, and Idaho. It is arguably the most demanding course, academically, of the three national police command schools. Bill did well and I believe the course will help him in dealing with future management issues.



City of Gig Harbor Police Dept.
3105 JUDSON STREET
GIG HARBOR, WASHINGTON 98335
(253) 851-2236

GIG HARBOR POLICE DEPARTMENT

MONTHLY ACTIVITY REPORT

April 2001

	<u>Apr</u> <u>2001</u>	<u>YTD</u> <u>2001</u>	<u>YTD</u> <u>2000</u>	<u>% chg to</u>
CALLS FOR SERVICE	449	1743	1568	+ 11
CRIMINAL TRAFFIC	21	71	74	- 4
TRAFFIC INFRACTIONS	75	237	306	- 22
DUI ARRESTS	10	39	31	+ 25
FELONY ARRESTS	9	16	34	- 52
MISDEMEANOR ARRESTS	19	64	98	- 30
WARRANT ARRESTS	2	13	24	- 45
CASE REPORTS	108	428	474	- 9
REPORTABLE VEHICLE ACCIDENTS	12	114	81	+ 40

Final Bond Pricing Report
\$7,825,000
City of Gig Harbor, Washington
LTGO Bonds, 2001

June 11, 2001

Banc of America Securities LLC

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Banc of America Securities



City of Gig Harbor

Final Pricing Report – LTGO Bonds, 2001

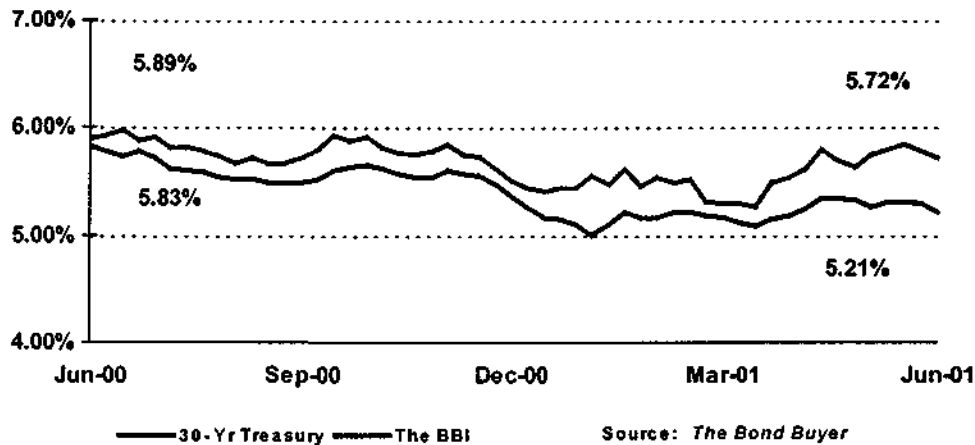
Pricing

The LTGO Bond issue priced on Thursday morning June 7. At that time interest rates were set that will be authorized in the Bond Ordinance. Banc of America Securities LLC's Bond Purchase Contract is our commitment to lock-in the rates and purchase the Bonds. The Purchase Contract is approved in Section 10 of the Bond Ordinance. Bond proceeds will be wired to the City on the June 26 closing date.

General Interest Rate Environment

Listed below is a recent history of the Bond Buyer Index, which is a composite of high grade municipal bonds.

*Interest Rate Change Over Last 12 Months
June 8, 2000 - June 7, 2001*



"A2" Moody's Underlying Bond Rating and Insurance Bids

The Bonds achieved a Moody's Investors Service "A2" bond rating. Moody's also assigned an "A1" UTGO issuer rating (any future voted bond). The City received 3 aggressive insurance bids with AMBAC being the lowest at 22.5 basis points. The insurance policy saved the City an estimated net present value amount of \$116,000 via the "Aaa" insured rating.

Preliminary Official Statement

Pursuant to SEC rules, Section 10 of the Bond Ordinance deems the May 30, 2001 copy of the Preliminary Official Statement (POS) final, except for certain offering price information. The POS is the disclosure document for the Bonds and the cover page is attached for your reference. A Final Official Statement will be prepared prior to closing that includes the final bond pricing information.

Thank you for the opportunity to continue my bond underwriting relationship with the City. I look forward to working with Dave Rodenbach to close the LTGO Bond issue.

Dave Trageser
Vice President
NW Public Finance



**MOODY'S ASSIGNS AN A2 RATING TO THE CITY OF GIG HARBOR, WASHINGTON'S
\$7.8 MILLION LIMITED TAX GENERAL OBLIGATION BONDS**

APPROXIMATELY \$8.81 MILLION IN GENERAL OBLIGATION DEBT AFFECTED

Issue:	General Obligation Limited Tax Bonds
Moody's Rating:	A2
Sale Amount:	\$7,800,000 (estimated)
Expected Sale Date:	05/28/01
Rating Description:	General Obligation, Limited Tax

NEW YORK, May 22, - Moody's has assigned an A2 rating to the City of Gig Harbor's Limited Tax General Obligation Bonds, 2001 in the amount of \$7.8 million. The current offering is secured by the full faith and credit of the city within the constitutional and statutory limitations of non-voter approved debt. At this time, Moody's has also affirmed the A2 rating on the city's \$1.46 million in outstanding limited tax general obligation (LTGO) debt and assigned an issuer rating of A1 (implied unlimited tax general obligation) to the city. Proceeds from the issue will be used to construct a new civic center. The rating reflects the city's tax base growth strengthened by recent annexations, above average socioeconomic indicators, favorable debt position, and stable financial operations.

TAX BASE GROWTH AUGMENTED BY ANNEXATIONS

The city's tax base has exhibited steady growth in recent years and was strongly augmented in 1998 by the annexation of areas north and west of the city. The annexations resulted from citizen-initiated efforts to obtain services, especially development of roads and public safety coverage. Ignoring the annexation year, which increased taxable values by 45%, the tax base still grew an average of 13.6% annually between 1996 and 2001, mostly due to commercial development and construction of high-end single family homes. With much of the annexed land undeveloped, officials anticipate continued growth going forward.

The city is a relatively affluent community located a few miles northwest of Tacoma on Puget Sound. Tourism plays an important role in the local economy, but the city's central Puget Sound location enables many residents to commute to jobs as far south as Olympia and north to Seattle. Income levels and housing values are well above state norms and full value per capita is a strong \$114,991.

MANAGEABLE DEBT POSITION

Moody's anticipates the city's debt position will remain manageable. The city's overall debt burden is a moderate 2.4% of full valuation. The rate of principal amortization is below average, with 31.6% retired in 10 years. While the city plans to issue approximately \$1.25 million in Bond Anticipation Notes within the next few months, the debt will be secured by water and sewer revenue and will not affect the city's general obligation debt burden. Continued tax base growth will also mitigate the debt burden in the medium term.

STABLE FINANCIAL OPERATIONS

Moody's expects the city to continue to have satisfactory financial operations. The city ended fiscal 1998 and 1999 with surpluses, growing the General Fund balance to \$2 million (a healthy 46.2% of operating revenues). Unaudited figures for fiscal 2000 indicate a slight deficit due to a large transfer to the Street fund for the construction of a new road. Officials expect to return to surplus operations in fiscal 2001, anticipating a General Fund balance of approximately \$2.2 million by the end of the year. These healthy reserve levels offset Moody's concerns over a heavy reliance on economically sensitive retail sales and use taxes and business and occupation taxes, that comprised a significant 64% and 21% of revenues respectively in Fiscal 1999. Property taxes represented 14% of general fund revenues that year while debt service was a somewhat high 11.3% of expenditures.

KEY STATISTICS:

2000 Population	6,465
1990 Per Capita Income:	\$22,206 (148.8% of state median)
1990 Median Housing Value as % of State Median:	142%
2001 Full Valuation:	\$743 million
2001 Full Value Per Capita:	\$114,991
Overall Debt Burden:	2.4%
Payout of Principal (10 years):	31.6%
FY00 General Fund Balance (unaudited):	\$1.96 million (39.4% of General Fund Revenues)
FY99 General Fund Balance:	\$2 million (46.2% of General Fund Revenues)

ANALYSTS:

Malcolm Thompson, Analyst, Public Finance Group, Moody's Investors Service
Jeff Thomas, Backup Analyst, Public Finance Group, Moody's Investors Service
Nicole Johnson, Director, Public Finance Group, Moody's Investors Service

CONTACTS:

Journalists: (212) 553-0376
Research Clients: (212) 553-1625



PRELIMINARY OFFICIAL STATEMENT DATED MAY 30, 2001

**BOOK-ENTRY ONLY
NEW ISSUE
NEGOTIATED**

**MOODY'S RATING: Applied For
(See the caption "BOND RATING" herein.)**

In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to the Internal Revenue Code of 1986, as amended, subject to certain conditions and assumptions described herein under "TAX EXEMPTION". The Bonds are not private activity bonds. Interest on the Bonds is included in the computation of certain federal taxes on corporations.

**CITY OF GIG HARBOR, WASHINGTON
\$7,800,000*
LIMITED TAX GENERAL OBLIGATION BONDS, 2001**

DATED: June 1, 2001

DUE: June 1, as shown below

The City of Gig Harbor, Washington (the "City"), Limited Tax General Obligation Bonds, 2001 (the "Bonds") will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. The Bonds will be initially issued in book-entry form only in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable on December 1, 2001, and semiannually thereafter on June 1 and December 1 of each year, to the maturity or prior redemption of the Bonds. The principal of and interest on the Bonds are payable by the fiscal agency of the State of Washington, currently, The Bank of New York, New York, New York (the "Fiscal Agent" or "Bond Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to Beneficial Owners of the Bonds. See Appendix B, "DTC AND BOOK-ENTRY SYSTEM hereto."

MATURITY SCHEDULE*

Due June 1	Amount	Rate	Yield or Price	Due June 1	Amount	Rate	Yield or Price
2007	\$ 235,000			2017	\$ 385,000		
2008	250,000			2018	405,000		
2009	260,000			2019	425,000		
2010	275,000			2020	445,000		
2011	285,000			2021	465,000		
2012	300,000			2022	490,000		
2013	315,000			2023	515,000		
2014	330,000			2024	540,000		
2015	350,000			2025	570,000		
2016	365,000			2026	595,000		

(Plus accrued interest from June 1, 2001)

The Bonds maturing on or after June 1, 2012 are subject to early redemption, at the option of the City, at any time on or after June 1, 2011 as a whole or in part within one or more maturities selected by the City at a price of par, plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS-Early Redemption" herein.

The City irrevocably covenants and agrees that it will include in its annual budget and levy taxes annually, in an amount permitted to cities without a vote, upon all the taxable property in the City, in amounts sufficient, together with all other money legally available therefor, to pay the principal of and interest on the Bonds as the same shall become due. The full faith, credit and resources of the City are irrevocably a pledge for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The Bonds do not constitute a debt or indebtedness of the State of Washington or any political subdivision thereof other than the City.

The City has designated the Bonds as "qualified tax-exempt obligations" under the Internal Revenue Code of 1986, as amended. See "TAX EXEMPTION" herein.

The Bonds are offered by the Underwriter when, as and if issued, with the approving legal opinion of Preston Gates & Ellis, LLP, Bond Counsel, Seattle, Washington. It is expected that the Bonds in book-entry form will be ready for delivery through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer, on or around June 12, 2001.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Banc of America Securities LLC

* Preliminary, subject to change.



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

SOURCES AND USES OF FUNDS

**CITY OF GIG HARBOR (G.O.)
LTGO BONDS, 2001**

BQ, Ambac Insured (Aaa/A2 Underlying Rating)

Dated Date 06/01 /2001

Delivery Date 06/26/2001

Sources:

Bond Proceeds:

Par Amount	7,825,000.00
Accrued Interest	27,200.35
Net Original Issue Discount	<u>-145.15</u>
	7,852,055.20

Uses:

Project Fund Deposits:

Project Fund #1	7,700,000.00
-----------------	--------------

Other Fund Deposits:

Accrued Interest	27,200.35
------------------	-----------

Delivery Date Expenses:

Cost of Issuance	25,000.00
Underwriter's Discount	63,147.75
Bond Insurance (Ambac.222%)	<u>32,472.43</u>
	120,620.18

Other Uses of Funds:

Additional Proceeds	<u>4,234.67</u>
---------------------	-----------------

7,852,055.20



APPENDIX A
DESCRIPTION OF BONDS

- (a) **Purchase Price:** \$7,761,707.10 (\$99.1911451 per \$100) plus accrued interest from the dated date to date of Closing.
- (b) **Par:** \$7,825,000.
- (c) **Dated Date:** June 1, 2001.
- (c) **Denominations:** \$5,000 each.
- (d) **Form:** Book-entry only.
- (e) **Interest Payment Dates:** June 1 and December 1, commencing December 1, 2001.
- (f) **Maturity Schedule:** Bonds shall mature on June 1 of each year and shall bear interest as follows:

Due June 1	Amount	Rate	Yield or Price	Due June 1	Amount	Rate	Yield or Price
2007	\$ 235,000	4.55	4.00	2016	\$ 365,000	4.95	100
2008	250,000	4.70	4.20	2017	380,000	5.00	5.02
2009	260,000	4.80	4.35	2018	400,000	5.05	100
2010	275,000	4.85	4.45	2019	425,000	5.00	5.10
2011	285,000	4.55	100	2020	445,000	5.10	5.15
2012	300,000	4.65	100	2021	470,000	5.10	5.18
2013	315,000	4.75	100	2022	495,000	5.15	5.21
2014	330,000	4.80	100				
2015	345,000	4.90	4.92	2026	2,250,000	5.25	5.29

- (g) **Optional Redemption:** The Bonds maturing in years 2007 through 2011 are not subject to redemption prior to maturity. The Bonds maturing on or after June 1, 2012 are subject to redemption prior to their stated maturity dates at any time on or after June 1, 2011 in whole or in part (maturities to be selected by the City) at a price of par, plus accrued interest to the date fixed for redemption.
- (h) **Mandatory Redemption:** The Bonds maturing in 2026 are Term Bonds and are subject to mandatory redemption as outlined in the Bond Ordinance.
- (i) **Closing Date:** June 26, 2001.
- (j) **Offer Expires:** 11:59 p.m. June 11, 2001.
- (k) **Bond Counsel:** Preston Gates & Ellis LLP

For Information Purposes Only:

Average Coupon	5.0745 %
True Interest Cost (T.I.C.)	5.1276 %
Underwriting Discount	\$ 63,147.75





Global Credit Research
 New Issue
 22 MAY 2001

New Issue: Gig Harbor (City of) WA

MOODY'S ASSIGNS AN A2 RATING TO THE CITY OF GIG HARBOR, WASHINGTON'S \$7.35 MILLION LIMITED TAX GENERAL OBLIGATION BONDS

Approximately \$8.81 Million in General Obligation Debt Affected

Municipality
 WA

Moody's Rating

ISSUE	RATING
General Obligation Limited Tax Bonds	A2
Sale Amount \$7,350,000	
Expected Sale Date 05/28/01	
Rating Description General Obligation, Limited Tax	

Opinion

NEW YORK, May 22, 2001 -- Moody's has assigned an A2 rating to the City of Gig Harbor's Limited Tax General Obligation Bonds, 2001 in the amount of \$7.35 million. The current offering is secured by the full faith and credit of the city within the constitutional and statutory limitations of non-voter approved debt. At this time, Moody's has also affirmed the A2 rating on the city's \$1.46 million in outstanding limited tax general obligation (LTGO) debt and assigned an issuer rating of A1 (implied unlimited tax general obligation) to the city. Proceeds from the issue will be used to construct a new civic center. The rating reflects the city's tax base growth strengthened by recent annexations, above average socioeconomic indicators, favorable debt position, and stable financial operations.

TAX BASE GROWTH AUGMENTED BY ANNEXATIONS

The city's tax base has exhibited steady growth in recent years and was strongly augmented in 1998 by the annexation of areas north and west of the city. The annexations resulted from citizen-initiated efforts to obtain services, especially development of roads and public safety coverage. Ignoring the annexation year, which increased taxable values by 45%, the tax base still grew an average of 13.6% annually between 1996 and 2001, mostly due to commercial development and construction of high-end single family homes. With much of the annexed land undeveloped, officials anticipate continued growth going forward.

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MANAGEABLE DEBT POSITION

Moody's anticipates the city's debt position will remain manageable. The city's overall debt burden is a moderate 2.4% of full valuation. The rate of principal amortization is below average, with 31.6% retired in 10 years. While the city plans to issue approximately \$1.25 million in Bond Anticipation Notes within the next few months, the debt will be secured by water and sewer revenue and will not affect the city's general

obligation debt burden. Continued tax base growth will also mitigate the debt burden in the medium term.

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KEY STATISTICS

2000 population: 6,465

1990 per capita income: \$22,206 (148.8% of state median)

1990 median housing value as % of state median: 142%

2001 full valuation: \$743 million

2001 full value per capita: \$114,991

Overall debt burden: 2.4%

Payout of principal (10 years): 31.6%

FY00 General Fund balance (unaudited): \$1.96 million (39.4% of General Fund revenues)

FY99 General Fund balance: \$2 million (46.2% of General Fund revenues)

Analysts

Malcolm Thompson
Analyst
Public Finance Group
Moody's Investors Service

Jeff Thomas
Backup Analyst
Public Finance Group
Moody's Investors Service

Nicole Johnson
Director
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1625

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