Town Hall 551 Hot Springs Blvd
Pagosa Springs, CO 81147

AGENDA

Town of Pagosa Springs Sanitation General Improvement District Meeting
Tuesday, January 7, 2025 @5:00 PM

1. **REMOTE PARTICIPATION**

   A zoom link is made available, however, the Town does not and cannot guarantee internet service or online broadcasting. Remote attendance is at the risk of the attendee as the public meeting will continue in person regardless of the Town's broadcast capability.

   Join Zoom Meeting By Computer - https://zoom.us/j/84437218002
   Dial by Phone - 1-669-900-6833 US - Meeting ID: 844 3721 8002

I. CALL MEETING TO ORDER

II. ROLL CALL

III. DISCLOSURES AND/OR CONFLICT OF INTEREST

IV. PUBLIC COMMENT

V. CONSENT AGENDA

1. Approval of the December 19, 2024 Meeting Minutes

   Town of Pagosa Springs Sanitation General Improvement District Special - 19 Dec 2024 - Minutes - Pdf

VI. REPORTS TO BOARD

1. **Sanitation District Update**

   PSSGID Agenda Brief

   Agenda Brief - PSSGID Update January 7, 2025 - Pdf

VII. UNFINISHED BUSINESS

1. A Status Update regarding Sanitation District Financing

   Agenda Brief - A Status Update regarding Sanitation District Financing - Pdf

VIII. NEW BUSINESS

1. Ordinance 21, First Reading, Amending Ordinance 20, Authorizing Financing for Improvement of Wastewater System, Covenants, and Payments of Bonds

   Agenda Brief - Ordinance 21, First Reading, Amending Ordinance 20, Authorizing Financing for Improvement of Wastewater System, Covenants, and Payments - Pdf

IX. NEXT BOARD MEETING FEBRUARY 4, 2025 AT 5:00 PM

X. ADJOURNMENT

Shari Pierce
Board President

Public comment and agenda comment item sign-up sheets are available at the meeting
Copies of proposed Ordinances and Resolutions are available to the public from the Town Clerk

Town Hall 551 Hot Springs Blvd
Pagosa Springs, CO 81147

MINUTES

Town of Pagosa Springs Sanitation General Improvement District Special Meeting
December 19, 2024 @ 5:00 PM

A special meeting of the Town of Pagosa Springs Sanitation General Improvement District was called to order on December 19, 2024, at 5:00 PM in the Town Hall 551 Hot Springs Blvd.

BOARD PRESENT: Mayor Pierce, Council Member Bergon, Council Member deGraaf, Council Member DeGuise, Council Member Lindner, Council Member Williams, and Council Member Martinez

BOARD ABSENT:

I. CALL MEETING TO ORDER

II. ROLL CALL

III. DISCLOSURES AND/OR CONFLICT OF INTEREST – None

IV. PUBLIC COMMENT – None

V. CONSENT AGENDA

1. Approval of the December 3, 2024 Board Meeting Minutes

Board Member deGraaf moved to approve the consent agenda, Board Member DeGuise seconded.
Carried.

VI. REPORTS TO BOARD

1. PSSGID Agenda Brief

Public Works Director, Karl Johnson, gave an update of the work on the sewer system. Repairs on Rainbow Drive and North 3rd Street are complete. The KOA lift station upgrades are 95% complete. Grease trap inspections at restaurants are being conducted and jetting in troublesome areas within the District.

Staff is preparing an RFQ for engineering, design, and installation of sewer main replacements. Roaring Fork Engineers are refining the Capital Improvement budget for the PSSGID revitalization and replacement project.

VII. NEW BUSINESS

1. Public Hearing on 2024 Budget Amendment

Board President Pierce opened this item for public hearing.

2. Resolution 2024-07, Amending 2024 District Budget

Budget amendments during 2024 include approval of $190,000 for design of the Vista sewer plant, repairs of 3rd Street and purchasing of pipes and fittings to repair/replace underground sewer pipe for category 4 and 5. Revenue increased as a result of the Hickory Ridge Apartments paying off their CIF deferral and additional collections.

Board Member DeGuise moved to approve Resolution 2024-07, amending the Sanitation General

Improvement District 2024 approved budget, Board Member deGraaf seconded.

Carried.

VIII. NEXT BOARD MEETING JANUARY 7, 2025 AT 5:00 PM

IX. ADJOURNMENT – Board President Pierce adjourned the meeting at 5:07 pm.

AGENDA BRIEF

MEETING: Town of Pagosa Springs Sanitation General Improvement District - 07 Jan 2025
FROM: Karl Johnson, Public Works Director

PROJECT:	PSSGID Update January 7, 2025
ACTION:	Council information

PURPOSE/BACKGROUND:
Staff working on end of year scheduled maintenance at PS1, PS2, Chambers and Apache Lift Stations.
Completed 5 Category 4 repairs on Rainbow Dr.
N 3rd St emergency replacement project pipe replacement completed. Temporary road patches will be monitored throughout the Winter and a more permanent patch is planned for Springs 2025 when asphalt plant resumes operation. Seeking additional options for temporary road patches for two sections that are already starting to fail.
KOA LS upgrades are 95% complete. All pumps, piping, and new controls installed and functioning. Electrical power supply upgrades scheduled for January 2025 with LPEA and Controls contractor.
Staff working with McKliney Associates on Bond submission.
As time permits, staff is conducting grease trap inspections at various restaurants within the sanitary district.
Staff is continuing to perform jetting in troublesome areas within the District.
Staff responded to 1 service line backup on S 10th St.
Jetting is taking place in the Category 4 & 5 identified areas from the 2020 RG & Associates Capital Investment Plan report prior to video inspection.
Started engineering design of the worst of the worst Category 5 inspected areas.
Staff is preparing RFQ documents for engineering and design for sewer main replacements.
Staff is preparing RFQ documents for installation contractors for sewer main replacements.
Echo IT is complete for the SCADA improvements and completion of the project close out paperwork has been submitted for final of grant funds reimbursement.
Staff has been meeting to discuss a manhole replacement on S 5th St near the Geothermal building.
Staff is working with the Fleet Division to accommodate failing service vehicle.
Staff has been locating per 811 requests.
Staff has been working on replacement project budget and the 2025 operations budget.
Scheduling for service line inspection for properties along Hwy 160 re-construction project, three quarters of the service lines have been either inspected or scheduled to date.
Staff has met with the Pagosa Springs CDC to discuss funding option to assist property owners along the Hwy 160 reconstruct project based off of inspection results.
Staff has installed two new sewer taps in the last few months for new construction.
Staff has been working with Roaring Fork Engineers to refine the Capital Improvement budget for the PSSGID revitalization and replacement project.
Staff has purchased some equipment and piping to start Category 4 repairs.

TOWN COUNCIL GOALS & OBJECTIVES:
2025 Goal #1: Develop a long-term strategy to provide essential sanitation and treatment services that are financially viable, future oriented, and maximize the existing assets and partnerships in a community of our size with limited resources.

AGENDA BRIEF

MEETING: Town of Pagosa Springs Sanitation General Improvement District - 07 Jan 2025
FROM: David Harris, Town Manager

PROJECT:	A Status Update regarding Sanitation District Financing
ACTION:	Board information

PURPOSE/BACKGROUND:
The Town's Municipal Advisor, Mr. Joey McLiney, has provided staff with an update regarding the recent results of the Sanitation District's Bond Rating, BBB-. Several factors resulted in this rating including the years of deferred maintenance and the few customers as a result of the small size of the District. Mr. McLiney will discuss the sale of "bond insurance" to get a better rate of A- thereby lowering the cost of issuance. This is similar to buying down interest rates for one's home mortgage.

ATTACHMENTS:
RatingsDirect_Summary_PagosaAreaWater&SanitationDistrict,Colorado;Water_Sewer_3278923_Nov-4-2024

RECOMMENDATIONS:
No action is required by the Board.

S&P Global
Ratings

RatingsDirect®

Summary:

Pagosa Area Water & Sanitation District, Colorado; Water/Sewer

Primary Credit Analyst:
Jaime Blansit, Englewood (1) 303-218-0690; jaime.blansit@spglobal.com

Secondary Contact:
Randy T Layman, Englewood + 1 (303) 721 4109; randy.layman@spglobal.com

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Summary:

Pagosa Area Water & Sanitation District, Colorado; Water/Sewer

Credit Profile		
US$11.87 mil enterprise rev bnds ser 2024 due 12/01/2054		
Long Term Rating	A/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'A' long-term rating to Pagosa Area Water & Sanitation District, Colo.'s approximately $11.87 million series 2024 enterprise revenue bonds.
- The outlook is stable.

Security

The bonds are secured by the net revenues of the water and wastewater enterprise systems. We view bond covenants as credit neutral to our analysis. The bond proceeds will fund upgrades to the wastewater treatment plant to meet regulatory requirements. The system has parity debt currently outstanding of $46 million, primarily consisting of Colorado Water Resources and Power Development Authority debt.

Credit overview

Our rating reflects management's plans to adjust rates to accommodate debt and capital needs, which we believe will provide some degree of stability within the system's financial profile; however, we view the reliance on growth-related fees to meet strong debt service coverage and the additional bond needs in fiscal 2030 as potential credit pressures in the longer term. The systems are in the middle of an intensive capital cycle, adding a new water treatment plant and significantly improving a sewer treatment plant. In addition, the sewer system will need further improvements to meet permit requirements by 2030 that are currently estimated to cost near $50 million. Considering the sizable increase in leverage in the next five years, management forecasts relying on growth-related fees from developers and well as annual rate increases through 2030 to meet future annual debt service. Recent annual increases have been larger, at 30% for the last couple of years, but will smooth to 3% to 5% in the near term. While we anticipate that strong growth fees are attainable and could support strong coverage, we view this revenue source as more volatile and unpredictable than rate revenues, and therefore we have adjusted our analysis to incorporate some of this uncertainty. We view favorably management's continued efforts to build resiliency into the system, with large portions of the capital plan targeted toward renewal and replacement of aging assets.

The district is located within mountainous southwest Colorado, which has an economy largely centered around outdoor recreation and tourism. Incomes are somewhat below state peers'; however, this is balanced by strong growth trends in recent years and general stability of economic factors through recessionary periods. The district serves both the town of Pagosa Springs (as a bulk customer) and the surrounding area.

Other rating factors include:

- Primarily residential, diversified customer base that benefits from ski resorts, hot springs, hunting, and general outdoor recreation tourism; however, due to the seasonality of second-home residents, median incomes are somewhat understated;
- Affordable combined bills, incorporating the sizable rate increases through 2025 and expectation that rate adjustments will level thereafter;
- All-in coverage, incorporated all liens and excluding capital grants, ranging from 1.5x to 2.0x historically and which we expect to continue for the next several fiscal years. Future pressures could arise if growth slows as, absent developer fees, coverage is just below sufficiency for anticipated annual debt service;
- Stable liquidity reserves that are favorable in comparison with similarly rated peers'; and
- Good management policies and practices, with long-term planning that is routinely updated, targeted capital planning to address aging assets, and codified financial targets.

Environmental, social, and governance

In our view, the system faces exposure to environmental and physical risks, similar to state and western state peers'. The utility has some exposure to wildfire and prolonged drought risks. Significant wildfire could increase sediment inflow into the water treatment plants, disrupt pump and lift station operations, or reduce access to a water source. Management reports that the varied locations and intake methods in water sources available to the district will help mitigate impacts from wildfire and that the new water treatment plant will have additional capacity to help handle excess treatment from wildfires. We view favorably management's drought management plan, which incorporates an automatic trigger for low snowpack; if snowpack is at minimum levels the following season will have mandatory water restrictions in place. The utility reports no water quality violations or exposure to regulatory pressures, outside of the current nutrient removal guidelines for the sewer system. Both systems have elevated exposure to aging infrastructure, as indicated by high water loss and inflow and infiltration.

We view social and governance risks as credit-neutral given the city's current and projected rate affordability as well as credit-supportive policies and practices that we expect will continue.

Outlook

We anticipate that if budgetary pressures occur, management's demonstrated willingness to increase rates will provide overall credit stability during the outlook period. We have incorporated into our rating additional debt plans and a degree of uncertainty regarding total revenue generation.

Downside scenario

We could lower the rating if financial deterioration exceeds our expectations, whether through steeply increased capital costs to meet regulatory needs or significant project delays that result in penalties, additional debt, or asset failure. In addition, if revenue underperforms expectations due to a slowing of growth or lower-than-expected customer usage, impacting all-in coverage, we could lower the rating.

Upside scenario

We could raise the rating if residential growth results in a steadily improving economy, building incomes and diversity within the employment base. In addition, we could raise the rating if metrics continue to demonstrate historical strength, inclusive of additional debt needs to meet permitting requirements in 2030.

Pagosa Area Water & Sanitation District, Colorado--Economic and financial data

		Fiscal year-end			
	Most recent	**2023**	**2022**	**2021**	**Median (A)**
Economic data					
MHHEBI of the service area as % of the U.S.	93.0				82.0
Unemployment rate (%)	3.6				4.0
Poverty rate (%)	9.8				12.7
Water rate (6,000 gallons or actual) ($)	55.6				42.0
Sewer rate (6,000 gallons or actual) ($)	42.6				42.0
Annual utility bill as % of MHHEBI	1.9				1.4
Operational management assessment	Good				Standard
Financial data					
Total operating revenues ($000s)		8,017	7,653	7,602	4,623
Total operating expenses less depreciation ($000s)		7,043	5,820	5,345	2,891
Net revenues available for debt service ($000s)		2,598	3,108	3,582	--
Debt service ($000s)		1,749	1,755	1,753	--
S&P Global Ratings-adjusted all-in DSC (x)		1.5	1.8	2.0	1.6
Unrestricted cash ($000s)		8,522	9,734	8,563	3,095
Days' cash of operating expenses		442	610	585	409
Total on-balance-sheet debt ($000s)		58,516	15,250	16,745	10,166
Debt-to-capitalization ratio (%)		40.3	15.6	17.0	43.8
Financial management assessment	Good	--	--	--	Standard

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

AGENDA BRIEF

MEETING: Town of Pagosa Springs Sanitation General Improvement District - 07 Jan 2025
FROM: David Harris, Town Manager

PROJECT:	Ordinance 21, First Reading, Amending Ordinance 20, Authorizing Financing for Improvement of Wastewater System, Covenants, and Payments of Bonds
ACTION:	Board discussion and action

PURPOSE/BACKGROUND:
In December, the Board approved on second reading Ordinance 20 that approved the issuance tax exempt bonds in an amount not to exceed $4.8 million to begin the repair of the Town of Pagosa Springs Sanitation General Improvement District's sewer collection system. Approving Ordinance 21 will change the sale from a competitive sale to a negotiated sale.

The Town's Municipal Advisor, Joey McLiney, is scheduled to be present by Zoom.

ATTACHMENTS:
Amendment Ordinance Town of Pagosa Springs Sanitation General Improvement District (GID) 2024 Wastewater Revenue Bond Ordinance,
20250106_OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROV

FISCAL IMPACT:
The principal and interest payments for the $4.8 million in bonds will be funded through user fees that are reflected in the existing adopted rate structure.

TOWN COUNCIL GOALS & OBJECTIVES:
Sanitation District improvements

RECOMMENDATIONS:
1. Move to Approve Ordinance 21, First Reading, an Ordinance to amend Ordinance 20 from a competitive sale to a negotiated sale.
1. Move to Approve Ordinance 21, First Reading, an Ordinance to amend Ordinance 20 from a competitive sale to a negotiated sale with the following changes...
2. Direct staff

CERTIFIED RECORD

OF

PROCEEDINGS OF THE BOARD OF DIRECTORS

OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT,

ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

RELATING TO AN ORDINANCE

AMENDING ORDINANCE NO. 20:

This cover page is not a part of the following Ordinance and is included solely for the convenience of the reader.

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ORDINANCE NO. 21

AN ORDINANCE OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, AMENDING PORTIONS OF ORDINANCE NO. 20.

WHEREAS, in accordance with Section 31-25-607(4)(b), Colorado Revised Statutes ("C.R.S."), the Town Council (the "Town Council") of the Town of Pagosa Springs ("Town") did pursuant to Ordinance No. 561 organize the Town of Pagosa Springs Sanitation General Improvement District (the "GID"); and

WHEREAS, on December 3, 2024, the Town Council, acting ex officio as the Board of Directors of the GID (the "Board") adopted Ordinance No. 20 authorizing the issuance of the "Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, Wastewater Revenue Bonds, Series 2024" (the "Bonds"); and

WHEREAS, Ordinance No. 20 provided that the Bonds were to be sold through a competitive process; and

WHEREAS, the Board desires to amend Ordinance No. 20 to provide for the negotiated sale of the Bonds and to make other amendments to Ordinance No. 20 as the District deems necessary; and

WHEREAS, the Board has determined that it is in the best interests of the District and its residents to issue the Bonds pursuant to the terms of Ordinance No. 20 as amended by this Ordinance; and

WHEREAS, the District has received, there are available to the members of the Board, and on file with the Town Clerk are form of a Bond Purchase Agreement relating to the Bonds; and

WHEREAS, none of the members of the Board have any potential conflicting interests in connection with the authorization, issuance, or sale of the Bonds, or the use of the proceeds thereof; and

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, AS FOLLOWS:

Section 1. Replacement of "Series 2024" in Ordinance No. 20. All references to "Series 2024" in Ordinance No. 20, not otherwise altered by this Ordinance, are hereby replaced with "Series 2025."

Section 2. Replacement of "Notice of Sale" in Ordinance No. 20. All references to "Notice of Sale" in Ordinance No. 20, not otherwise altered by this Ordinance, are hereby replaced in Ordinance No. 20 with "Bond Purchase Agreement."

Section 3. Replacement of "Purchaser" in Ordinance No. 20. All references to "Purchaser" in Ordinance No. 20, not otherwise altered by this Ordinance, are hereby replaced in Ordinance No. 20 with "Underwriter."

Section 4. Amendment of Section 1 of Ordinance No. 20. Section 1 of Ordinance No. 20 is hereby amended to add the following definitions of "Bond Purchase Agreement" and "Underwriter":

> *"Bond Purchase Agreement"* means the Bond Purchase Agreement, pursuant to which the District is to agree to sell and the Underwriter is to agree to purchase the Bonds at the prices and on the terms set forth therein.
>
> *"Underwriter"* means the underwriter identified in the Bond Purchase Agreement.

Section 1 of Ordinance No. 20 is hereby amended to delete the definitions of "Notice of Sale" and "Purchaser":

Section 5. Amendment of Section 2 of Ordinance No. 20. Section 2 of Ordinance No. 20 is hereby amended to read as follows:

> **"Section 2. Authorization and Purpose of the Bonds; Approval of Sale**. Pursuant to and in accordance with the Constitution of the State of Colorado and the Enabling Laws, there shall be issued by the District, acting by and through its Wastewater Activity Enterprise, the "Wastewater Revenue Bonds, Series 2025" for the purpose of providing funds for the Improvement Project."

Section 6. Amendment of Section 3(d) of Ordinance No. 20. Section 3(d) of Ordinance No. 20 is hereby amended to read as follows:

> "(d) ***Delegation for Sale Certificate***. In addition to the matters set forth in Section 2 hereof, the Board hereby delegates to the Sale Delegate for a period of one year from the date of adoption of this Ordinance (A) the matters set forth below, subject to the applicable parameters set forth in subsection (e) of this Section; and (B) any other matters that, in the judgment of the Sale Delegate, are necessary or convenient to be set forth in the Sale Certificate and are not inconsistent with the parameters set forth in this Section:
>
> (i) the Principal Payment Date;
>
> (ii) the Interest Payment Date;
>
> (iii) the aggregate principal amount of the Bonds;
>
> (iv) the price at which the Bonds will be sold pursuant to the Bond Purchase Agreement;

(v) the amount of principal of the Bonds maturing in any particular year and the respective interest rates borne by the Bonds;

(vi) the Bonds which may be redeemed at the option of the District, the dates upon which such optional redemption may occur, and the prices at which such Bonds may be optionally redeemed;

(vii) the principal amounts, if any, of Bonds subject to mandatory sinking fund redemption and the years in which such Bonds will be subject to such redemption; and

(viii) whether the Bonds will be secured by an assurance of payment as provided in the Supplemental Public Securities Act."

Section 7. No Other Amendments to Ordinance No. 20. Except as expressly provided herein, all provisions of Ordinance No. 20 shall remain in full force and effect.

Section 8. Ratification of Prior Actions. All actions heretofore taken (not inconsistent with the provisions of this Ordinance) by the District Board or by the officers and employees of the District or the Town, acting on behalf of the District, directed toward the issuance of the Bonds for the purposes herein set forth are hereby ratified, approved and confirmed.

Section 9. Headings. The headings to the various sections and paragraphs to this Ordinance have been inserted solely for the convenience of the reader, are not a part of this Ordinance, and shall not be used in any manner to interpret this Ordinance.

Section 10. Ordinance Irrepealable. After any of the Bonds have been issued, this Ordinance shall constitute a contract between the Owners and the District, and shall be and remain irrepealable until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged, as herein provided.

Section 11. Severability. It is hereby expressly declared that all provisions hereof and their application are intended to be and are severable. In order to implement such intent, if any provision hereof or the application thereof is determined by a court or administrative body to be invalid or unenforceable, in whole or in part, such determination shall not affect, impair or invalidate any other provision hereof or the application of the provision in question to any other situation; and if any provision hereof or the application thereof is determined by a court or administrative body to be valid or enforceable only if its application is limited, its application shall be limited as required to most fully implement its purpose.

Section 12. Repealer. All orders, bylaws, ordinances, and resolutions of the District, or parts thereof, inconsistent or in conflict with this Ordinance, are hereby repealed to the extent only of such inconsistency or conflict.

Section 13. Effective Date, Recording and Authentication. This Ordinance shall be in full force and effect 30 days after publication following final passage. This Ordinance, as adopted by the Board, shall be numbered and recorded by the District Secretary in the official records of the District. The adoption and publication shall be authenticated by the signatures of the Board President and District Secretary, and by the certificate of publication.

INTRODUCED, READ, AND ORDERED PUBLISHED PURSUANT TO SECTION 3.9.B. OF THE PAGOSA SPRINGS HOME RULE CHARTER, BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO, AS EX OFFICIO THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, UPON A MOTION DULY MADE, SECONDED AND PASSED AT ITS REGULAR MEETING HELD AT THE TOWN OF PAGOSA SPRINGS ON THE JANUARY 7, 2025.

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

____
Shari Pierce, Board President

ATTEST:

____
April Hessman, District Secretary

FINALLY ADOPTED, PASSED, APPROVED AND ORDERED PUBLISHED PURSUANT TO SECTION 3.9.D. OF THE PAGOSA SPRINGS HOME RULE CHARTER, BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO, AS EX OFFICIO THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, UPON A MOTION DULY MADE, SECONDED AND PASSED AT ITS REGULAR MEETING HELD AT THE TOWN OF PAGOSA SPRINGS ON JANUARY __, 2025.

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

____
Shari Pierce, Board President

ATTEST:

____
April Hessman, District Secretary

CERTIFICATE OF PUBLICATION

I, the duly appointed, qualified and acting Secretary of the Pagosa Springs Sanitation General Improvement District, do hereby certify the foregoing Ordinance No. 21 was approved by the Town Council of the Town of Pagosa Springs, Colorado, as ex officio the Board of Directors of the Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, on first reading at its regular meeting held on January 7, 2025, and was published by title only, along with a statement indicating that the full text of the Ordinance is available at the office of the Town Clerk, on the Town's official website, on January __, 2025, which date was at least ten (10) days prior to the date of Board consideration on second reading.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Town of Pagosa Springs, Colorado on January __, 2025.

____
April Hessman, District Secretary

I, the duly appointed, qualified and acting Secretary of the Pagosa Springs Sanitation General Improvement District, do hereby certify the foregoing Ordinance No. 21 was approved by the Town Council of the Town of Pagosa Springs, Colorado, as ex officio the Board of Directors of the Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, on second reading at its regular meeting held on January __, 2025, and was published by title only, along with a statement indicating that the full text of the Ordinance is available at the office of the Town Clerk, on the Town's official website, on January __, 2025.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Town of Pagosa Springs, Colorado on January __, 2025.

____
April Hessman, District Secretary

APPENDIX A

AFFIDAVIT OF PUBLICATION

(to be attached)

APPENDIX B

NOTICE OF MEETING

(to be attached)

CERTIFIED RECORD

OF

PROCEEDINGS OF THE BOARD OF DIRECTORS

OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT,

ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

RELATING TO AN ORDINANCE

AUTHORIZING THE ISSUANCE OF APPROXIMATELY:

Not to Exceed $4,800,000
WASTEWATER REVENUE BONDS
SERIES 2024

This cover page is not a part of the following Ordinance and is included solely for the convenience of the reader.

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ORDINANCE NO. 20

AN ORDINANCE OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, AUTHORIZING A FINANCING TO PROVIDE FOR THE IMPROVEMENT OF ITS WASTEWATER SYSTEM; ESTABLISHING COVENANTS IN CONNECTION WITH THE FINANCING; AND PROVIDING FOR THE PAYMENT OF THE AUTHORIZED BONDS FROM REVENUES OF THE WASTEWATER ACTIVITY ENTERPRISE.

WHEREAS, in accordance with Section 31-25-607(4)(b), Colorado Revised Statutes ("C.R.S."), the Town Council (the "Town Council") of the Town of Pagosa Springs ("Town") did pursuant to Ordinance No. 561 organize the Town of Pagosa Springs Sanitation General Improvement District (the "GID"); and

WHEREAS, the GID has the authority, pursuant to Section 31-25-611, C.R.S., to provide sanitary sewer service; and

WHEREAS, pursuant to Resolution No. 2007-02, as amended by Resolution No. 2008-01, the Town Council, acting ex officio as the Board of Directors of the GID (the "Board") established the Wastewater Activity Enterprise (the "Wastewater Activity Enterprise") to operate the GID's wastewater collection facilities and system (the "System") to provide sanitary sewer service as a "water activity enterprise" under Article X, Section 20 of the Colorado Constitution ("TABOR") and Article 45.1 of Title 37, C.R.S.; and

WHEREAS, the GID, acting by and through its Wastewater Activity Enterprise (as so acting, the "District") is authorized by Section 31-25-611, C.R.S., and Section 37-45.1-104, C.R.S., to issue revenue obligations authorized by action of the Board, such obligations to be issued in the manner provided in Part 4 of Article 35 of Title 31, C.R.S. (the "Act"); and

WHEREAS, the Board has heretofore determined and does hereby determine that it is necessary to improve the System through, among other things, the construction of the Improvement Project (as defined below); and

WHEREAS, the District has existing obligations under a loan agreement entered into in 2014 with the Colorado Water Resources and Power Development Authority ("CWRPDA") currently outstanding in the principal amount of $1,120,859.09 (the "2014 CWRPDA Loan").

WHEREAS, the District has existing obligations under a promissory note entered into in 2016 in favor of the Pagosa Area Water and Sanitation District ("PAWSD") currently outstanding in the principal amount of $1,828,646.50 (the "2016 PAWSD Loan").

WHEREAS, the Board has determined that it is in the best interests of the District and its residents to issue its Wastewater Revenue Bonds, Series 2024 for the purpose of financing the construction of the Improvement Project pursuant to this Ordinance; and

WHEREAS, the Board has determined that the District will meet all requirements set forth in the contract for the outstanding 2014 CWRPDA Loan and the 2016 PAWSD Loan for the issuance of the Bonds on parity with the outstanding 2014 CWRPDA Loan and the 2016 PAWSD Loan; and

WHEREAS, the Bonds will not be payable from any tax, will not constitute a debt or an indebtedness of the District within the meaning of any constitutional or statutory limitation, and will not be considered or held to be general obligations of the District; and

WHEREAS, the District has received, there are available to the members of the Board, and on file with the Town Clerk are forms of documents relating to the financing of the Improvement Project, including the Preliminary Official Statement, the Notice of Sale and the Paying Agent and Registrar Agreement; and

WHEREAS, none of the members of the Board have any potential conflicting interests in connection with the authorization, issuance, or sale of the Bonds, or the use of the proceeds thereof; and

WHEREAS, Board desires to authorize the issuance and sale of the Bonds and, as provided in the Supplemental Public Securities Act, delegate authority to the Sale Delegate to make certain determinations regarding the Bonds to be set forth in the Sale Certificate in accordance with the provisions of this Ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, AS FOLLOWS:

Section 1. Definitions. The following terms shall have the following meanings as used in this Ordinance:

"*Bank*" means UMB Bank, n.a., a national banking association duly organized and existing under the laws of the United States of America which has full and complete trust powers and is a qualified institution under Article 10.5 of Title 11, C.R.S., known as the Public Deposit Protection Act.

"*Board*" means the Town Council constituting ex officio the Board of Directors of the District acting as the governing body of the Wastewater Activity Enterprise.

"*Bond Account*" means the account established by the provisions hereof to account for the moneys to be applied to the payment of the debt service on the Bonds. The Bond Account shall be a subsidiary account or subaccount of the Sanitation Fund or other appropriate fund of the District and separately accounted for by the District in accordance with the provisions hereof.

"*Bond Counsel*" means (a) as of the date of issuance of the Bonds, Stradling Yocca Carlson & Rauth LLP, of Denver, Colorado; and (b) as of any other date, Stradling Yocca Carlson & Rauth LLP or such other attorneys selected by the District with nationally recognized expertise in the issuance of municipal bonds.

"*Bond Insurance Policy*" means, if the Bonds are issued with bond insurance, the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein. If the Bonds are not issued with bond insurance, this definition shall not be applicable.

"*Bond Insurer*" means, if the Bonds are issued with bond insurance, the bond insurer selected by the Sale Delegate pursuant to the Section hereof entitled "Bond Insurance," or any successor thereto.

"*Bonds*" means the "Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, Wastewater Revenue Bonds, Series 2024," dated as of the Dated Date.

"*Business Day*" means any day other than (a) a Saturday or Sunday, or (b) a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed for business.

"*Capital Improvements*" means the acquisition of land, easements, wastewater facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions, for use by or in connection with the System which, under Generally Accepted Accounting Principles for governmental units as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items.

"*Code*" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applicable to the Bonds or the use of proceeds thereof, unless the context clearly requires otherwise.

"*Combined Maximum Annual Principal and Interest Requirements*" means with regard to any two or more particular issues of bonds or other obligations, the maximum annual payments of principal of and interest on all of said issues, excluding redemption premiums, to become due during any Fiscal Year while such issues are outstanding; provided that such computation shall assume the redemption and payment of bonds or other obligations subject to mandatory redemption, but shall be made without regard to any right of optional redemption which has not been exercised.

"*Commitment*" means that certain offer, if any, to issue the Bond Insurance Policy by the Bond Insurer.

"*Continuing Disclosure Certificate*" means an undertaking of the District to facilitate compliance with Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) in substantially the form appended to the Official Statement.

"*C.R.S.*" means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

"*Dated Date*" means the dated date for the Bonds set forth in the Sale Certificate.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors in interest and assigns.

"*DTC Blanket Letter of Representations*" means the letter of representations from the District to DTC to induce DTC to act as securities depository for the Bonds.

"*Enabling Laws*" means the Supplemental Public Securities Act, the Wastewater Activity Law, the Act, the General Improvement District Act, the Town Charter and all other laws of the State of Colorado enabling the actions of the District as contemplated by the provisions of this Ordinance.

"*Event of Default*" means any of the events specified the Section hereof titled "Events of Default."

"*Federal Securities*" means bills, certificates of indebtedness, notes, bonds or similar securities which are direct noncallable obligations of the United States of America or which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

"*Fiscal Year*" means the 12 months commencing January 1 of any year and ending December 31 of said year.

"*General Improvement District Act*" means Title 31, Article 25, Part 6, C.R.S.

"*Gross Revenue*" means all fees, including but not limited to user fees and plant investment fees, charges and revenues directly or indirectly derived by the District for the services furnished by, or use of, the System, or any part thereof, including all income attributable to any future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations; provided however, that there shall be excluded from Gross Revenue (a) moneys borrowed and used for providing Capital Improvements; (b) any money and securities, and investment income therefrom, in any refunding fund, escrow account, or similar account pledged to the payment of any bonds or other obligations for the purpose of defeasing the same; and (c) any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom.

"*Improvement Project*" means any Capital Improvements which may be funded under the Enabling Laws, including but not limited to, the improvement of the District's Wastewater System, the cost of the Bond Insurance Policy, if any, and the payment of the costs of issuance of the Bonds.

"*Interest Payment Date*" means each June 1 and December 1, commencing June 1, 2025, or such other dates as established in the Sale Certificate for payment of interest on the Bonds.

"*Net Revenues*" means Gross Revenue after deducting Operation and Maintenance Expenses.

"*Notice of Sale*" means the notice of sale prepared for the competitive sale of the Bonds.

"*Official Statement*" means the final Official Statement relating to the Bonds.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the District (calculated in accordance with Generally Accepted Accounting Principles (GAAP)), paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses of the District directly related to the administration of the System; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance or transfers for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Capital Improvements, payments due in connection with any bonds or other obligations issued to provide Capital Improvements, and charges for the accumulation of reserves.

"*Ordinance*" means this ordinance authorizing the issuance of the Bonds, including any amendments or supplements hereto.

"*Owner*" or "*Owners*" means the Person or Persons in whose name or names a Bond is registered on the registration books maintained by the Paying Agent pursuant hereto.

"*Parity Lien Obligations*" means the 2014 CWRPDA Loan, the 2016 PAWSD Loan and any bonds or other obligations permitted to be issued pursuant to the Section hereof titled "Parity Lien Obligations," with a lien that is equal and on a parity with the lien of the Bonds on the Net Revenues.

"*Paying Agent*" means the Bank and its successors in interest or assigns approved by the District, which shall act as paying agent, bond registrar, and authenticating agent for the Bonds.

"*Paying Agent and Registrar Agreement*" means an agreement between the District and the Paying Agent concerning the duties and obligations of the Paying Agent with respect to the Bonds.

"*Permitted Investments*" means any investment lawfully permitted by applicable State law, except to the extent that such investments may be further limited by the Bond Insurer.

"*Person*" means a corporation, firm, other body corporate, partnership, association or individual and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

"*Preliminary Official Statement*" means the Preliminary Official Statement prepared in connection with the sale and issuance of the Bonds.

"*Principal Payment Date*" means December 1, or such other date or dates of each year as established in the Sale Certificate for payment of principal of the Bonds.

"*Project Account*" means the account established by the provisions hereof to account for the moneys to be applied to the payment of the costs relating to the Improvement Project. The Project Account shall be a subsidiary account or subaccount of the Sanitation Fund or other appropriate fund of the District and separately accounted for by the District in accordance with the provisions hereof.

"*Pro Rata Portion*" means the dollar amount derived by dividing the amount of principal or interest to come due on the next Principal Payment Date or Interest Payment Date by the number of monthly credits required to be made prior to such payment date.

"*Purchaser*" means the original purchaser of the Bonds, as so designated in the Sale Certificate.

"*Record Date*" means with respect to each Interest Payment Date, the fifteenth day of the month immediately preceding the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs.

"*Sale Certificate*" means the certificate executed by the Sale Delegate under the authority delegated pursuant to this Ordinance.

"*Sale Delegate*" means the Town Manager of the Town or, in the event the Town Manager is unavailable, the Finance Director of the Town.

"*Sanitation Fund*" means the fund of the District heretofore reaffirmed herein used to account for the financial operations of the Wastewater Activity Enterprise, and any additional or other funds established hereafter for such purpose.

"*Supplemental Public Securities Act*" means Part 2 of Article 57 of Title 11, C.R.S.

"*State*" means the State of Colorado.

"*System*" means all of the District's wastewater facilities and properties, now owned or hereafter acquired, whether situated within or without the District boundaries, including all present or future improvements, extensions, enlargements, betterments, replacements, or additions thereof or thereto.

"*Tax Compliance Certificate*" means the Tax Compliance Certificate, dated the date on which the Bonds are originally issued and delivered to the District by Bond Counsel, as it may be modified from time to time pursuant to its terms.

"*Town*" means the Town of Pagosa Springs, Colorado.

"*Town Charter*" means the Town's Home Rule Charter.

"*Wastewater Activity Enterprise*" means the District's Wastewater Activity Enterprise which was formally established pursuant to Resolution No. 2007-02, as amended by Resolution No. 2008-01 of the District and has been reaffirmed pursuant this Ordinance.

"*Wastewater Activity Law*" means Title 37, Article 45.1, C.R.S.

"*2014 CWRPDA Loan*" means the loan provided to the District by the Colorado Water Resources and Power Development Authority pursuant to a loan agreement dated February 4, 2014.

"*2016 PAWSD Loan*" means the loan provided to the District by the Pagosa Area Water and Sanitation District pursuant to a promissory note dated August 2, 2016.

Section 2. Authorization and Purpose of the Bonds; Approval of Sale. Pursuant to and in accordance with the Constitution of the State of Colorado and the Enabling Laws, there shall be issued by the District, acting by and through its Wastewater Activity Enterprise, the "Wastewater Revenue Bonds, Series 2024" for the purpose of providing funds for the Improvement Project.

The Bonds shall be sold through a competitive process pursuant to the Notice of Sale. In connection therewith, the Sale Delegate may make any changes to and determine the final form of the Notice of Sale as determined by the Sale Delegate to be necessary, and distribute the Notice of Sale to prospective bidders, all within the limitations provided herein.

Section 3. Bond Details.

(a) ***Registered Form, Denominations, Dated Date and Numbering***. The Bonds shall be issued in fully registered form, shall be dated as of the Dated Date, and shall be registered in the names of the Persons identified in the registration books maintained by the Paying Agent pursuant hereto. The Bonds shall be issued in denominations of $5,000 in principal amount or any integral multiple thereof. The Bonds shall be consecutively numbered, beginning with the number one, preceded by the letter "R."

(b) ***Maturity Dates, Principal Amounts and Interest Rates***. The Bonds shall mature on the Principal Payment Date of the years and in the principal amounts and shall bear interest at the rates per annum (calculated based on a 360-day year of twelve 30-day months) set forth in the Sale Certificate.

(c) ***Accrual and Dates of Payment of Interest***. Interest on the Bonds shall accrue at the rates set forth in the Sale Certificate from the later of the Dated Date or the latest Interest Payment Date (or in the case of defaulted interest, the latest date) to which interest has been paid in full and shall be payable on each Interest Payment Date.

(d) ***Delegation for Sale Certificate***. In addition to the matters set forth in Section 2 hereof, the Board hereby delegates to the Sale Delegate for a period of one year from the date of adoption of this Ordinance (A) the matters set forth below, subject to the applicable parameters set forth in subsection (e) of this Section; and (B) any other matters that, in the judgment of the Sale Delegate, are necessary or convenient to be set forth in the Sale Certificate and are not inconsistent with the parameters set forth in this Section:

(i) the original purchaser of the Bonds;

(ii) the Principal Payment Date;

(iii) the Interest Payment Date;

(iv) the aggregate principal amount of the Bonds;

(v) the price at which the Bonds will be sold;

(vi) the amount of principal of the Bonds maturing in any particular year and the respective interest rates borne by the Bonds;

(vii) the Bonds which may be redeemed at the option of the District, the dates upon which such optional redemption may occur, and the prices at which such Bonds may be optionally redeemed;

(viii) the principal amounts, if any, of Bonds subject to mandatory sinking fund redemption and the years in which such Bonds will be subject to such redemption; and

(ix) whether the Bonds will be secured by an assurance of payment as provided in the Supplemental Public Securities Act.

(e) ***Sale Parameters***. The authority delegated to the Sale Delegate by this Section shall be subject to the following parameters:

(i) the aggregate principal amount of the Bonds shall not exceed $4,800,000;

(ii) the final maturity of the Bonds shall be no later than December 1, 2045; and

(iii) the net effective interest rate on the Bonds shall not exceed 5.25%.

(f) ***Manner and Form of Payment***. Principal of each Bond shall be payable to the Owner thereof upon presentation and surrender of such Bond at the principal office of the Paying Agent or at such other office of the Paying Agent designated by the Paying Agent for such purpose. Interest on each Bond shall be payable by check or draft of the Paying Agent mailed on each Interest Payment Date to the Owner thereof as of the close of business on the corresponding Record Date; provided that interest payable to any Owner may be paid by any other means agreed to by such Owner and the Paying Agent that does not require the District to make moneys available to the Paying Agent earlier than otherwise required hereunder or increase the costs borne by the District hereunder. All payments of the principal of and interest on the Bonds shall be made in lawful money of the United States of America.

(g) ***Book-Entry Registration***. Notwithstanding the foregoing provisions, the Bonds of shall initially be evidenced by one Bond for each maturity and interest rate and in denominations equal to the aggregate principal amount of the Bonds of such maturity.

Such initially delivered Bonds shall be registered in the name of "Cede & Co.," as nominee for DTC, the securities depository for the Bonds. So long as the Bonds are held by DTC, the Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the Bonds as described herein, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to the Owners under this ordinance, registering the transfer of such Bonds, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. Neither the Paying Agent nor the District shall have any responsibility or obligation to any DTC participant or indirect participant, any Owner of the Bonds, or any other Person which is not shown on the registration records of the Paying Agent as being an Owner, with respect to the accuracy of any records maintained by DTC or any DTC participant or indirect participant; the payment by DTC or any DTC participant or indirect participant of any amount due on the Bonds; any notice which is permitted or required to be given to the Owners under this ordinance; the selection by DTC or any DTC participant or indirect participant of any Person to receive payment in the event of a partial redemption of the Bonds or any consent given or other action taken by DTC as Owner. After such initial issuance of the Bonds, the Bonds may not thereafter be transferred or exchanged except:

(i) to any successor of DTC or its nominee, which successor must be both a "clearing corporation" as defined in Section 4-8-102(a)(5), C.R.S., as amended, and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended; or

(ii) upon the resignation of DTC or a successor or new depository under paragraph (i) or this paragraph (ii), or a determination by the District that DTC or such successor or new depository is no longer able to carry out its functions, and the designation by the District of another depository acceptable to the depository then holding the Bonds, which new depository must be both a "clearing corporation" as defined in Section 4-8-102(a)(5), C.R.S., as amended, and a qualified and registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended, to carry out the functions of DTC or such successor or new depository; or

(iii) upon the resignation of DTC or a successor or new depository under paragraph (ii) or paragraph (ii), or a determination by the District that DTC or such successor or new depository is no longer able to carry out its functions, and the failure by the District, after reasonable investigation, within 90 days thereafter to locate another qualified depository under paragraph (ii) to carry out such depository functions or upon a determination by the District that it is in the best interest of the Owners of the Bonds that they be able to obtain Bond certificates and the delivery by the District of written notice thereof to the Paying Agent.

In the case of a transfer to a successor of DTC or its nominee as referred to in paragraph (i) above or designation of a new depository pursuant to paragraph (ii) above, upon receipt of the Bonds by the Paying Agent, together with written instructions for transfer satisfactory to the Paying Agent, a new Bond for each year in which the Bonds mature shall be issued to such successor or new depository, as the case may be, or its nominee, as is specified in such written transfer instructions. In the case of a resignation or determination under paragraph (iii) above and, if applicable, the failure after reasonable investigation within 90 days thereafter to locate another qualified depository for the Bonds as provided in paragraph (iii) above, and upon receipt of the Bonds by the Paying Agent, together with written instructions for transfer satisfactory to the Paying Agent, new Bonds shall be issued in the denominations of $5,000 or any integral multiple thereof, as provided in Section 3 hereof, registered in the names of such persons, and in such denominations as are requested in such written transfer instructions; provided, however, the Paying Agent shall not be required to deliver such new Bonds within a period of less than 60 days from the date of receipt of such written transfer instructions.

The District and the Paying Agent shall endeavor to cooperate with DTC or any successor or new depository named pursuant to paragraph (i) or (ii) above in effectuating payment of the Bonds as described herein by arranging for payment in such a manner that funds representing such payments are available to the depository on the date they are due.

Upon any partial redemption of any maturity of any of the Bonds, Cede & Co. (or its successor) in its discretion may request the District to issue and authenticate a new Bond or shall make an appropriate notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment.

Section 4. Redemption of Bonds Prior to Maturity.

(a) ***Optional Redemption***. The Bonds shall be subject to redemption at the option of the District, in whole or in part, and if in part in such order of maturities as the District shall determine and by lot within a maturity on such dates as set forth in the Sale Certificate. The Board hereby delegates to the Sale Delegate the authority to determine the dates on which the Bonds shall be subject to optional redemption and the redemption price or prices at which such redemption may be made.

(b) ***Mandatory Sinking Fund Redemption***. All or any principal amount of the Bonds may be subject to mandatory sinking fund redemption by lot on the Principal Payment Date of the years and in the principal amounts specified in the Sale Certificate, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date. The Board hereby delegates to the Sale Delegate the authority to determine the principal amounts and dates on which the Bonds shall be subject to mandatory sinking fund redemption.

(c) ***Redemption Procedures***. Notice of any redemption of Bonds shall be given by the Paying Agent in the name of the District by sending a copy of such notice by electronic means to DTC or its successors, or by first class, postage prepaid mail, not less than thirty days prior to the redemption date, to the Owner of each Bond being redeemed. Such notice shall specify the number or numbers of the Bonds so to be redeemed (if redemption shall be in part) and the redemption date. If any Bond shall have been duly called for redemption and if, on or before the redemption date, there shall have been deposited with the Paying Agent in accordance with this Ordinance funds sufficient to pay the redemption price of such Bond on the redemption date, then such Bond shall become due and payable at such redemption date, and from and after such date interest will cease to accrue thereon. Failure to deliver any redemption notice or any defect in any redemption notice shall not affect the validity of the proceeding for the redemption of Bonds with respect to which such failure or defect did not occur. Any Bond redeemed prior to its maturity by prior redemption or otherwise shall not be reissued and shall be cancelled.

Section 5. Form of the Bonds. The Bonds shall be in substantially the form set forth in Appendix A hereto, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the officials of the District executing the same (whose manual or facsimile signatures thereon shall constitute conclusive evidence of such approval). The Bond shall recite that it is issued under the authority of the Enabling Laws. Although attached as an appendix for the convenience of the reader, Appendix A is an integral part of this Ordinance and is incorporated herein as if set forth in full in the body of this Ordinance.

Section 6. Execution, Authentication and Delivery of the Bonds.

(a) ***Execution***. The Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of the Board President, shall bear a manual or facsimile of the seal of the District and shall be attested by the manual or facsimile signature of the District Secretary both of whom are hereby authorized and directed to prepare and execute the Bonds in accordance with the requirements hereof. Should any officer whose manual or facsimile signature appears on the Bonds cease to be such officer before delivery of any Bond, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes.

(b) ***Authentication***. When the Bonds have been duly executed, the officers of the District are authorized to, and shall, deliver the Bonds to the Paying Agent for authentication. No Bond shall be secured by or entitled to the benefit of this Ordinance, or shall be valid or obligatory for any purpose, unless the certificate of authentication of the Paying Agent has been manually executed by an authorized signatory of the Paying Agent. The executed certificate of authentication of the Paying Agent upon any Bond shall be conclusive evidence, and the only competent evidence, that such Bond has been properly authenticated hereunder.

(c) ***Delivery***. Upon the authentication of the Bonds, the Paying Agent shall deliver the same in accordance with the instructions of the Purchaser upon receipt of the agreed purchase price of the Bonds from the Purchaser and the issuance of the approving opinion of Bond Counsel.

Section 7. Registration, Transfer and Exchange of the Bonds.

(a) ***Registration***. The Paying Agent shall maintain registration books in which the ownership, transfer and exchange of Bonds shall be recorded. The person in whose name any Bond shall be registered on such registration books shall be deemed to be the absolute owner thereof for all purposes, whether or not payment on any Bond shall be overdue, and neither the District nor the Paying Agent shall be affected by any notice or other information to the contrary.

(b) ***Transfer and Exchange***. The Bonds may be transferred or exchanged, at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate, upon payment by the transferee of a transfer fee, any tax or governmental charge required to be paid with respect to such transfer or exchange and any cost of printing bonds in connection therewith. Upon surrender for transfer of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his or her attorney duly authorized in writing, the District shall execute and the Paying Agent shall authenticate and deliver in the name of the transferee a new Bond.

(c) ***Limitations on Transfer***. The District and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning at the close of business on the Record Date and ending at the opening of business on the first Business Day following the ensuing interest payment date. The Paying Agent shall not be required to transfer any Bonds selected or called for redemption.

Section 8. Replacement of Lost, Destroyed or Stolen Bonds. If any Bond shall become lost, apparently destroyed, stolen or wrongfully taken, it may be replaced in the form and tenor of the lost, destroyed, stolen or taken bond and the District shall execute and the Paying Agent shall authenticate and deliver a replacement Bond upon the Owner furnishing, to the satisfaction of the Paying Agent: (a) proof of ownership (which shall be shown by the registration books of the Paying Agent); (b) proof of loss, destruction or theft; (c) an indemnity to the District and the Paying Agent with respect to the Bond lost, destroyed or taken; and (d) payment of the cost of preparing and executing the new bond or bonds.

Section 9. Reaffirmation of the Sanitation Fund; Establishment of Accounts.

(a) ***Reaffirmation of Sanitation Fund***. The District hereby reaffirms the establishment of the Sanitation Fund.

(b) ***Establishment of Accounts in Sanitation Fund***. There are hereby created and established within the Sanitation Fund, in addition to other accounts which are established in said fund, the Bond Account and the Project Account. In accordance with generally accepted accounting principles, for the purpose of accounting for the moneys provided for in this Ordinance the Finance Director of the Town may create offsetting revenue and expense accounts not inconsistent with the provisions hereof, all as may be determined by the Finance Director of the Town.

(c) ***Investments***. Proceeds of the Bonds delivered to the District pursuant to the Section hereof titled "Application of Bond Proceeds," moneys on deposit in the Bond Account, and any moneys held by the Paying Agent with respect to the Bonds, shall be invested or deposited in securities or obligations which are Permitted Investments. The investment of moneys shall, however, be subject to the covenants and provisions of the Sections hereof titled "Federal Tax Covenants". Subject to such covenants and provisions, all investment earnings shall be credited to the account in which such earnings have been generated.

Section 10. Application of Bond Proceeds. Upon payment to the District of the purchase price of the Bonds by the Purchaser in accordance with the Notice of Sale, the Bonds shall be delivered to, or as directed by, the Purchaser and the proceeds received by the District from the sale of the Bonds shall be applied as a supplemental appropriation by the District for payment of the costs of issuance of the Bonds (including the payment of the premiums due in connection with the issuance of the Bond Insurance Policy) and for deposit to the Project Account, all moneys remaining after payment of the costs of issuance of the Bonds. The moneys deposited into the Project Account shall be used to pay the costs of the Improvement Project. Upon completion of the Improvement Project, the balance of moneys in the Project Account, if any, shall be transferred to the Bond Account.

Section 11. Deposit of Gross Revenues. The District shall deposit to the Sanitation Fund all Gross Revenue immediately upon receipt. The District shall pay from the Sanitation Fund all Operation and Maintenance Expenses as they become due and payable. After such payments, the District shall apply the Net Revenues in the following order of priority:

FIRST, to the credit of the Bond Account, the amounts required by the Section hereof titled "Bond Account", and to the credit of any other account established for the payment of the principal of, premium if any, and interest on Parity Lien Obligations, the amounts required by the instruments authorizing or controlling the payment of such Parity Lien Obligations;

SECOND, to the credit of any other fund or account hereafter established for the payment of the principal of, premium, if any, and interest on subordinate lien obligations, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the ordinance or other enactment authorizing issuance of the subordinate lien obligations; and

THIRD, to the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any moneys remaining in the Sanitation Fund after the payments and accumulations set forth in FIRST through SECOND above.

Section 12. Bond Account.

(a) ***Use of Moneys in Bond Account***. Moneys deposited in the Bond Account shall be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds.

(b) ***Deposits to Bond Account***. On or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the District shall credit to the Bond Account from the Net Revenues, an amount equal to the Pro Rata Portion of the interest and principal to come due on the Bonds on the next succeeding Interest Payment Date and Principal Payment Date, respectively. All deposits to the

Bond Account shall first be allocated to the payment of interest to come due on the Bonds.

Section 13. Pledge and Lien for Payment of Bonds.

(a) ***Pledge of Revenues***. The District hereby pledges for the payment of the principal of, premium, if any, and interest on the Bonds at any time outstanding, and grants an irrevocable and first lien for such purpose on Net Revenues; provided however, the first lien on Net Revenues is not an exclusive lien if Parity Lien Obligations are issued or outstanding. These pledges shall be valid and binding from and after the date of the first delivery of the Bonds, and the moneys, as received by the District and hereby pledged, shall immediately be subject to the lien of the respective pledges without any physical delivery thereof, any filing, or further act.

(b) ***Superior Liens Prohibited***. With the exception of any superior liens in existence as of the date hereof, the District shall not pledge or create any other lien on the revenues and moneys pledged pursuant to the preceding paragraph (a) of this Section hereof that is superior to the pledge thereof or lien thereon pursuant to such paragraph.

(c) ***Subordinate Liens Permitted***. Nothing herein shall prohibit the District from issuing subordinate lien obligations and pledging or creating a lien on the revenues and moneys pledged and the lien created pursuant paragraph (a) of this Section that is subordinate to the pledge thereof or lien thereon pursuant to paragraph (a) of this Section; provided that no Event of Default shall have occurred and be continuing.

(d) ***No Prohibition on Additional Security***. Nothing herein shall prohibit the District from applying any legally available revenues that are not Net Revenues to the payment of the Bonds (and thereby subjecting the moneys so deposited to the pledge made and lien granted in paragraph (a) of this Section).

(e) ***Bonds Are Special, Limited Obligations of the Wastewater Enterprise of the District***. The Owners may not look to any general or other fund of the District for the payment of the principal of or interest on the Bonds, except the funds and accounts pledged thereto by this Ordinance, and the Bonds shall not constitute a debt or an indebtedness of the District within the meaning of any constitutional or statutory limitation, nor shall they be considered or held to be general obligations of the District.

Section 14. Parity Lien Obligations. The District shall not issue Parity Lien Obligations unless compliance with any additional debt test associated with any outstanding Parity Lien Obligations, if any, is satisfied and all of the following conditions are satisfied:

(a) ***Parity Lien Test***. The Board President or other District official or employee designated in writing by the Board President certifies in writing that either:

(i) the proceeds of the proposed Parity Lien Obligations will be used to refund the Bonds, or other Parity Lien Obligations, and the maximum annual principal of and interest due on the proposed Parity Lien Obligations is not greater than the maximum annual principal of and interest due on the Bonds, or other outstanding Parity Lien Obligations, that will be refunded; or

(ii) the Net Revenues for any 12 consecutive months in the 18 months immediately preceding the month in which such certification is delivered (referred to in this clause as the "test period") have been equal to at least 120% of the sum of the Combined Maximum Annual Principal and Interest Requirements on the Bonds and any outstanding Parity Lien Obligations, and the proposed Parity Lien Obligations during each calendar year following the date of issuance of the proposed Parity Lien Obligations; provided that in calculating the Net Revenues during the test period, the District may add an amount by which the District reasonably estimates the Net Revenues would have been increased during the test period from any increase in rates, fees, and charges for services furnished by or the use of the System during or since said test period, the effect of which is to estimate a sum which would have been realized had the increase been in effect during the entire test period.

(b) ***No Event of Default***. The Board President (or other District official or employee designated in writing by the Board President) certifies in writing that no Event of Default has occurred and is continuing and that the District is current in the accumulation of all amounts required to be then accumulated in the Bond Account, as required by this Ordinance.

Section 15. Additional General Covenants. In addition to the other covenants of the District contained herein, the District hereby further covenants for the benefit of Owners of the Bonds that:

(a) ***Maintenance of Wastewater Activity Rates and Coverage***. The District hereby covenants that it will establish, maintain, enforce, and collect rates, fees, and charges for services furnished by or the use of the System to create Gross Revenue each Fiscal Year sufficient to pay Operation and Maintenance Expenses and to create Net Revenue in an amount equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the Bonds and any Parity Lien Obligations coming due during such Fiscal Year. In the event that the Gross Revenue at any time is not sufficient to make such payments, the District shall promptly increase such rates, fees, and charges to an extent which will ensure the payments and accumulations required by this Ordinance.

(b) ***Efficient Operations***. The District will continue to operate and manage the System in an efficient and economical manner in accordance with all applicable laws, rules and regulations, and keep and maintain separate accounts of the receipts and expenses thereof in such manner that the Net Revenues may at all times be readily and accurately determined.

(c) ***No Free Service***. The District will furnish no free service from the System, and if the District shall use the facilities of the System for its own purposes, it shall pay monthly a fair and reasonable amount for such service. In no event shall the

District be required to meter its use nor shall the District be required to pay a greater amount than would be charged a private consumer for the same amount of service. The District shall include in its annual appropriation and budget amounts sufficient to pay for all service so used.

(d) ***Sale or Alienation of Property***. The District will not sell or alienate any of the property constituting any part or all of the System in any manner or to any extent as might reduce the security provided for the payment of the Bonds, but the District may sell any portion of such property which shall have been replaced by other similar property of at least equal value, or which shall cease to be necessary for the efficient operations; provided however, that the proceeds of any such sale of System property shall be included as part of the Gross Revenue.

(e) ***Billing and Enforcement***. The District will promptly render bills for services furnished by or the use of the System, shall use all legal means to assure prompt payment thereof, shall take such action as may be necessary to make delinquent rates, fees, and charges of the System a lien upon the real property served, and to the extent permitted by law, shall discontinue service to any user who becomes delinquent in the payment of such charges until the delinquency and all interest, costs, and expenses incident thereto have been paid in full.

(f) ***Audits***. At least once a year in the time and manner provided by law, the District will cause an audit to be performed of the records relating to the revenues and expenditures of the System. Such audit may be made part of and included within the general audit of the District or the Town and made at the same time as the general audit. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner provided by law.

(g) ***Insurance***. The District will carry fire and extended coverage, workers' compensation, public liability, and such other forms of insurance on insurable System property as would ordinarily be carried by utilities having similar properties of equal value, such insurance being in such amounts as will protect the System and its operations. In the event of any loss or damage to the System, or in the event part or all of the System is taken by the exercise of a power of eminent domain, the insurance proceeds or the condemnation award shall be used for restoring, replacing or repairing the property lost, damaged or taken, and the remainder thereof, if any, shall be considered as Gross Revenue; provided however, that if the District Board determines that the operation of the System and the security for the Bonds will not be adversely affected thereby, the District Board may determine not to restore, replace or repair the property lost, damaged or taken and all of the insurance proceeds or condemnation award shall be considered as Gross Revenue.

(h) ***Enterprise Status***. The District has and will continue to maintain the System as an "enterprise" within the meaning Article X, Section 20 of the Colorado Constitution, and as a "Water Activity Enterprise" within the meaning of Title 37, Article 45.1, C.R.S.; provided, however, after the current calendar year the District may disqualify the System as an "enterprise" in any year in which said disqualification does not materially, adversely affect the enforceability of the covenants made pursuant to this Ordinance with respect to the Bonds. In the event that the System is disqualified as an enterprise and the enforceability of the covenants made pursuant to this Ordinance are materially, adversely affected, the District covenants to (i) immediately take all actions necessary to qualify System as an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution; and (ii) permit the enforcement of the covenants made herein.

(i) ***Book-Entry Registration***. In connection with the issuance of the Bonds, the District will enter into the DTC Blanket Letter of Representations governing the book-entry registration system for the Bonds.

Section 16. Federal Tax Covenants. The District covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the District or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (a) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (b) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, or (c) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law. In furtherance of this covenant, the District agrees to comply with the procedures set forth in the Tax Compliance Certificate. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds or until the date on which all obligations of the District in fulfilling the above covenant under the Code and Colorado law have been met.

Section 17. Defeasance. Any Bond shall not be deemed to be outstanding hereunder if it shall have been paid and cancelled or if cash or Federal Securities shall have been deposited in trust for the payment thereof (whether upon or prior to the maturity of such Bond, but if such Bond is to be paid prior to maturity, the District shall have given the Paying Agent irrevocable directions to give notice of redemption as required by this Ordinance, or such notice shall have been given in accordance with this Ordinance). In computing the amount of the deposit described above, the District may include interest to be earned on the Federal Securities. If less than all the Bonds are to be defeased pursuant to this Section, the District, in its sole discretion, may select which of the Bonds shall be defeased.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

Section 18. Events of Default. With respect to the Bonds, each of the following events constitutes an Event of Default:

(a) ***Nonpayment of Principal or Interest***. The failure to make any payment of principal of, premium, if any, or interest on the Bonds when due hereunder;

(b) ***Material Covenant Breach***. A breach by the District of any covenant set forth herein relating to the Bonds or failure by the District to perform any material duty imposed on it hereunder and continuation of such breach or failure for a period of 60 days after receipt by the Town Attorney of the Town of written notice thereof from the Paying Agent or from the Owners of at least 25% in principal amount of the outstanding Bonds;

(c) ***Cross Defaults***. The occurrence and continuance of an "event of default," as defined in any Ordinance providing for the issuance of Parity Lien Obligations; or

(d) ***Appointment of Receiver***. An order or decree is entered by a court of competent jurisdiction appointing a receiver for all or any portion of the revenues and moneys pledged for the payment of the Bonds pursuant hereto is entered with the consent or acquiescence of the District or is entered without the consent or acquiescence of the District but is not vacated, discharged or stayed within thirty days after it is entered.

Section 19. Remedies for Events of Default.

(a) ***Remedies***. Upon the occurrence and continuance of any Event of Default, the Owners of not less than 25% in principal amount of the applicable Bonds then outstanding for which the Event of Default has occurred, may proceed against the District to protect and to enforce the rights of any Owner of the applicable Bonds under this Ordinance by mandamus, injunction or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction: (i) for the payment of interest on any installment of principal of any Bond that was not paid when due at the interest rate borne by such bond; (ii) for the appointment of a receiver or an operating trustee; (iii) for the specific performance of any covenant contained herein; (iv) to enjoin any act that may be unlawful or in violation of any right of any Owner of any Bond; (v) to require the District to act as if it were the trustee of an express trust; (vi) for any other proper legal or equitable remedy as such Owner may deem most effectual to protect their rights; or (vii) any combination of such remedies or as otherwise may be authorized by any statute or other provision of law; provided, however, that acceleration of any amount not yet due on the Bonds according to their terms shall not be an available remedy. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of the applicable Bonds then outstanding. Any receiver or operating trustee appointed in any proceedings to protect the rights of Owners of Bonds hereunder may collect, receive and apply all revenues and moneys pledged for the payment of the Bonds pursuant hereto arising after the appointment of such receiver or operating trustee in the same manner as the District itself might do.

(b) ***Failure To Pursue Remedies Not a Release; Rights Cumulative***. The failure of any Owner of any Bond then outstanding to proceed in any manner herein provided shall not relieve the District of any liability for failure to perform or carry out its duties hereunder. Each right or privilege of any such Owner or trustee therefor is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof. Each Owner of any Bond shall be entitled to all of the privileges, rights and remedies provided or permitted in this Ordinance and as otherwise provided or permitted by law or in equity. Nothing herein affects or impairs the right of any Owner of any Bond to enforce the payment of the debt service due in connection with his or her Bond or the obligation of the District to pay the debt service of each Bond to the Owner thereof at the time and the place specified herein.

(c) ***Obligations of District and Paying Agent in Connection With Events of Default***. Upon the occurrence and continuation of any of Events of Default: (i) the District shall take all proper acts to protect and preserve the security for the payment of the Bonds and to insure the payment of debt service on the Bonds promptly when due; and (ii) the District and the Paying Agent shall give the Owners of the Bonds then outstanding notice by first-class mail or by electronic means to DTC or its successors of (A) any default in the payment of, premium, if any, or interest on the Bonds immediately after discovery thereof; and (B) any other Event of Default within 30 days after discovery thereof. During the continuation of any Event of Default, except to the extent it may be unlawful to do so, all revenues and moneys pledged for the payment of the Bonds pursuant hereto shall be held for and applied to the debt service on all Bonds on an equitable and prorated basis. If the District fails or refuses to proceed as provided in this paragraph, the Owners of not less than 25% in principal amount of the Bonds then outstanding, after demand in writing, may proceed to protect and to enforce the rights of the Owners of the Bonds as provided in this paragraph; and to that end any such rights of Owners of Bonds then outstanding shall be subrogated to all rights of the District under any agreement or contract involving the revenues and moneys pledged for the payment of the Bonds pursuant hereto that was entered into prior to the effective date of this Ordinance or thereafter while any of the Bonds are outstanding. Nothing herein requires the District to proceed as provided in this paragraph if it determines in good faith and without any abuse of its discretion that such action is likely to affect materially and prejudicially the Owners of the Bonds then outstanding.

(d) ***Bond Insurer***. To the extent that this Ordinance confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Ordinance, the Bond Insurer is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder. Upon the occurrence and continuance of an Event of Default, so long as it is not in default of its obligations under the Bond Insurance Policy, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners under this Ordinance and pursuant to State law.

Section 20. Bond Insurance. Upon the recommendation of the Purchaser based upon market conditions and the rating on the Bonds, one or more bond insurers may be requested to submit bids to issue the Bond Insurance Policy. In the event that the Sale Delegate determines, based upon information provided by the Purchaser, that the lowest acceptable premium bid for issuance of the Bond Insurance Policy is less than the interest cost savings to be realized by the District as a result of the issuance of the Bond Insurance Policy, the Sale Delegate may accept the Commitment issued by the lowest acceptable bidder and the Bonds shall be issued insured by the Bond Insurance Policy issued by such lowest acceptable bidder, who may be deemed to be the Bond Insurer hereunder. In the event the Sale Delegate determines, based upon information provided by the Purchaser that the lowest acceptable premium bid for the Bond Insurance Policy is more than the interest cost savings to be realized by the District as a result of the issuance of the Bond Insurance Policy, the Bonds shall be issued without bond insurance. If the Bonds are issued insured by the Bond Insurance Policy, the officers and employees of the District are hereby authorized and directed to take all actions necessary to cause the Bond Insurer selected to issue the Bond Insurance Policy in accordance with the Commitment, including without limitation, payment of the premium due in connection therewith and entering into any authorizing agreements. For purposes of this Section, the term "lowest acceptable premium bid" means the lowest bid submitted which is not conditioned upon the District's compliance with conditions deemed unacceptable by the Sale Delegate, and the term "lowest acceptable bidder" means the bidder submitting the lowest acceptable premium bid.

Section 21. Amendment of Ordinance.

(a) ***Amendments Permitted Without Notice to or Consent of Owners***. The District may, without the consent of or notice to the Owners of the Bonds, adopt one or more ordinances amending or supplementing this Ordinance, which ordinances shall thereafter become a part hereof, for any one or more or all of the following purposes:

(i) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision of this Ordinance;

(ii) to subject to this Ordinance additional revenues, properties or collateral;

(iii) to facilitate the designation of a substitute securities depository or to terminate the book-entry registration system for the Bonds;

(iv) to facilitate the issuance of Parity Lien Obligations; and

(v) to make any other change that does not materially adversely affect the Owners of the Bonds.

(b) ***Amendments Requiring Notice to and Consent of Owners***. Except for amendments permitted by paragraph (a) of this Section, this Ordinance may only be amended (i) by an ordinance of the District amending or supplementing this Ordinance (which, after the consents required therefor, shall become a part hereof); and (ii) with the written consent of the Owners of at least 66-2/3% in aggregate principal amount of the Bonds then outstanding; provided that any amendment that makes any of the following changes with respect to any Bond shall not be effective without the written consent of the Owner of such bond: (A) a change in the maturity of such bond; (B) a reduction of the interest rate on such bond; (C) a change in the terms of redemption of such bond; (D) a delay in the payment of principal of, premium, if any, or interest on such bond; (E) the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such bond hereunder that is superior to the pledge and lien for the payment of such bond hereunder; (F) a relaxation of the conditions to the issuance of Parity Lien

Obligations or to the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such bond hereunder that is equal to or on a parity with the pledge and lien for the payment of such bond hereunder; (G) a reduction of the principal amount or percentage of Bonds whose consent is required for an amendment to this Ordinance; or (H) the establishment of a priority or preference for the payment of any amount due with respect to any other Bond over such bond.

(c) ***Bond Insurance***. Notwithstanding the foregoing, if Bond Insurance is selected by the Sale Delegate, the Bond Insurer's consent shall be required in addition to the consent of Owners, when required, for the following purposes: (i) execution and delivery of any supplemental Ordinance or any amendment, supplement or change to or modification of this Ordinance; (ii) removal of the Paying Agent and selection and appointment of a successor; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires the consent of Owners.

(d) ***Procedure for Notifying and Obtaining Consent of Owners***. Whenever the consent of an Owner or Owners of Bonds is required under the preceding paragraph (b) of this Section, the District shall mail a notice to such Owner or Owners at their addresses as set forth in the registration books maintained by the Paying Agent or by electronic means to DTC or its successors and to the Purchaser, which notice shall briefly describe the proposed amendment and state that a copy of the amendment is on file in the office of the District Secretary for inspection. Any consent of any Owner of any Bond obtained with respect to an amendment shall be in writing and shall be final and not subject to withdrawal, rescission or modification for a period of sixty days after it is delivered to the District unless another time period is stated for such purpose in the notice mailed pursuant to this paragraph.

Section 22. Findings and Determinations; Limitation of Actions. The District Board hereby finds, determines and declares that it is in the best interest of the District and its residents that the Bonds be authorized, sold, issued and delivered at the time, in the manner and for the purposes provided herein. The Board elects to apply all of the provisions of the Supplemental Public Securities Act. In accordance with Section 11-57-212, C.R.S., no legal or equitable action can be brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds more than thirty days after the authorization of such securities.

Section 23. Appointment and Duties of Paying Agent. The Paying Agent is hereby appointed as paying agent, registrar and authenticating agent for the Bonds unless and until the District removes it as such and appoints a successor Paying Agent, in which event such successor shall automatically succeed to the duties of the Paying Agent hereunder and its predecessor shall immediately turn over all its records regarding the Bonds to such successor. The Paying Agent, by accepting its duties as such, agrees to perform all duties and to take all actions assigned to it hereunder in accordance with the terms hereof. The appointment and acceptance of the duties of Paying Agent hereunder may be affected through the execution of an agreement between the District and the Paying Agent.

Section 24. Approval of Miscellaneous Documents. The Board President, the District Secretary, the Sale Delegate and all other officers of the District are hereby authorized and directed to execute all documents and certificates necessary or desirable to effectuate the issuance of the Bonds and the transactions contemplated hereby including, but not limited to, the execution of the Notice of Sale, the Paying Agent and Registrar Agreement, and the Continuing Disclosure Certificate in substantially the forms presented to this meeting of the Board, as well as the Commitment, and such certificates and affidavits as may be reasonably required in connection with the issuance of the Bonds. The execution by any member of the Board of any document authorized herein shall be conclusive proof of the approval by the District of the terms thereof.

Section 25. Official Statement. The Board hereby approves the distribution and use of the Preliminary Official Statement, in the form made available to the Board at the meeting at which this Ordinance is adopted, with such changes therein, not inconsistent with this Ordinance, as are approved by the Sale Delegate (whose signature on a certificate deeming such Preliminary Official Statement final for purposes of Securities and Exchange Commission Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, shall constitute conclusive evidence of his approval of any changes appearing therein), and further approves, authorizes and directs the District staff to prepare a final Official Statement in substantially the form of such Preliminary Official Statement, with such changes therein, not inconsistent herewith, as are approved by the District. The Official Statement shall contain such corrections and additional or updated information so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Members of the Board are hereby authorized to execute copies of the Preliminary Official Statement and the Official Statement on behalf of the District.

Section 26. Ratification of Prior Actions. All actions heretofore taken (not inconsistent with the provisions of this Ordinance) by the District Board or by the officers and employees of the District or the Town, acting on behalf of the District, directed toward the issuance of the Bonds for the purposes herein set forth are hereby ratified, approved and confirmed.

Section 27. Events Occurring on Days That Are Not Business Days. Except as otherwise specifically provided herein with respect to a particular payment, event or action, if any payment to be made hereunder or any event or action to occur hereunder which, but for this section, is to be made or is to occur on a day that is not a Business Day shall instead be made or occur on the next succeeding day that is a Business Day.

Section 28. Headings. The headings to the various sections and paragraphs to this Ordinance have been inserted solely for the convenience of the reader, are not a part of this Ordinance, and shall not be used in any manner to interpret this Ordinance.

Section 29. Ordinance Irrepealable. After any of the Bonds have been issued, this Ordinance shall constitute a contract between the Owners and the District, and shall be and remain irrepealable until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged, as herein provided.

Section 30. Severability. It is hereby expressly declared that all provisions hereof and their application are intended to be and are severable. In order to implement such intent, if any provision hereof or the application thereof is determined by a court or administrative body to be invalid or unenforceable, in whole or in part, such determination shall not affect, impair or invalidate any other provision hereof or the application of the provision in question to any other situation; and if any provision hereof or the application thereof is determined by a court or administrative body to be valid or enforceable only if its application is limited, its application shall be limited as required to most fully implement its purpose.

Section 31. Repealer. All orders, bylaws, ordinances, and resolutions of the District, or parts thereof, inconsistent or in conflict with this Ordinance, are hereby repealed to the extent only of such inconsistency or conflict.

Section 32. Effective Date, Recording and Authentication. This Ordinance shall be in full force and effect 30 days after publication following final passage. This Ordinance, as adopted by the Board, shall be numbered and recorded by the District Secretary in the official records of the District. The adoption and publication shall be authenticated by the signatures of the Board President and District Secretary, and by the certificate of publication.

INTRODUCED, READ, AND ORDERED PUBLISHED PURSUANT TO SECTION 3.9.B. OF THE PAGOSA SPRINGS HOME RULE CHARTER, BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO, AS EX OFFICIO THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, UPON A MOTION DULY MADE, SECONDED AND PASSED AT ITS REGULAR MEETING HELD AT THE TOWN OF PAGOSA SPRINGS ON THE NOVEMBER 21, 2024.

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

Shari Pierce

Shari Pierce, Board President

ATTEST:

SEAL
PAGOSA SPRINGS
COLORADO

April Hessman, District Secretary

FINALLY ADOPTED, PASSED, APPROVED AND ORDERED PUBLISHED PURSUANT TO SECTION 3.9.D. OF THE PAGOSA SPRINGS HOME RULE CHARTER, BY THE TOWN COUNCIL OF THE TOWN OF PAGOSA SPRINGS, COLORADO, AS EX OFFICIO THE BOARD OF DIRECTORS OF THE TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE, UPON A MOTION DULY MADE, SECONDED AND PASSED AT ITS REGULAR MEETING HELD AT THE TOWN OF PAGOSA SPRINGS ON THE DECEMBER 3, 2024.

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

Shari Pierce

Shari Pierce, Board President

ATTEST:

April Hessman, District Secretary

PAGOSA SPRINGS SEAL COLORADO

4866-2152-1385.2

CERTIFICATE OF PUBLICATION

I, the duly appointed, qualified and acting Secretary of the Pagosa Springs Sanitation General Improvement District, do hereby certify the foregoing Ordinance No. 20 was approved by the Town Council of the Town of Pagosa Springs, Colorado, as ex officio the Board of Directors of the Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, on first reading at its regular meeting held on November 21, 2024, and was published by title only, along with a statement indicating that the full text of the Ordinance is available at the office of the Town Clerk, on the Town's official website, on November 22, 2024, which date was at least ten (10) days prior to the date of Board consideration on second reading.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Town of Pagosa Springs, Colorado on December 4, 2024.

April Hessman, District Secretary

SEAL
PAGOSA SPRINGS COLORADO

I, the duly appointed, qualified and acting Secretary of the Pagosa Springs Sanitation General Improvement District, do hereby certify the foregoing Ordinance No. 20 was approved by the Town Council of the Town of Pagosa Springs, Colorado, as ex officio the Board of Directors of the Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, on second reading at its regular meeting held on December 3, 2024, and was published by title only, along with a statement indicating that the full text of the Ordinance is available at the office of the Town Clerk, on the Town's official website, on December 4, 2024.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Town of Pagosa Springs, Colorado on December 4, 2024.

April Hessman, District Secretary

SEAL
PAGOSA SPRINGS COLORADO

4866-2152-1385.2

APPENDIX A

FORM OF THE BONDS

UNITED STATES OF AMERICA
STATE OF COLORADO

No. R-_______ $_________

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE WASTEWATER REVENUE BONDS SERIES 2024

Interest Rate:	**Maturity Date:**	**Dated Date:**	**CUSIP:**
%	_________________	________, 2024	___________

REGISTERED OWNER: ____

PRINCIPAL SUM: ____ DOLLARS

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, in the State of Colorado, a duly organized and validly existing general improvement district and political subdivision of the State of Colorado, acting by and through its Wastewater Activity Enterprise (the "District"), for value received, hereby promises to pay to the order of the registered owner named above or registered assigns, solely from the special funds as hereinafter set forth, on the maturity date stated above, the principal sum stated above, in lawful money of the United States of America, with interest thereon from the dated date stated above, at the interest rate per annum stated above, payable on June 1 and December 1 of each year, commencing [June 1, 2025], the final installment of the principal of and interest on this bond being payable to the registered owner hereof upon presentation and surrender of this bond at UMB Bank, n.a., as Paying Agent (the "Paying Agent"), at such location as identified by the Paying Agent. Prior to the final installment of principal and interest on this bond, this bond is payable by check or draft of the Paying Agent mailed on the Principal Payment Date or the Interest Payment Date to the Owner thereof as of the Record Date to the registered owner hereof as of the close of business on the fifteenth day of the month (whether or not such day is a Business Day) preceding the interest payment date.

This bond is one of an issue of bonds of the District designated as Wastewater Revenue Bonds, Series 2024, issued in the principal amount of $_________ (the "Bonds"). The Bonds are being issued by the District for the purpose of financing certain wastewater improvements, pursuant to and in full conformity with the Constitution and laws of the State of Colorado and an ordinance (the "Ordinance") duly adopted by the District prior to the issuance hereof.

[The redemption provisions provided in the Ordinance and Sale Certificate shall be set forth in this place.]

The Paying Agent shall maintain registration books in which the ownership, transfer and exchange of the Bonds shall be recorded. The person in whose name this bond shall be registered on such registration books shall be deemed to be the absolute owner hereof for all purposes, whether or not payment on this bond shall be overdue, and neither the District nor the Paying Agent shall be affected by any notice or other information to the contrary. This bond may be transferred or exchanged, at the principal operations office of the Paying Agent or at such other location as identified by the Paying Agent, for a like aggregate principal amount of the Bonds of other authorized denominations of the same maturity and interest rate, upon payment by the transferee of a transfer fee, any tax or governmental charge required to be paid with respect to such transfer or exchange and any cost of printing bonds in connection therewith.

The District pledges for the payment of the principal of, premium, if any, and interest on the Bonds at any time outstanding, and grants an irrevocable and first lien for such purpose on Net Revenues; provided however, the first lien on Net Revenues is not an exclusive lien if Parity Lien Obligations are issued or outstanding.

This bond is issued pursuant to and in accordance with the Constitution of the State of Colorado and all other laws of the State of Colorado thereunto enabling. Specifically, but not by way of limitation, this Bond is issued pursuant to Title 37, Article 45.1, C.R.S., Title 31, Article 35, Part 4, C.R.S, Title 31, Article 25, Part 6 and Title 11, Article 57, Part 2, C.R.S. Such recital shall conclusively impart full compliance with all provisions and limitations of such laws, and this Bond issued containing such recital shall be incontestable for any cause whatsoever after its delivery for value. This bond, including the interest hereon, is payable solely from and secured solely by the special funds provided in the Ordinance and shall not constitute a debt or an indebtedness of the District within the meaning of any constitutional or statutory limitation, nor shall this bond be considered or held to be a general obligation of the District.

THE ORDINANCE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THIS BOND AND THE DISTRICT. THIS BOND IS ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, IS SUBJECT IN ALL RESPECTS TO THE TERMS OF THE ORDINANCE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THIS BOND.

The District agrees with the owner of this bond and with each and every person who may become the owner hereof, that it will keep and perform all the covenants and agreements contained in the Ordinance.

The Ordinance may be amended or supplemented from time to time with or without the consent of the registered owners of the Bonds as provided in the Ordinance.

[*If the Sale Certificate provides for the purchase of a Bond Insurance Policy, the following shall be included*: The Ordinance provides that ______________________ (the "Bond Insurer") shall be deemed to be the registered owner of this bond for all purposes other than: (a) except as otherwise provided in the municipal bond insurance policy issued by the Bond Insurer with respect to the Bonds, the right to receive receipt of the principal of, premium, if any, and interest on the this bond; and (b) the right to consent to an amendment to the Ordinance.]

It is hereby certified that all conditions, acts and things required by the constitution and laws of the State of Colorado, and the ordinances of the District, to exist, to happen and to be performed, precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the Bonds do not exceed any limitations prescribed by said Constitution or laws of the State of Colorado, or the ordinances of the District.

This bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the Paying Agent shall have signed the certificate of authentication hereon.

IN WITNESS WHEREOF, the Town of Pagosa Springs Sanitation General Improvement District, acting by and through its Wastewater Activity Enterprise, has caused this bond to be signed in the name and on behalf of the District with the manual or facsimile signature of the Board President, to be sealed with the seal of the District or a facsimile thereof and to be attested by the manual or facsimile signature of the District Secretary.

TOWN OF PAGOSA SPRINGS SANITATION GENERAL IMPROVEMENT DISTRICT, ACTING BY AND THROUGH ITS WASTEWATER ACTIVITY ENTERPRISE

By Shari Pierce
Board President

Attest:

By ______________________
District Secretary

SEAL
PAGOSA SPRINGS COLORADO

4866-2152-1385.2

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Ordinance.

Date of Authentication: ______________________.

________________, as Paying Agent

By ___________________________________
Authorized Representative

[STATEMENT OF INSURANCE]

[If the Sale Certificate provides for the purchase of a Bond Insurance Policy, the related Statement of Insurance required by the Commitment shall be set forth herein.]

CERTIFICATE OF TRANSFER

FOR VALUE RECEIVED, ________________________________, the undersigned, hereby sells, assigns and transfers unto ________________________________ (Tax Identification or Social Security No. _____________) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints ________________________________ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: __________________________

____
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

____
NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Transfer Fee May Be Required

APPENDIX B

AFFIDAVIT OF PUBLICATION

(to be attached)

APPENDIX C

NOTICE OF MEETING

(to be attached)