

CITY OF SEATTLE
ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions; and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a charge and lien on the net revenue of the Drainage and Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, the City has determined that it is in the best interest of the City to authorize the issuance and sale, subject to the provisions of this ordinance, of drainage and wastewater revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide for the reserve requirement, and to pay the costs of issuance of those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the following capitalized terms shall have the following meanings.

1 **“Accreted Value”** means with respect to any Capital Appreciation Bond (a) as of any
2 Valuation Date, the amount set forth for such date in any Parity Bond Legislation authorizing
3 such Capital Appreciation Bond, and (b) as of any date other than a Valuation Date, the sum of
4 (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the
5 numerator of which is the number of days having elapsed from the preceding Valuation Date and
6 the denominator of which is the number of days from such preceding Valuation Date to the next
7 succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues
8 during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day
9 months, multiplied by (B) the difference between the Accreted Values for such Valuation Dates.

10 **“Adjusted Annual Debt Service”** for any fiscal year means Annual Debt Service minus
11 (a) an amount equal to ULID Assessments due in that year and not delinquent, (b) an amount
12 equal to earnings from investments in the Reserve Subaccount and (c) Annual Debt Service
13 provided for by Parity Bond proceeds.

14 **“Adjusted Gross Revenue”** means, for any period, Gross Revenue plus withdrawals
15 from the Rate Stabilization Account made during that period, and less deposits into the Rate
16 Stabilization Account made during that period. *Upon the redemption or defeasance of all*
17 *outstanding 2004 Bonds, “Adjusted Gross Revenue” shall be defined as follows: “Adjusted*
18 *Gross Revenue” means, for any period, Gross Revenue plus withdrawals from the Rate*
19 *Stabilization Account made during that period, and minus (a) ULID Assessments, (b) earnings*
20 *from investments in the Reserve Subaccount and (c) deposits into the Rate Stabilization Account*
21 *made during that period.*

22 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Operating and
23 Maintenance Expense.

24 **“Annual Debt Service”** for any calendar year means the sum of the amounts required in
25 such calendar year to pay the interest due in such calendar year on all Parity Bonds outstanding,
26 excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; the
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1 principal of all outstanding Serial Bonds due in such calendar year; and the Sinking Fund
2 Requirement, if any, for such calendar year.

3 (a) For purposes of this definition, the principal and interest portions of the Accreted
4 Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund
5 Requirement shall be included in the calculations of accrued and unpaid and accruing interest or
6 principal in such manner and during such period of time as is specified in any Parity Bond
7 Legislation authorizing such Capital Appreciation Bonds.

8 (b) For purposes of calculating and determining compliance with the Coverage
9 Requirement, the Reserve Requirement and the conditions for the issuance of Future Parity
10 Bonds and/or entering into Parity Payment Agreements, the following shall apply:

11 (i) **Generally.** Except as otherwise provided by subparagraph (ii) below with respect
12 to Variable Interest Rate Bonds and by subparagraph (iii) below with respect to
13 Parity Bonds with respect to which a Payment Agreement is in force, interest on
14 any issue of Parity Bonds shall be calculated based on the actual amount of
15 accrued, accreted or otherwise accumulated interest that is payable in respect of
16 that issue taken as a whole, at the rate or rates set forth in the applicable Parity
17 Bond Legislation.

18 (ii) **Interest on Variable Interest Rate Bonds.** The amount of interest deemed to be
19 payable on any issue of Variable Interest Rate Bonds shall be calculated on the
20 assumption that the interest rate on those bonds would be equal to the rate that is
21 90% of the average RBI during the four calendar quarters preceding the quarter in
22 which the calculation is made.

23 (iii) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in**
24 **Force.** Debt service on Parity Bonds with respect to which a Payment Agreement
25 is in force shall be based on the net economic effect on the City expected to be
26 produced by the terms of the Parity Bonds and the terms of the Payment
27 Agreement, including but not limited to the effects produced by the following:
28 (A) Parity Bonds that would, but for a Payment Agreement, be treated as
obligations bearing interest at a Variable Interest Rate instead shall be treated as
obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that
would, but for a Payment Agreement, be treated as obligations bearing interest at
a fixed interest rate instead shall be treated as obligations bearing interest at a
Variable Interest Rate. Accordingly, the amount of interest deemed to be payable
on any Parity Bonds with respect to which a Payment Agreement is in force shall
be an amount equal to the amount of interest that would be payable at the rate or
rates stated in those Parity Bonds plus Payment Agreement Payments minus
Payment Agreement Receipts. For the purposes of calculating as nearly as

1 practicable Payment Agreement Receipts and Payment Agreement Payments
2 under a Payment Agreement that includes a variable rate component determined
3 by reference to a pricing mechanism or index that is not the same as the pricing
4 mechanism or index used to determine the variable rate interest component on the
5 Parity Bonds to which the Payment Agreement is related, it shall be assumed that
6 the fixed rate used in calculating Payment Agreement Payments will be equal to
7 105% of the fixed rate specified by the Payment Agreement and that the pricing
8 mechanism or index specified by the Payment Agreement is the same as the
9 pricing mechanism or index specified by the Parity Bonds. Notwithstanding the
10 other provisions of this subparagraph, the City shall not be required to (but may in
11 its discretion) take into account in determining Annual Debt Service the effects of
12 any Payment Agreement that has a term of ten years or less.

8 **(iv) Parity Payment Agreements.** No additional debt service shall be taken into
9 account with respect to a Parity Payment Agreement for any period during which
10 Payment Agreement Payments on that Parity Payment Agreement are taken into
11 account in determining Annual Debt Service on related Parity Bonds under
12 subsection (iii) of this definition. However, for any period during which Payment
13 Agreement Payments are not taken into account in calculating Annual Debt
14 Service on any outstanding Parity Bonds because the Parity Payment Agreement
15 is not then related to any outstanding Parity Bonds, payments on that Parity
16 Payment Agreement shall be taken into account by assuming:

14 **(A) City Obligated to Make Payments Based on Fixed Rate.** If the City is
15 obligated to make Payment Agreement Payments based on a fixed rate and
16 the Qualified Counterparty is obligated to make payments based on a
17 variable rate index, that payments by the City will be based on the
18 assumed fixed payor rate, and that payments by the Qualified
19 Counterparty will be based on a rate equal to the average rate determined
20 by the variable rate index specified by the Parity Payment Agreement
21 during the four calendar quarters preceding the quarter in which the
22 calculation is made, and

20 **(B) City Obligated to Make Payments Based on Variable Rate Index.** If
21 the City is obligated to make Payment Agreement Payments based on a
22 variable rate index and the Qualified Counterparty is obligated to make
23 payment based on a fixed rate, that payments by the City will be based on
24 a rate equal to the average rate determined by the variable rate index
25 specified by the Parity Payment Agreement during the four calendar
26 quarters preceding the quarter in which the calculation is made, and that
27 the Qualified Counterparty will make payments based on the fixed rate
28 specified by the Parity Payment Agreement.

25 **“Authorized Denomination”** means \$5,000 or any integral multiple thereof within a
26 maturity of a Series.

1 **“Average Annual Debt Service”** means, at the time of calculation, the sum of the
2 Annual Debt Service remaining to be paid to the last scheduled maturity of the applicable series
3 of Parity Bonds divided by the number of years such bonds are scheduled to remain outstanding.

4 **“Beneficial Owner”** means, with regard to a Bond, the owner of any beneficial interest
5 in that Bond.

6 **“Bond Counsel”** means a lawyer or a firm of lawyers, selected by the City, of nationally
7 recognized standing in matters pertaining to bonds issued by states and their political
8 subdivisions.

9 **“Bond Insurance”** means any bond insurance, guaranty, surety bond or similar credit
10 enhancement device providing for or securing the payment of all or part of the principal of and
11 interest on any Parity Bonds.

12 **“Bond Purchase Contract”** means a written offer to purchase a Series of the Bonds,
13 which offer has been accepted by the City in accordance with this ordinance. In the case of a
14 competitive sale, the official notice of sale, the Purchaser’s bid and the award by the City shall
15 comprise the offer and the award by the City in accordance with this ordinance shall be deemed
16 the acceptance of that offer for purposes of this ordinance.

17 **“Bond Register”** means the books or records maintained by the Bond Registrar for the
18 purpose of identifying ownership of each Bond.

19 **“Bond Registrar”** means the Fiscal Agent (unless the Bond
20 Resolution provides for a different Bond Registrar with respect
21 to a particular Series), or any successor bond registrar selected
22 in accordance with the Registration Ordinance.

23 **“Bond Resolution”** means a resolution of the City Council
24 adopted pursuant to this ordinance approving the Bond Sale Terms
25 and taking other actions consistent with this ordinance.

26 **“Bond Sale Terms”** means the terms and conditions for the
27 sale of a Series including the amount, date or dates,
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1 denominations, interest rate or rates (or mechanism for
2 determining interest rate or rates), payment dates, final
3 maturity, redemption rights, price, and other terms or covenants
4 set forth in Section 5 of this ordinance.

5 **“Bonds”** means the Drainage and Wastewater System revenue bonds issued pursuant to
6 this ordinance.

7 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on
8 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in
9 the applicable Parity Bond Legislation and is payable only upon redemption or on the maturity
10 date of such Parity Bond. A Parity Bond issued as a Capital Appreciation Bond, but which later
11 converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation
12 Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but
13 shall be treated as having a principal amount equal to its Accreted Value on the conversion date.

14 **“CIP”** means those portions of the City’s “2013-2018 Capital Improvement Program”
15 relating to the Drainage and Wastewater System, adopted by the City in Ordinance 124058,
16 together with any previously adopted Capital Improvement Program of the City. For purposes of
17 this ordinance, the CIP includes all amendments, updates, supplements or replacements that may
18 be adopted from time to time by ordinance.

19 **“City”** means The City of Seattle, Washington, a municipal corporation duly organized
20 and existing under the laws of the State of Washington.

21 **“City Council”** means the City Council of the City, as duly and regularly constituted
22 from time to time.

23 **“Code”** means the Internal Revenue Code of 1986, or any successor thereto, as it has
24 been and may be amended from time to time, and regulations thereunder.

25 **“Construction Account”** means the Drainage and Wastewater Construction Account,
26 2014, created in the Drainage and Wastewater Fund by this ordinance.

1 **“Contract Resource Obligation”** means an obligation of the City, designated as a
2 Contract Resource Obligation and entered into in accordance with Section 20 of this ordinance.

3 **“Coverage Requirement”** means, with respect to the Parity Bonds, Net Revenue and
4 money from any other lawful source at least equal to 1.25 times the Average Annual Debt
5 Service. *Upon the redemption or defeasance of all outstanding 2004 Bonds, “Coverage*
6 *Requirement” shall be defined as follows: “Coverage Requirement” means Adjusted Net*
7 *Revenue equal to at least 1.25 times Adjusted Annual Debt Service.*

8 **“DTC”** means The Depository Trust Company, New York, New York.

9 **“Director of Finance”** means the Director of the Finance Division of the Department of
10 Finance and Administrative Services of the City, or any other officer who succeeds to
11 substantially all of the responsibilities of that office.

12 **“Drainage and Wastewater Fund”** means the fund created by Ordinance 84390 and
13 later renamed by Ordinance 114155, into which is paid the Gross Revenue of the Drainage and
14 Wastewater System.

15 **“Drainage and Wastewater System”** means the drainage and wastewater system of the
16 City, including the sanitary sewerage and storm drainage systems, as it now exists (except
17 properties, interests, and rights under the jurisdiction of the City’s Parks and Recreation
18 Department, Seattle Center Department, Seattle Public Utilities Water System, City Light
19 Department and Fleets and Facilities Department), and all additions thereto and betterments and
20 extensions thereof at any time made, together with any utility systems of the City hereafter
21 combined with the Drainage and Wastewater System. The Drainage and Wastewater System
22 shall not include any separate utility system that may be created, acquired or constructed by the
23 City as provided in Section 19.

24 **“Event of Default”** shall have the meaning assigned to that term in Section 25(a) of this
25 ordinance.

26 **“Fiscal Agent”** means the fiscal agent of the State, as the same may be designated by the
27 State from time to time.

1 **“Future Parity Bonds”** means, with reference to any Series of the Bonds, all revenue
2 bonds and obligations of the Drainage and Wastewater System (other than that Series and any
3 other Parity Bonds then outstanding) issued or entered into after the Issue Date of such Series,
4 the payment of which constitutes a charge and lien on the Net Revenue equal in rank with the
5 charge and lien upon such revenue required to be paid into the Parity Bond Account in
6 accordance with Section 15. Future Parity Bonds may include Parity Payment Agreements and
7 any other obligations issued in compliance with Section 17.

8 **“Future Parity Bond Legislation”** means any ordinance or resolution passed or adopted
9 by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and
10 any other ordinance or resolution amending or supplementing the provisions of any such
11 ordinance or resolution.

12 **“Government Obligations”** has the meaning given in RCW 39.53.010, as now in effect
13 or as may hereafter be amended.

14 **“Gross Revenue”** means (a) all income, revenues, receipts and profits derived by the
15 City through the ownership and operation of the Drainage and Wastewater System; (b) the
16 proceeds received by the City directly or indirectly from the sale, lease or other disposition of
17 any of the properties, rights or facilities of the Drainage and Wastewater System; (c) Payment
18 Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement
19 Payments; and (d) the investment income earned on money held in any fund or account of the
20 City, including any bond redemption funds and the accounts therein, in connection with the
21 ownership and operation of the Drainage and Wastewater System. Gross Revenue does not
22 include: (a) insurance proceeds compensating the City for the loss of a capital asset; (b) income
23 derived from investments irrevocably pledged to the payment of any defeased bonds payable
24 from Gross Revenue; (c) investment income set aside for or earned on money in any fund or
25 account created or maintained solely for the purpose of complying with the arbitrage rebate
26 provisions of the Code; (d) any gifts, grants, donations or other funds received by the City from
27 any State or federal agency or other person if such gifts, grants, donations or other funds are the
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1 subject of any limitation or reservation imposed by the donor or grantor or imposed by law or
2 administrative regulation to which the donor or grantor is subject, limiting the application of
3 such funds in a manner inconsistent with the application of Gross Revenue hereunder; (e) the
4 proceeds of any borrowing for capital improvements (or the refinancing thereof); (f) the proceeds
5 of any liability or other insurance (excluding business interruption insurance or other insurance
6 of like nature insuring against the loss of revenues); (g) general *ad valorem* taxes, excise taxes
7 and special assessments, including interest and penalties thereon; and (h) earnings of any
8 separate utility system that may be created, acquired, or constructed by the City pursuant to
9 Section 19.

10 **“Independent Utility Consultant”** means an independent person or firm having a
11 favorable reputation for skill and experience with drainage and wastewater systems of
12 comparable size and character to the Drainage and Wastewater System in such areas as are
13 relevant to the purpose for which they were retained.

14 **“Issue Date”** means, with respect to a Bond, the date, as
15 determined by the Director of Finance, on which that Bond is
16 issued and delivered to the Purchaser in exchange for its
17 purchase price.

18 **“Letter of Representations”** means the Blanket Issuer Letter of Representations
19 between the City and DTC dated October 4, 2006, as it may be amended from time to time, or an
20 agreement with a substitute or successor Securities Depository.

21 **“Maximum Annual Debt Service”** means, at the time of calculation, the maximum
22 amount of Annual Debt Service which shall become due in the current calendar year or in any
23 future calendar year on the Parity Bonds then outstanding.

24 **“MSRB”** means the Municipal Securities Rulemaking Board

25 **“Net Revenue”** means, for any period, the Gross Revenue less Operating and
26 Maintenance Expense.

1 **“Operating and Maintenance Expense”** means all reasonable expenses incurred by the
2 City in causing the Drainage and Wastewater System to be operated and maintained in good
3 repair, working order and condition, including without limitation payments (other than payments
4 out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the
5 Drainage and Wastewater System) into reasonable reserves for items of operating or
6 maintenance expense the payment of which is not immediately required, payments of premiums
7 for insurance, if any, on the Drainage and Wastewater System, any State-imposed taxes, and also
8 including all payments made to another municipal corporation or other agency for treatment or
9 disposal of sewage, and amounts due under any Contract Resource Obligation, but excluding
10 depreciation and amortization, and any City taxes imposed or levied on the Drainage and
11 Wastewater System or Gross Revenue or payments in lieu of taxes payable from the Gross
12 Revenue of the Drainage and Wastewater System, and payments of claims or judgments.
13 Accounting for those expenses shall be in accordance with generally accepted accounting
14 principles.

15 **“Outstanding Parity Bonds”** means, with reference to any Series of the Bonds, the then
16 outstanding series of Parity Bonds described in Exhibit A, and any other Parity Bonds
17 outstanding prior to the Issue Date of that Series.

18 **“Owner”** means, without distinction, the Registered Owner and the Beneficial Owner of
19 a Bond.

20 **“Parity Bond Account”** means the Drainage and Wastewater Revenue Bond Account,
21 1990, created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of
22 paying and securing the principal of and interest on Parity Bonds.

23 **“Parity Bond Legislation”** means any ordinance or resolution passed or adopted by the
24 City Council providing for the issuance and sale of a series of Parity Bonds, and any other
25 ordinance or resolution amending or supplementing the provisions of any Parity Bond
26 Legislation.

1 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds and any outstanding
2 Future Parity Bonds.

3 **“Parity Conditions”** means the conditions for issuing Future Parity Bonds under the
4 Parity Bond Legislation.

5 **“Parity Payment Agreement”** means a Payment Agreement under which the City’s
6 payment obligations are expressly stated to constitute a charge and lien on the Net Revenue
7 equal in rank with the charge and lien upon such revenue required to be paid into the Parity Bond
8 Account to pay interest on Parity Bonds.

9 **“Payment Agreement”** means a written agreement for the purpose of managing or
10 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,
11 investment, asset or liability management purposes, entered into on either a current or forward
12 basis by the City and a Qualified Counterparty as authorized by any applicable laws of the State
13 in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes,
14 bond anticipation notes, commercial paper or other obligations for borrowed money, or lease,
15 installment purchase or other similar financing agreements or certificates of participation therein,
16 that provides for an exchange of payments based on interest rates, ceilings or floors on such
17 payments, options on such payments, or any combination thereof or any similar device.

18 **“Payment Agreement Payments”** means the amounts periodically required to be paid
19 by the City to the Qualified Counterparty pursuant to a Payment Agreement.

20 **“Payment Agreement Receipts”** means the amounts periodically required to be paid by
21 the Qualified Counterparty to the City pursuant to a Payment Agreement.

22 **“Permitted Investments”** means any investments or investment agreements permitted
23 for the investment of City funds under the laws of the State of Washington, as amended from
24 time to time.

25 **“Plan of Additions”** means, together, the CIP, as it may be modified from time to time.
26 The Plan of Additions includes the purchase and installation of all materials, supplies,
27 appliances, equipment and facilities, the acquisition of all permits, franchises, property and
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1 property rights, other capital assets and all engineering, consulting and other professional
2 services and studies (whether performed by the City or by other public or private entities)
3 necessary or convenient to carry out the Plan of Additions. The Plan of Additions includes all
4 amendments, updates, supplements or replacements to the CIP, all of which automatically shall
5 constitute amendments to the Plan of Additions. The Plan of Additions also may be modified to
6 include other improvements, without amending the CIP if the City determines by ordinance that
7 those amendments or other improvements constitute a system or plan of additions to or
8 betterments or extensions of the Drainage and Wastewater System.

9 **“Principal and Interest Subaccount”** means the subaccount of that name created in the
10 Parity Bond Account by Ordinance 115098 for the payment of the principal of and interest on
11 Parity Bonds.

12 **“Purchaser”** means the entity or entities who have been
13 selected in accordance with this ordinance to serve as
14 underwriter, purchaser or successful bidder in a sale of any
15 Series.

16 **“Qualified Counterparty”** means a party (other than the City or a party related to the
17 City) who is the other party to a Payment Agreement, (a)(i) whose senior debt obligations are
18 rated in one of the three highest rating categories of each Rating Agency (without regard to any
19 gradations within a rating category), or (ii) whose obligations under the Payment Agreement are
20 guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution
21 which has been assigned a credit rating in one of the two highest rating categories of each Rating
22 Agency; and (b) who is otherwise qualified to act as the other party to a Payment Agreement
23 under any applicable laws of the State.

24 **“Qualified Insurance”** means Bond Insurance provided by an insurance company that,
25 as of the time of issuance of such Bond Insurance, is rated in one of the two highest rating
26 categories (without regard to any gradations within a rating category) by at least two nationally
27 recognized rating agencies.

1 **“Qualified Letter of Credit”** means any letter of credit issued by a financial institution
2 for the account of the City on behalf of the Beneficial Owner of any Parity Bond, which
3 institution maintains an office, agency or branch in the United States and, as of the time of
4 issuance of such letter of credit, is rated in one of the two highest rating categories by at least two
5 nationally recognized rating agencies.

6 **“RBI”** means *The Bond Buyer* Revenue Bond Index or comparable index, or, if no
7 comparable index can be obtained, 80% of the interest rate for actively traded 30 year United
8 States Treasury obligations.

9 **“Rate Stabilization Account”** means the account of that name previously established by
10 Section 25 of Ordinance 118974.

11 **“Rating Agency”** means any nationally recognized rating agency then maintaining a
12 rating on a series of Parity Bonds at the request of the City.

13 **“Record Date”** means, unless otherwise defined in the Bond
14 Resolution, in the case of each interest or principal payment or
15 redemption date, the Bond Registrar’s close of business on the
16 15th day of the month preceding the interest or principal payment
17 date. With regard to redemption of a Bond prior to its maturity,
18 the Record Date shall mean the Bond Registrar’s close of business
19 on the day prior to the date on which the Bond Registrar sends
20 the notice of redemption.

21 **“Registered Owner”** means, with regard to a Bond, the person
22 in whose name that Bond is registered on the Bond Register. For
23 so long as the City uses a book-entry only system under the
24 Letter of Representations, the Registered Owner shall mean the
25 Securities Depository.

26 **“Registration Ordinance”** means City Ordinance 111724
27 establishing a system of registration for the City’s bonds and
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1 other obligations pursuant to Seattle Municipal Code Chapter
2 5.10, as that chapter now exists or may hereafter be amended.

3 **“Reserve Requirement”** means the least of the Maximum Annual Debt Service at the
4 time of calculation, 1.25 times Average Annual Debt Service at the time of calculation, or 10%
5 of the proceeds of each series of then outstanding Parity Bonds, as of the date of delivery of each
6 series.

7 **“Reserve Security”** means any Qualified Insurance or Qualified Letter of Credit
8 obtained by the City to satisfy part or all of the Reserve Requirement, and which is not
9 cancelable on less than three years’ notice.

10 **“Reserve Subaccount”** means the subaccount of that name created in the Parity Bond
11 Account by Ordinance 115098 for the purpose of securing the payment of the principal of and
12 interest on Parity Bonds.

13 **“Rule 15c2-12”** means Rule 15c2-12 promulgated by the SEC
14 under the Securities Exchange Act of 1934, as amended.

15 **“SEC”** means the United States Securities and Exchange
16 Commission.

17 **“Securities Depository”** means DTC, any successor thereto,
18 any substitute securities depository selected by the City, or the
19 nominee of any of the foregoing. Any successor or substitute
20 Securities Depository must be qualified under applicable laws and
21 regulations to provide the services proposed to be provided by
22 it.

23 **“Serial Bonds”** means Parity Bonds maturing in specified years, for which no Sinking
24 Fund Requirements are mandated.

25 **“Series”** means a series of the Bonds issued pursuant to this ordinance.

26 **“Sinking Fund Requirement”** means, for any calendar year, the principal amount and
27 premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid
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1 into any Parity Bond Account for such calendar year, as established by the Parity Bond
2 Legislation authorizing the issuance of such Term Bonds.

3 **“State”** means the State of Washington.

4 **“State Auditor”** means the office of the Auditor of the State or such other department or
5 office of the State authorized and directed by State law to make audits.

6 **“Tax Credit Subsidy Bond”** means any bond that is designated
7 by the City as a tax credit bond pursuant to the Code, and which
8 is further designated as a “qualified bond” under Section 6431 or
9 similar provision of the Code, and with respect to which the City
10 is eligible to claim a tax credit subsidy payment.

11 **“Tax Credit Subsidy Payment”** means a payment by the federal
12 government with respect to a Tax Credit Subsidy Bond.

13 **“Tax-Exempt Bond”** means any Bond, the interest on which is intended on the Issue
14 Date to be excluded from gross income for federal income tax purposes.

15 **“Term Bond”** means any Bond that is issued subject to
16 mandatory redemption prior to its maturity in periodic mandatory
17 redemption payments.

18 **“ULID”** means a utility local improvement district of the City created for the acquisition
19 or construction of additions to and betterments and extensions of the Drainage and Wastewater
20 System.

21 **“ULID Assessments”** means all assessments levied and collected in a ULID, if and only
22 if those assessments are pledged to be paid into the Parity Bond Account. ULID Assessments
23 shall include all installments of principal, payments of interest, and penalties and interest on
24 delinquencies, but shall not include any prepaid assessments paid into a construction fund or
25 account.

1 **“Undertaking”** means the undertaking to provide continuing
2 disclosure entered into pursuant to Section 23 of this ordinance,
3 in substantially the form attached as Exhibit B.

4 **“Valuation Date”** means, with respect to any Capital Appreciation Bond, the date or
5 dates set forth in the relevant Parity Bond Legislation or Bond Purchase Contract on which
6 specific Accreted Values are assigned to that Capital Appreciation Bond.

7 **“Variable Interest Rate”** means any variable interest rate or rates to be borne by any
8 Parity Bonds. The method of computing such a variable interest rate shall be set in accordance
9 with the applicable Parity Bond Legislation, which shall specify either (a) the particular period or
10 periods of time or manner of determining such period or periods of time for which each value of
11 such variable interest rate shall remain in effect or (b) the time or times upon which any change
12 in such variable interest rate shall become effective.

13 **“Variable Interest Rate Bond”** means, for any period of time, any Parity Bond that
14 bears a Variable Interest Rate during that period, except that a Parity Bond shall not be treated as
15 a Variable Interest Rate Bond if the net economic effect of interest rates on particular Parity
16 Bonds of a series and interest rates on other Parity Bonds of the same series, as set forth in the
17 applicable Parity Bond Legislation, or the net economic effect of a Payment Agreement with
18 respect to a particular Parity Bond, in either case is to produce obligations that bear interest at a
19 fixed interest rate; and a Parity Bond with respect to which a Payment Agreement is in force
20 shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment
21 Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

22 **Section 2. Adoption of Plan of Additions.** The City
23 specifies, adopts and orders the Plan of Additions to be carried
24 out as generally provided for in the documents comprising the
25 Plan of Additions. The estimated cost of the Plan of Additions,
26 as near as may be determined, is declared to be \$525,061,000, of
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1 which approximately \$113,000,000 is expected to be financed from
2 the proceeds of the Bonds and investment earnings thereon.

3 **Section 3. Authorization of Bonds.** The City is authorized to borrow money and
4 issue Drainage and Wastewater System revenue bonds, payable from the sources described in
5 Section 13 of this ordinance, in the maximum principal amount stated in Section 5 of this
6 ordinance to (a) pay part of the cost of carrying out the Plan of Additions; (b) provide for the
7 Reserve Requirement; (c) capitalize interest on, if necessary, and pay the costs of issuance of the
8 Bonds; and (d) for other Drainage and Wastewater System purposes approved by ordinance. The
9 Bonds may be issued in one or more Series and may be combined with other Drainage and
10 Wastewater System revenue bonds (including refunding bonds) authorized separately. The
11 Bonds shall be designated Drainage and Wastewater System revenue bonds and shall be
12 numbered separately and shall have any name, year and series or other label as deemed necessary
13 or appropriate by the Director of Finance.

14 **Section 4. Manner of Sale of Bonds.** The Director of Finance may provide for the
15 sale of each Series (or any portion thereof) by public sale, or by a negotiated sale, limited
16 offering or private placement with a Purchaser chosen through a selection process acceptable to
17 the Director of Finance. The Director of Finance is authorized to specify a date and time of sale
18 of and a date and time for delivery of each Series; to give notice of that sale; to determine any
19 bid parameters or other bid requirements and criteria for determining the award of the bid; to
20 provide for the use of an electronic bidding mechanism; and to specify other matters in his or her
21 determination necessary, appropriate, or desirable in order to carry out the sale of each Series.
22 Each Series must be sold on Bond Sale Terms in accordance with Section 5.

23 **Section 5. Bond Sale Terms; Bond Resolution.** The Director of Finance is
24 appointed to serve as the City's designated representative in connection with the issuance and
25 sale of the Bonds in accordance with RCW 39.46.040(2) and this ordinance. The Director of
26 Finance is authorized to accept, on behalf of the City, an offer to purchase the Bonds on Bond
27 Sale Terms consistent with the parameters set forth in this section. No such acceptance shall be
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1 effective until adoption of a Bond Resolution approving the Bond Sale Terms. Once adopted, the
2 Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

3 **(a) Maximum Principal Amount.** The Bonds may be issued in one or more Series
4 and shall not exceed the aggregate principal amount of \$113,000,000.

5 **(b) Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the
6 Director of Finance, which Issue Date may not be later than December 31, 2016.

7 **(c) Denominations.** The Bonds shall be issued in Authorized Denominations.

8 **(d) Interest Rate(s); Payment Dates.** Each Bond shall bear interest from the Issue
9 Date or from the most recent date to which interest has been paid or duly provided for,
10 whichever is later, and shall be payable on dates determined by the Director of Finance. One or
11 more rates of interest shall be established for each maturity of each Series, which rate or rates
12 may be fixed interest rates or Variable Interest Rates. Fixed interest rates shall be computed on
13 the basis of a 360-day year of twelve 30-day months and the net interest cost shall not exceed a
14 weighted average rate of 10% per annum. Principal payments shall commence on a date and
15 shall be payable at maturity or have Sinking Fund Requirements on dates determined by the
16 Director of Finance.

17 **(e) Final Maturity.** The Bonds shall mature no later than 40 years after the Issue
18 Date.

19 **(f) Redemption Rights.** The Bond Sale Terms may include provisions for the
20 optional and mandatory redemption of Bonds determined by the Director of Finance, subject to
21 the following:

22 **(i) Optional Redemption.** Any Bond may be designated as being (A) subject to
23 redemption at the option of the City prior to its maturity date on the dates and at
24 the redemption prices set forth in the Bond Purchase Contract; or (B) not subject
25 to redemption prior to its maturity date. If a Bond is subject to optional
26 redemption prior to its maturity, it must be subject to such redemption on one or
27 more dates occurring not more than 10½ years after the Issue Date.

1 (ii) **Mandatory Redemption.** Any Bond may be designated as a Term Bond, subject
2 to mandatory redemption prior to its maturity on the dates and in Sinking Fund
 Requirements consistent with Section 8(b).

3 (g) **Price.** The purchase price for each Series shall be
4 acceptable to the Director of Finance.

5 (h) **Other Terms and Conditions.**

6 (i) As of the Issue Date of each Series, the average expected life of the capital
7 facilities to be financed with the proceeds (or allocable share of proceeds) of that
8 Series must exceed the weighted average maturity of the Series (or share thereof)
 allocated to financing those capital facilities.

9 (ii) As of the Issue Date of each Series, (A) the Finance Director must determine that
10 the Parity Conditions have been met or satisfied, so that such Series may be
11 issued as Parity Bonds, and (B) the City Council must find the Bond Resolution
12 that, in creating the Parity Bond Account and in fixing the amounts to be paid into
13 it in accordance with this ordinance, the City Council has had due regard for the
14 cost of maintenance and operation of the Drainage and Wastewater System, and is
 not setting aside into the Parity Bond Account a greater amount than in the
 judgment of the City Council, based on the rates to be established from time to
 time consistent with Section 16(b), will be available over and above such cost of
 maintenance and operation.

15 (iii) The Bond Sale Terms for any Series may provide for Bond Insurance, a Reserve
16 Security or other credit enhancement, or for a Parity Payment Agreement. To that
17 end, the Bond Sale Terms may include such additional terms, conditions and
18 covenants as may be necessary or desirable, including but not limited to:
19 restrictions on investment of Bond proceeds and pledged funds, and requirements
 to give notice to or obtain the consent of a credit enhancement provider or a
 Qualified Counterparty.

20 (iv) The Bond Sale Terms must establish the method of providing for the Reserve
21 Requirement, consistent with Section 15(a)(ii) of this ordinance.

22 (iv) Any Series may be designated or qualified as Tax-Exempt Bonds, Tax Credit
23 Subsidy Bonds, or other taxable bonds, and may include such additional terms
24 and covenants relating to federal tax matters as the Director of Finance deems
 necessary or appropriate, consistent with Section 22 of this ordinance.

25 Section 6. Bond Registrar; Registration and Transfer of
26 Bonds.

1 **(a) Registration of Bonds.** The Bonds shall be issued only in registered form as to
2 both principal and interest and shall be recorded on the Bond Register.

3 **(b) Bond Registrar; Transfer and Exchange of Bonds.** The Bond Registrar shall
4 keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which
5 shall be open to inspection by the City at all times. The Bond Register shall contain the name and
6 mailing address of the Registered Owner of each Bond and the principal amount and number of
7 each of the Bonds held by each Registered Owner.

8 The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds
9 transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to
10 serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers
11 and duties under this ordinance and the Registration Ordinance.

12 The Bond Registrar shall be responsible for its representations contained in the Bond
13 Registrar's certificate of authentication on the Bonds. The Bond Registrar may become an
14 Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the
15 extent permitted by law, may act as depository for and permit any of its officers or directors to
16 act as members of, or in any other capacity with respect to, any committee formed to protect the
17 rights of Owners.

18 Bonds surrendered to the Bond Registrar may be exchanged for
19 Bonds in any Authorized Denomination of an equal aggregate
20 principal amount and of the same Series, interest rate and
21 maturity. Bonds may be transferred only if endorsed in the manner
22 provided thereon and surrendered to the Bond Registrar. Any
23 exchange or transfer shall be without cost to the Owner or
24 transferee. The Bond Registrar shall not be obligated to exchange
25 or transfer any Bond during the period between the Record Date
26 and the corresponding interest payment or redemption date.

1 (c) **Securities Depository; Book-Entry Form.** The Bonds initially shall be
2 registered in the name of the Securities Depository. The Bonds so registered shall be held fully
3 immobilized in book-entry form by the Securities Depository in accordance with the provisions
4 of the Letter of Representations. Neither the City nor the Bond Registrar shall have any
5 responsibility or obligation to participants of the Securities Depository or the persons for whom
6 they act as nominees with respect to the Bonds regarding accuracy of any records maintained by
7 the Securities Depository or its participants of any amount in respect of principal of or interest on
8 the Bonds, or any notice which is permitted or required to be given to Owners hereunder (except
9 such notice as is required to be given by the Bond Registrar to the Securities Depository).
10 Registered ownership of a Bond initially held in book-entry form, or any portion thereof, may
11 not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute
12 Securities Depository appointed by the City or such substitute Securities Depository's successor;
13 or (iii) to any person if the Bond is no longer held in book-entry form.

14 Upon the resignation of the Securities Depository from its functions as depository, or
15 upon a City determination to discontinue services of the Securities Depository, the City may
16 appoint a substitute Securities Depository. If (i) the Securities Depository resigns from its
17 functions as depository, and no substitute Securities Depository can be obtained, or (ii) the City
18 determines that the Bonds are to be in certificated form, then ownership of Bonds may be
19 transferred to any person as provided herein and the Bonds no longer shall be held in book-entry
20 form.

21 **Section 7. Payment of Bonds.** Principal of and interest on each Bond shall be
22 payable solely out of the Parity Bond Account, in lawful money of the United States. Principal of
23 and interest on each Bond registered in the name of the Securities Depository is payable in the
24 manner set forth in the Letter of Representations. Interest on each Bond not registered in the
25 name of the Securities Depository is payable by electronic transfer on the interest payment date,
26 or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered
27 Owner at the address appearing on the Bond Register on the Record Date. However, the City is

1 not required to make electronic transfers except pursuant to a request by a Registered Owner in
2 writing received at least ten days prior to the Record Date and at the sole expense of the
3 Registered Owner. Principal of each Bond not registered in the name of the Securities
4 Depository is payable upon presentation and surrender of the Bond by the Registered Owner to
5 the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

6 **Section 8. Redemption and Purchase of Bonds.**

7 **(a) Optional Redemption.** All or some of the Bonds may be
8 subject to redemption prior to their stated maturity dates at the
9 option of the City at the times and on the terms approved in
10 accordance with Section 5 of this ordinance.

11 **(b) Mandatory Redemption.** If not redeemed or purchased at the City's option prior
12 to maturity, Term Bonds (if any) shall be redeemed, at a price equal to the principal amount
13 thereof to be redeemed plus accrued interest, on the dates and in the Sinking Fund Requirements
14 as set forth in the Bond Resolution. If the City redeems or purchases Term Bonds at the City's
15 option prior to maturity, the Term Bonds so redeemed or purchased (irrespective of their
16 redemption or purchase prices) shall be credited at the par amount thereof against the remaining
17 Sinking Fund Requirements as determined by the Director of Finance. In the absence of a
18 determination by the Director of Finance or other direction in the Bond Resolution, credit shall
19 be allocated on a pro rata basis.

20 **(c) Selection of Bonds for Redemption; Partial Redemption.** If fewer than all of
21 the outstanding Bonds are to be redeemed at the option of the City, the Director of Finance shall
22 select the Series and maturity or maturities to be redeemed. If fewer than all of the outstanding
23 Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall select Bonds
24 registered in the name of the Securities Depository to be redeemed in accordance with the Letter
25 of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly
26 in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of
27 any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than
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1 all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to
2 the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond
3 (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in
4 any Authorized Denomination in the aggregate principal amount to remain outstanding.

5 **(d) Purchase.** The City reserves the right and option to purchase any or all of the
6 Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to
7 the date of purchase.

8 **Section 9. Notice of Redemption.** The City shall cause notice
9 of any intended redemption of Bonds to be given not less than 20
10 nor more than 60 days prior to the date fixed for redemption by
11 first class mail, postage prepaid, to the Registered Owner of any
12 Bond to be redeemed at the address appearing on the Bond Register
13 on the Record Date, and the requirements of this sentence shall
14 be deemed to have been fulfilled when notice has been mailed as
15 so provided, whether or not it is actually received by the Owner
16 of any Bond. Interest on Bonds called for redemption shall cease
17 to accrue on the date fixed for redemption unless the Bond or
18 Bonds called are not redeemed when presented pursuant to the
19 call.

20 In the case of an optional redemption, the notice may state that the City retains the right
21 to rescind the redemption notice and the related optional redemption of Bonds by giving a notice
22 of rescission to the affected Registered Owners at any time prior to the scheduled optional
23 redemption date. Any notice of optional redemption that is rescinded by the Director of Finance
24 shall be of no effect, and the Bonds for which the notice of optional redemption has been
25 rescinded shall remain outstanding.

26 **Section 10. Failure to Pay Bonds.** If any Bond is not paid when properly presented
27 at its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond

1 Account and the other sources pledged in this ordinance, interest on that Bond at the same rate
2 provided in that Bond from and after its maturity or redemption date until that Bond, principal,
3 premium, if any and interest, is paid in full or until sufficient money for its payment in full is on
4 deposit in the Parity Bond Account and that Bond has been called for payment by giving notice
5 of that call to the Registered Owner of that Bond.

6 **Section 11. Form and Execution of Bonds.** The Bonds shall
7 be typed, printed or reproduced in a form consistent with the
8 provisions of this ordinance, the Bond Resolution and State law,
9 shall be signed by the Mayor and Director of Finance, either or
10 both of whose signatures may be manual or in facsimile, and the
11 seal of the City or a facsimile reproduction thereof shall be
12 impressed or printed thereon.

13 Only Bonds bearing a certificate of authentication in
14 substantially the following form (with the designation, year, and
15 Series adjusted consistent with this ordinance), manually signed
16 by the Bond Registrar, shall be valid or obligatory for any
17 purpose or entitled to the benefits of this ordinance: "This Bond
18 is one of the fully registered The City of Seattle, Washington,
19 [Drainage and Wastewater Revenue Bonds], [Year], [Series],
20 described in [this ordinance]." The authorized signing of a
21 certificate of authentication shall be conclusive evidence that
22 the Bond so authenticated has been duly executed, authenticated
23 and delivered and is entitled to the benefits of this ordinance.

24 If any officer whose manual or facsimile signature appears
25 on a Bond ceases to be an officer of the City authorized to sign
26 bonds before the Bond bearing his or her manual or facsimile
27 signature is authenticated or delivered by the Bond Registrar or
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1 issued by the City, that Bond nevertheless may be authenticated,
2 delivered and issued and, when authenticated, issued and
3 delivered, shall be as binding on the City as though that person
4 had continued to be an officer of the City authorized to sign
5 bonds. Any Bond also may be signed on behalf of the City by any
6 person who, on the actual date of signing of the Bond, is an
7 officer of the City authorized to sign bonds, although he or she
8 did not hold the required office on the date of issuance of the
9 Bonds.

10 **Section 12. Construction Account; Deposit of Proceeds.**

11 An account to be known as the Drainage and Wastewater
12 Construction Account, 2014 is created in the Drainage and
13 Wastewater Fund. The principal proceeds of the sale of the Bonds
14 remaining after the deposit of accrued interest on the Bonds, if
15 any, into the Principal and Interest Subaccount and the deposit
16 of any proceeds as determined by the Bond Resolution into the
17 Reserve Subaccount, shall be deposited into the Construction
18 Account, unless otherwise specified in the Bond Resolution or
19 directed by the Director of Finance, to be used for the purpose
20 of paying part of the costs of carrying out the Plan of Additions
21 and to pay capitalized interest on, if necessary, and the costs
22 of issuance of the Bonds. Until needed to pay such costs, the
23 City may invest principal proceeds and interest thereon
24 temporarily in any Permitted Investment, and the investment
25 earnings may, as determined by the Director of Finance, be
26 retained in the Construction Account and be spent for the
27 purposes of that account or deposited in the Parity Bond Account.

1 **Section 13. Security for the Bonds; Parity with other**
2 **Bonds**. The Bonds shall be special limited obligations of the
3 City payable from and secured solely by the Net Revenue and ULID
4 Assessments, and by money in the Parity Bond Account and the
5 subaccounts therein, including, without limitation, the Reserve
6 Subaccount. The Net Revenue and all ULID Assessments are pledged
7 to the payment of the Parity Bonds. This pledge shall constitute
8 a charge and lien upon the Net Revenue prior and superior to any
9 other charges whatsoever. The City covenants that for as long as
10 any Bond is outstanding that it will not issue any other revenue
11 obligations (or create any special fund or account therefor),
12 which will have any priority over or which will rank on a parity
13 with the payments required in respect of the Bonds and the
14 Outstanding Parity Bonds, nor will it issue Future Parity Bonds,
15 except in accordance with Section 17 of this ordinance.

16 The Bonds shall be on a parity with the Outstanding Parity
17 Bonds and all Future Parity Bonds, without regard to date of
18 issuance or authorization and without preference or priority of
19 right or lien. Nothing in this ordinance prevents the City from
20 issuing revenue bonds or other obligations which are a charge or
21 lien upon the Net Revenues subordinate to the payments required
22 to be made from Net Revenue into the Parity Bond Account and the
23 subaccounts therein.

24 The Bonds shall not constitute general obligations of the
25 City, the State or any political subdivision of the State or a
26 charge upon any general fund or upon any money or other property
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1 of the City, the State or any political subdivision of the State
2 not specifically pledged by this ordinance.

3 **Section 14. Priority Expenditure of Gross Revenue; Flow**
4 **of Funds.** The Gross Revenue (except for earnings on investments
5 in the Parity Bond Account or other bond redemption fund,
6 arbitrage rebate account, refunding escrow account or other trust
7 account, unless those earnings are transferred from those
8 accounts or funds to the Drainage and Wastewater Fund) shall be
9 deposited as received in the Drainage and Wastewater Fund and
10 shall be applied in the following order of priority:

11 (a) To pay the Operating and Maintenance Expense;

12 (b) To make the required payments into the Principal and
13 Interest Subaccount for all Parity Bonds;

14 (c) To make the required payments into the Reserve
15 Subaccount for all Parity Bonds;

16 (d) To make all required payments into any revenue bond
17 redemption fund created to pay and secure the payment of the
18 principal of and interest on any revenue bonds or short-term
19 obligations of the City having a charge and lien upon the Net
20 Revenue subordinate to the lien thereon for the payment of the
21 principal of and interest on Parity Bonds; and

22 (e) To retire by redemption and purchase any outstanding
23 revenue bonds or revenue obligations of the Drainage and
24 Wastewater System; to make necessary additions, betterments,
25 repairs, extensions and replacements of the Drainage and
26 Wastewater System; to pay City taxes or other payments in lieu of
27 taxes payable from Gross Revenue; to make deposits to the Rate
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1 Stabilization Account; or for any other lawful Drainage and
2 Wastewater System purpose.

3 **Section 15. Parity Bond Account.** The Parity Bond Account
4 is divided into two subaccounts: the Principal and Interest
5 Subaccount and the Reserve Subaccount. The Director of Finance
6 may create sinking fund subaccounts or other subaccounts in the
7 Parity Bond Account for the payment or securing the payment of
8 Parity Bonds as long as the maintenance of such subaccounts does
9 not conflict with the rights of the owners of Parity Bonds.

10 **(a) Required Payments Into Parity Bond Account.** So long as
11 any Parity Bonds are outstanding, the City shall set aside and
12 pay into the Parity Bond Account all ULID Assessments on their
13 collection and, out of the Net Revenue, certain fixed amounts
14 without regard to any fixed proportion, namely:

- 15 (i) Into the Principal and Interest Subaccount (A) upon receipt thereof, the accrued
16 interest, if any, received by the City from the Purchaser, and (B) on or before each
17 interest or principal and interest payment date of any Parity Bonds an amount
18 which, together with other money on deposit therein, will be sufficient to pay the
19 interest, or principal and interest and Sinking Fund Requirements, to become due
20 and payable on the Parity Bonds on that payment date, and net payments due on
21 Parity Payment Agreements; and
22 (ii) Into the Reserve Subaccount an amount necessary to provide for the Reserve
23 Requirement for the Parity Bonds within the time and in the manner required by
24 this ordinance and the Parity Bond Legislation. The amount necessary to satisfy
25 the Reserve Requirement upon the issuance of a Series may be funded (i) on the
26 Issue Date, by a deposit of bond sale proceeds or a Reserve Security, or (ii) in
27 annual installments from Net Revenue so that the Reserve Requirement is fully
28 funded by the fifth anniversary of the Issue Date. The manner of funding the
Reserve Requirement for the Bonds shall be set forth in the Bond Resolution.

25 The Director of Finance may transfer any money from any
26 funds or accounts of the City legally available therefor, except
27 bond redemption funds refunding escrow funds or defeasance funds,
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1 to meet the required payments to be made into the Parity Bond
2 Account. The Director of Finance may provide for the purchase,
3 redemption or defeasance of any Parity Bonds by the use of money
4 on deposit in any subaccount in the Parity Bond Account as long
5 as the money remaining in those subaccounts is sufficient to
6 satisfy the required deposits in those subaccounts for the
7 remaining Parity Bonds.

8 **(b) Reserve Subaccount.** The City covenants that it will at all times so long as any
9 Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve Requirement
10 (taking into account scheduled payments to fund the Reserve Requirement over time), as it is
11 adjusted from time to time, except for withdrawals as authorized by this ordinance. The Director
12 of Finance may make withdrawals of cash from the Reserve Subaccount in the event of a
13 deficiency in the Principal and Interest Subaccount to meet maturing installments of either
14 principal (or Sinking Fund Requirements) or interest. Any deficiency created in the Reserve
15 Subaccount by reason of any such withdrawal will then be made up from the ULID Assessments
16 and Net Revenue first available after making necessary provisions for the required payments into
17 the Principal and Interest Subaccount. The money in the Reserve Subaccount may be applied to
18 the payment of the last outstanding Parity Bonds, and when the total amount in the Parity Bond
19 Account (including investment earnings) equals the total amount of principal and interest for all
20 then-outstanding Parity Bonds to the last maturity thereof, no further payment need be made into
21 the Parity Bond Account. Money in the Reserve Subaccount (including investment earnings) in
22 excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest
23 Subaccount and spent for the purpose of retiring Parity Bonds or may be deposited in any other
24 fund or account and spent for any other lawful Drainage and Wastewater System purpose.

25 **(c) Investment of Money in Parity Bond Account.** All money
26 in the Parity Bond Account may be kept in cash or invested in
27 Permitted Investments maturing not later than the date when
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1 needed (for investments in the Principal and Interest Subaccount)
2 or the last maturity of any outstanding Parity Bonds (for
3 investments in the Reserve Subaccount). In no event shall any
4 money in the Parity Bond Account or any other money reasonably
5 expected to be used to pay principal and/or interest on the
6 Parity Bonds be invested at a yield which would cause any Series
7 issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to be
8 arbitrage bonds within the meaning of Section 148 of the Code.
9 Income from investments in the Principal and Interest Subaccount
10 shall be deposited in that subaccount. Income from investments in
11 the Reserve Subaccount shall be deposited in that subaccount
12 until the amount therein is equal to the Reserve Requirement for
13 all Parity Bonds, and thereafter shall be deposited in the
14 Principal and Interest Subaccount. Notwithstanding the provisions
15 for deposit or retention of earnings in the Parity Bond Account,
16 any earnings which are subject to a federal tax or rebate
17 requirement may be withdrawn from the Parity Bond Account for
18 deposit in a separate fund or account for that purpose. If no
19 longer required for such rebate, money in that separate fund or
20 account shall be returned to the Parity Bond Account.

21 **(d) Failure to Deposit Money in Parity Bond Account.** If the
22 City fails to set aside and pay into the Parity Bond Account, or
23 the subaccounts therein, the amounts set forth above, the
24 registered owner of any of the outstanding Parity Bonds may bring
25 action against the City for failure to make the required deposits
26 to the Parity Bond Account only in accordance with Section 25
27 regarding Events of Default.

1 **Section 16. Parity Bond Covenants.** The City covenants
2 with the Owner of each of Bond at any time outstanding, as
3 follows:

4 **(a) Operation and Maintenance.** It will pay all Operating
5 and Maintenance Expense and otherwise meet the obligations of the
6 City under this ordinance. It will at all times maintain and keep
7 the Drainage and Wastewater System in good repair, working order
8 and condition, will make all necessary and proper additions,
9 betterments, renewals and repairs thereto, and improvements,
10 replacements and extensions thereof so that at all times the
11 business carried on in connection therewith will be properly and
12 advantageously conducted, and will at all times operate the
13 Drainage and Wastewater System and the business in connection
14 therewith in an efficient manner and at a reasonable cost.

15 **(b) Establishment of Rates and Charges.** It will establish,
16 maintain, revise as necessary and collect such rates and charges
17 for drainage and wastewater service furnished which will produce
18 Adjusted Net Revenue each calendar year at least equal to the
19 Coverage Requirement. It will not change any rate or charge for
20 drainage and wastewater service as now established by the City
21 that will substantially reduce the annual Gross Revenue below
22 that which would have been obtained before such change, unless
23 the City shall have on file a certificate from an Independent
24 Utility Consultant, stating the rates and charges as so changed
25 will provide Gross Revenue sufficient to comply with all the
26 covenants and requirements of this ordinance, including the
27 Coverage Requirement.

1 **Upon the redemption or defeasance of all outstanding 2004**
2 **Bonds, this subsection shall be replaced in its entirety with the**
3 **following:** *It will establish, maintain, revise as necessary and*
4 *collect rates and charges for services and facilities provided by*
5 *the Drainage and Wastewater System so that Adjusted Net Revenue*
6 *in each fiscal year will be at least equal to the Coverage*
7 *Requirement. The failure of the City to comply with this*
8 *subsection shall not be an Event of Default if the City promptly*
9 *retains an Independent Utility Consultant to recommend to the*
10 *City Council adjustments in the rates of the Drainage and*
11 *Wastewater System necessary to meet the requirements of this*
12 *subsection and if the City Council adopts the recommended*
13 *modifications within 180 days of the date the failure became*
14 *known to the City Council.*

15 **(c) Sale or Disposition of Drainage and Wastewater System.**

16 It will not sell, lease, mortgage, or in any manner encumber or
17 dispose of all of the property of the Drainage and Wastewater
18 System unless provision is made for the payment into the Parity
19 Bond Account of an amount sufficient to pay the principal of and
20 interest on Parity Bonds then outstanding; and it will not sell,
21 lease, mortgage, or in any manner encumber or dispose of (each a
22 "transfer") any part of the property of the Drainage and
23 Wastewater System that is used, useful and material to the
24 operation thereof, except consistent with one or more of the
25 following:

- 26 (i) if provision is made for replacement thereof, or for payment into the Parity Bond
27 Account of the total amount of Gross Revenue received from the portion of the
28 Drainage and Wastewater System transferred, which shall not be less than an

1 amount which shall bear the same ratio to the amount of Parity Bonds then
2 outstanding as the Gross Revenue available for debt service for such outstanding
3 bonds for the 12 months preceding such transfer from the portion of the Drainage
4 and Wastewater System so transferred bears to the Gross Revenue available for
5 debt service for the then outstanding Parity Bonds from the entire Drainage and
6 Wastewater System of the City for the same period. Any such money so paid into
7 the Parity Bond Account shall be used to retire such Parity Bonds at the earliest
8 possible date; or

9 (ii) if the aggregate depreciated cost value of the property being transferred under this
10 subsection in any fiscal year comprises no more than 5% of the total assets of the
11 Drainage and Wastewater System; or

12 (iii) *Upon the redemption or defeasance of all outstanding 2004 Bonds: if the*
13 *proceeds from such transfer are used to acquire new useful operating facilities or*
14 *properties of the Drainage and Wastewater System, or are used to retire*
15 *outstanding Parity Bonds or other revenue obligations of the Drainage and*
16 *Wastewater System, and if, at the time of such transfer, the City has on file a*
17 *certificate of both the Director of Finance and the Director of Seattle Public*
18 *Utilities (or any officer who succeeds to substantially all of the responsibilities of*
19 *either office) demonstrating that in their opinion, upon such transfer and the use*
20 *of proceeds of the transfer as proposed by the City, the remaining facilities of the*
21 *Drainage and Wastewater System will retain their operational integrity and,*
22 *based on the financial statements for the most recent fiscal year available, the*
23 *proposed transfer would not prevent the Drainage and Wastewater System from*
24 *complying with the Coverage Requirement during the five fiscal years following*
25 *the fiscal year in which the transfer is to occur. The certificate shall take into*
26 *account, (A) the reduction in revenue and expenses, if any, resulting from the*
27 *transfer; (B) the use of any proceeds of the transfer for the redemption of Parity*
28 *Bonds, (C) the estimate of revenue from customers anticipated to be served by any*
additions to and betterments and extensions of the Drainage and Wastewater
System financed in part by the proposed portion of the proceeds of the transfer,
and (D) any other adjustment permitted in the preparation of a certificate under
Section 17(a)(vi). Before such a transfer, the City also must obtain confirmation
from each of the Rating Agencies to the effect that the rating then in effect will not
be reduced or withdrawn upon such transfer.

23 (d) **Books and Records.** It will keep proper and separate
24 accounts and records in which complete and separate entries shall
25 be made of all transactions relating to the Drainage and
26 Wastewater System, and it will furnish the Registered Owner(s) of
27 the Bonds or any subsequent Registered Owner(s) thereof, at the

1 written request of such Registered Owner(s), complete operating
2 and income statements of the Drainage and Wastewater System in
3 reasonable detail covering any fiscal year not more than six
4 months after the close of such fiscal year and it will grant any
5 Registered Owner(s) of at least 25% of the outstanding Bonds the
6 right at all reasonable times to inspect the entire Drainage and
7 Wastewater System and all records, accounts and data of the City
8 relating thereto. Upon request of any Registered Owner of any of
9 the Bonds, it also will furnish to such Registered Owner a copy
10 of the most recently completed audit of the City's accounts by
11 the State Auditor.

12 **Section 17. Future Parity Bonds.**

13 (a) The City reserves the right to issue Future Parity
14 Bonds and to enter into Parity Payment Agreements for purposes of
15 the Drainage and Wastewater System or to refund a portion of the
16 Parity Bonds if the following conditions are met and complied
17 with at the time of the issuance of those Future Parity Bonds or
18 entering into the Parity Payment Agreement:

- 19 (i) There must be no deficiency in the Parity Bond Account and no Event of Default
20 with respect to any Parity Bonds shall have occurred and be continuing.
- 21 (ii) The Future Parity Bond Legislation must provide that all ULID Assessments shall
22 be paid directly into the Parity Bond Account.
- 23 (iii) The Future Parity Bond Legislation must provide for the payment of the principal
24 thereof and the interest thereon out of the Parity Bond Account.
- 25 (iv) The Future Parity Bond Legislation must provide for the payment of any Sinking
26 Fund Requirements from money in the Principal and Interest Subaccount.
- 27 (v) The Future Parity Bond Legislation must provide for the deposit into the Reserve
28 Subaccount of (A) an amount, if any, necessary to fund the Reserve Requirement
upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds

1 or other money legally available; (B) one or more Reserve Securities or an
2 amount plus Reserve Securities necessary to fund the Reserve Requirement upon
3 the issuance of those Future Parity Bonds, or (C) amounts necessary to fund the
4 Reserve Requirement from ULID Assessments and Net Revenue within five years
5 from the date of issuance of those Future Parity Bonds, in five approximately
6 equal annual payments. Immediately prior to the issuance of Future Parity Bonds,
7 amounts then deposited in the Reserve Subaccount shall be valued as determined
8 on the most recent annual financial report of the City applicable to the Drainage
9 and Wastewater System, and the additional amounts, if any, needed to be
10 deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall
11 be based on that valuation.

12 (vi) There shall be on file either:

13 (A) A certificate of the Director of Finance or the Director of Seattle Public
14 Utilities demonstrating that during any 12 consecutive calendar months
15 out of the immediately preceding 24 calendar months Adjusted Net
16 Revenue was at least equal to the Coverage Requirement for all Parity
17 Bonds plus the Future Parity Bonds proposed to be issued (and assuming
18 that the debt service of the proposed Future Parity Bonds for that 12
19 month period was the Average Annual Debt Service for those proposed
20 bonds); or

21 (B) A certificate of the Director of Seattle Public Utilities or a certificate from
22 an Independent Utility Consultant showing that in his or her professional
23 opinion the Adjusted Net Revenue will be equal to the Coverage
24 Requirement. However, if Future Parity Bonds proposed to be so issued
25 are for the sole purpose of refunding outstanding Parity Bonds, such
26 certification of coverage shall not be required if the Annual Debt Service
27 in each year for the refunding bonds is not increased over the amount
28 required for the bonds to be refunded thereby and the maturities of those
29 refunding bonds are not extended beyond the maturities of the bonds to be
30 refunded thereby.

The certificate, in estimating the Adjusted Net Revenue shall use the
historical Gross Revenue for any 12 consecutive months out of the 24
months immediately preceding the month of delivery of the Future Parity
Bonds. The Gross Revenue may be adjusted to reflect:

- (1) any changes in rates in effect and being charged or expressly
committed by ordinance of the City Council to be made in the
future;
- (2) income derived from customers of the Drainage and Wastewater
System that have become customers during the 12 consecutive

1 month period or thereafter adjusted to reflect one year's net
2 revenue from such customers;

3 (3) revenues from any customers to be connected to the Drainage and
4 Wastewater System who have paid the required connection
5 charges;

6 (4) revenue to be derived from any person, firm, corporation or
7 municipal corporation under any executed contract for Drainage or
8 Wastewater service which revenue was not included in the
9 historical Gross Revenue;

10 (5) an estimate of the Gross Revenue to be derived by the City from
11 customers with improved property available to connect to any
12 additions to and improvements and extensions of the Drainage and
13 Wastewater System to be paid for out of the proceeds of the sale of
14 the additional Future Parity Bonds or other additions to and
15 improvements and extensions of the Drainage and Wastewater
16 System then under construction and not fully connected to the
17 facilities of the Drainage and Wastewater System when such
18 additions, improvements and extensions are completed.

19 Actual or reasonably anticipated changes in the Operating and
20 Maintenance Expense subsequent to such 12 month period shall be added
21 or deducted, as is applicable. The use of money other than Gross Revenue
22 for the payment of Operating and Maintenance Expense shall not exceed
23 per year an amount used for that purpose during the 12 months
24 immediately preceding the date of issuance of the Future Parity Bonds.

25 ***Upon the redemption or defeasance of all outstanding 2004 Bonds, this subsection (vi)***
26 ***shall be replaced in its entirety with the following:***

27 (vi) *There shall be on file with the City either:*

28 (A) *A certificate of the Director of Finance demonstrating that during any 12
consecutive calendar months out of the immediately preceding
24 calendar months Adjusted Net Revenue was at least equal to the
Coverage Requirement for all Parity Bonds plus the Future Parity Bonds
proposed to be issued (and assuming that the debt service of the proposed
Future Parity Bonds for that 12 month period was the Average Annual
Debt Service for those proposed bonds); or*

(B) *A certificate of the Director of Finance and the Director of Seattle Public
Utilities (or any officer who succeeds to substantially all of the
responsibilities of that office) that in their opinion, Adjusted Net Revenue*

1 *for the five fiscal years next following the earlier of (1) the end of the*
2 *period during which interest on those Future Parity Bonds is to be*
3 *capitalized or, if no interest is capitalized, the fiscal year in which the*
4 *Future Parity Bonds are issued, or (2) the date on which substantially all*
5 *new facilities financed with those Future Parity Bonds are expected to*
6 *commence operations, such Adjusted Net Revenue further adjusted as*
7 *provided in paragraphs (1) through (4) below, will be at least equal to the*
8 *Coverage Requirement. That certificate may take into account the*
9 *following adjustments:*

- 10 (1) *Any changes in rates in effect and being charged, or rates expected*
11 *to be charged in accordance with a program of specific rates, rate*
12 *levels or increases in overall rate revenue approved by ordinance*
13 *or resolution;*
- 14 (2) *Net revenue from customers of the Drainage and Wastewater*
15 *System who have become customers during the 12 consecutive*
16 *month period or thereafter, and their estimate of net revenue from*
17 *any customers to be connected to the Drainage and Wastewater*
18 *System who have paid the required connection charges, adjusted to*
19 *reflect one year's net revenue from those customers;*
- 20 (3) *Their estimate of net revenue from customers anticipated to be*
21 *served by facilities or improvements financed in substantial part by*
22 *those Future Parity Bonds (or additional Parity Bonds expected to*
23 *be issued during the five-year period); and*
- 24 (4) *Net revenue from any person, firm, corporation or municipal*
25 *corporation under any executed contract for drainage and*
26 *wastewater or other utility service, which revenue was not*
27 *included in the historical Net Revenue of the Drainage and*
28 *Wastewater System.*

29 *If the Future Parity Bonds proposed to be issued are for the sole purpose*
30 *of refunding Parity Bonds, no such coverage certification shall be*
31 *required if the Adjusted Annual Debt Service on the Parity Bonds after the*
32 *issuance of the Future Parity Bonds is not, for any year in which the*
33 *Parity Bonds being refunded were outstanding, more than \$5,000 over the*
34 *Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of*
35 *those Future Parity Bonds.*

36 (b) Nothing contained in the provisions for Future Parity Bonds shall prevent the City
37 from issuing revenue bonds or other obligations having a lien on the Gross Revenue subordinate
38 to the lien of the Bonds and any Future Parity Bonds. ***Upon the redemption or defeasance of all***

1 *outstanding 2004 Bonds, this subsection shall be replaced in its entirety with the following:*

2 *Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund*
3 *maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue*
4 *bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien of the*
5 *Parity Bonds, or from pledging the payment of ULID assessments into a bond redemption fund*
6 *created for the payment of the principal of and interest on those subordinate lien bonds as long*
7 *as such ULID assessments are levied for improvements constructed from the proceeds of those*
8 *subordinate lien bonds.*

9 **Section 18. Rate Stabilization Account.** The Rate
10 Stabilization Account has been created as a separate account in
11 the Drainage and Wastewater Fund. The City may at any time, as
12 determined by the Director of Finance, deposit in the Rate
13 Stabilization Account, Gross Revenue and any other money received
14 by the Drainage and Wastewater System and available for this
15 purpose, consistent with Section 14. The Director of Finance may,
16 upon authorization by resolution of the City Council, withdraw
17 any or all of the money from the Rate Stabilization Account for
18 inclusion in the Adjusted Gross Revenue for any fiscal year. Such
19 deposits or withdrawals may be made up to and including the date
20 90 days after the end of the fiscal year for which the deposit or
21 withdrawal will be included as Adjusted Gross Revenue. No deposit
22 of Gross Revenue may be made into the Rate Stabilization Account
23 to the extent that such deposit would prevent the City from
24 meeting the Coverage Requirement in the relevant fiscal year.

25 **Section 19. Separate Utility Systems.** The City may
26 create, acquire, construct, finance, own and operate one or more
27 additional systems for drainage and wastewater service or other
28

1 commodity or service relating to the Drainage and Wastewater
2 System. The revenue of that separate utility system shall not be
3 included in the Gross Revenue and may be pledged to the payment
4 of revenue obligations issued to purchase, construct, condemn or
5 otherwise acquire or expand the separate utility system. Neither
6 the Gross Revenue nor the Net Revenue shall be pledged by the
7 City to the payment of any obligations of a separate utility
8 system except (a) as a Contract Resource Obligation, or (b) with
9 respect to the Net Revenue, on a basis subordinate to the lien of
10 the Parity Bonds on that Net Revenue.

11 **Section 20. Contract Resource Obligations.** The City may
12 at any time enter into one or more Contract Resource Obligations
13 for the acquisition, from facilities to be constructed, of
14 drainage and wastewater services or other commodity or service
15 relating to the Drainage and Wastewater System, as follows:

16 (a) The City may determine that, and may agree under a
17 Contract Resource Obligation to provide that, all payments under
18 that Contract Resource Obligation (including payments prior to
19 the time that drainage and wastewater services or other commodity
20 or service is being provided, or during a suspension or after
21 termination of supply or service) shall be an Operating and
22 Maintenance Expense if the following requirements are met at the
23 time such a Contract Resource Obligation is entered into:

- 24 (i) No Event of Default has occurred and is continuing; and
25 (ii) There shall be on file a certificate of an Independent Utility Consultant stating
26 that (A) the payments to be made by the City in connection with the Contract
27 Resource Obligation are reasonable for the commodity or service rendered;
28 (B) any facilities to be constructed to provide the commodity or service are sound
from a drainage and wastewater services or other commodity or service planning

1 standpoint, are technically and economically feasible in accordance with prudent
2 utility practice, and are likely to provide supply or transmission no later than a
3 date set forth in the Independent Utility Consultant's certification; and (C) the
4 Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's
5 estimate of the payments to be made in accordance with the Contract Resource
6 Obligation) for the five fiscal years following the year in which the Contract
7 Resource Obligation is incurred, as such Adjusted Net Revenue is estimated by
8 the Independent Utility Consultant in accordance with the provisions of and
9 adjustments permitted in Section 17(a)(vi)(B), will be at least equal to the
10 Coverage Requirement.

11 (b) Payments required to be made under Contract Resource
12 Obligations shall not be subject to acceleration.

13 (c) Nothing in this section shall be deemed to prevent the
14 City from entering into other agreements for the acquisition of
15 drainage and wastewater services or other commodity or service
16 from existing facilities and from treating those payments as an
17 Operating and Maintenance Expense. Nothing in this section shall
18 be deemed to prevent the City from entering into other agreements
19 for the acquisition of drainage and wastewater services or other
20 commodity or service from facilities to be constructed and from
21 agreeing to make payments with respect thereto, such payments
22 constituting a charge and lien on Net Revenue subordinate to the
23 Parity Bonds.

24 **Section 21. Refunding and Defeasance of the Bonds.** The Bonds are hereby
25 designated "Refundable Bonds" for purposes of Ordinance 121938, as it may be amended from
26 time to time. The City may issue refunding bonds pursuant to the laws of the State or use money
27 available from any other lawful source to pay when due the principal of, premium, if any, and
28 interest on any Bond, or portion thereof, included in a refunding or defeasance plan, and to
redeem and retire, release, refund or defease those Bonds (the "defeased Bonds") and to pay the
costs of such refunding or defeasance. If money and/or Government Obligations maturing at a

1 time or times and in an amount sufficient, together with known earned income from the
2 investment thereof, to redeem and retire, release, refund or defease the defeased Bonds in
3 accordance with their terms, are set aside in a special trust fund or escrow account irrevocably
4 pledged to such redemption, retirement or defeasance (the "trust account"), then all right and
5 interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the Net
6 Revenue and the funds and accounts pledged to the payment of such defeased Bonds, other than
7 the right to receive the funds so set aside and pledged, thereafter shall cease and become void.
8 Such Owners thereafter shall have the right to receive payment of the principal of and interest or
9 redemption price on the defeased Bonds from the trust account. After establishing and fully
10 funding such a trust account, the defeased Bonds shall be deemed as no longer outstanding, and
11 the Director of Finance then may apply any money in any other fund or account established for
12 the payment or redemption of the defeased Bonds to any lawful purposes. Notice of refunding or
13 defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be
14 conducted, in the manner set forth in this ordinance for the redemption of Bonds.

15 If the refunding or defeasance plan provides that the defeased Bonds or the refunding
16 bonds to be issued be secured by money and/or Government Obligations pending the prior
17 redemption of the defeased Bonds and if such refunding or defeasance plan also provides that
18 certain money and/or Government Obligations are pledged irrevocably for the prior redemption
19 of the defeased Bonds included in that refunding or defeasance plan, then only the debt service
20 on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is
21 not so secured by the refunding plan, shall be included in the computation of the Coverage
22 Requirement for the issuance of Future Parity Bonds and the annual computation of the
23 Coverage Requirement for determining compliance with the rate covenants.

24 **Section 22. Provisions Relating to Certain Federal Tax**
25 **Consequences of the Bonds.**

26 (a) **Tax-Exempt Bonds.** The City covenants that it will take
27 all actions, consistent with the terms of any Series issued as
28

1 Tax-Exempt Bonds, this ordinance, and the Bond Resolution,
2 reasonably within its power and necessary to prevent interest on
3 that Series from being included in gross income for federal
4 income tax purposes, and the City will neither take any action
5 nor make or permit any use of gross proceeds of that Series or
6 other funds of the City treated as gross proceeds of that Series
7 at any time during the term of such Series which will cause
8 interest on such Series to be included in gross income for
9 federal income tax purposes. The City also covenants that it
10 will, to the extent the arbitrage rebate requirement of Section
11 148 of the Code is applicable to any Series issued as Tax-Exempt
12 Bonds, take all actions necessary to comply (or to be treated as
13 having complied) with that requirement in connection with that
14 Series, including the calculation and payment of any penalties
15 that the City has elected to pay as an alternative to calculating
16 rebatable arbitrage, and the payment of any other penalties if
17 required under Section 148 of the Code to prevent interest on
18 such Series from being included in gross income for federal
19 income tax purposes.

20 **(b) Tax-Credit Subsidy Bonds or other Taxable Bonds.** The
21 Director of Finance may, without further action by the City
22 Council, make provision in the Bonds or other written document
23 for such additional covenants of the City as may be necessary or
24 appropriate in order for the City to receive from the United
25 States Treasury the applicable Tax Credit Subsidy Payments in
26 respect of any Series issued as Tax Credit Subsidy Bonds, or
27

1 otherwise become and remain eligible for tax benefits under the
2 Code.

3 **Section 23. Official Statement; Continuing Disclosure.**

4 **(a) Preliminary Official Statement.** The Director of Finance
5 and other appropriate City officials are directed to cause the
6 preparation of and review the form of a preliminary official
7 statement in connection with each sale of one or more Series to
8 the public. For the sole purpose of the Purchaser's compliance
9 with paragraph (b) (1) of Rule 15c2-12, the Director of Finance is
10 authorized to deem that preliminary official statement final as
11 of its date, except for the omission of information permitted to
12 be omitted by Rule 15c2-12. The City approves the distribution to
13 potential purchasers of the Bonds of a preliminary official
14 statement that has been deemed final in accordance with this
15 subsection.

16 **(b) Final Official Statement.** The City approves the
17 preparation of a final official statement for each sale of one or
18 more Series to be sold to the public in the form of the
19 preliminary official statement with such modifications and
20 amendments as the Director of Finance deems necessary or
21 desirable, and further authorizes the Director of Finance to
22 execute and deliver such final official statement to the
23 Purchaser. The City authorizes and approves the distribution by
24 the Purchaser of that final official statement to purchasers and
25 potential purchasers of the Bonds.

1 **(c) Undertaking to Provide Continuing Disclosure.** To meet
2 the requirements of paragraph (b)(5) of Rule 15c2-12, as
3 applicable to a participating underwriter for a Series, the
4 Director of Finance is authorized to execute the Undertaking in
5 substantially the form attached as Exhibit B.

6 **Section 24. Supplemental or Amendatory Ordinances.**

7 (a) This ordinance shall not be supplemented or amended in
8 any respect subsequent to the Issue Date, except as provided in
9 and in accordance with and subject to the provisions of this
10 section.

11 (b) The City may, from time to time and at any time,
12 without the consent of or notice to the owners of the Parity
13 Bonds, pass supplemental or amendatory ordinances for any of the
14 following purposes:

- 15 (i) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance
16 in a manner not adverse to the owners of any Parity Bonds;
- 17 (ii) To impose upon the Bond Registrar (with its consent) for the benefit of the
18 owners of any Parity Bonds any additional rights, remedies, powers, authority,
19 security, liabilities or duties which may lawfully be granted, conferred or imposed
20 and which are not contrary to or inconsistent with this ordinance as theretofore in
21 effect;
- 22 (iii) To add to the covenants and agreements of, and limitations and restrictions upon,
23 the City in this ordinance other covenants, agreements, limitations and restrictions
24 to be observed by the City which are not contrary to or inconsistent with this
25 ordinance as theretofore in effect;
- 26 (iv) To confirm, as further assurance, any pledge under, and the subjection to any
27 claim, lien or pledge created or to be created by this ordinance of any other
28 money, securities or funds;
- (v) To authorize different denominations of the Bonds and to make correlative
amendments and modifications to this ordinance regarding exchangeability of
Bonds of different authorized denominations, redemptions of portions of Bonds of

1 particular authorized denominations and similar amendments and modifications of
2 a technical nature;

3 (vi) To comply with any future federal law or interpretation to preserve the exclusion
4 of the interest on the Tax-Exempt Bonds from gross income for federal income
5 tax purposes and the entitlement of the City to receive from the United States
6 Treasury the applicable Tax Credit Subsidy Payments in respect of any Series
7 sold and issued as Tax Credit Subsidy Bonds;

8 (vii) To modify, alter, amend or supplement this ordinance in any other respect which
9 is not materially adverse to the owners of the Parity Bonds and which does not
10 involve a change described in subsection (c) of this section; and

11 (viii) To add to the covenants and agreements of, and limitations and restrictions upon,
12 the City in this ordinance, other covenants, agreements, limitations and
13 restrictions to be observed by the City which are requested by a provider of Bond
14 Insurance or provider of a Reserve Security and which are not materially adverse
15 to the owners of the Parity Bonds.

16 Before the City may pass any such supplemental or amendatory
17 ordinance pursuant to this subsection, there must be delivered to
18 the City an opinion of Bond Counsel, stating that such
19 supplemental or amendatory ordinance is authorized or permitted
20 by this ordinance and will, upon the effective date thereof, be
21 valid and binding upon the City in accordance with its terms, and
22 will not adversely affect the exclusion from gross income for
23 federal income tax purposes of interest on any Tax-Exempt Bonds.

24 (c) Except for any supplemental or amendatory ordinance
25 passed pursuant to subsection (b) of this section, subject to the
26 terms and provisions contained in this subsection (c) and not
27 otherwise:

28 (i) With the consent of registered owners of not less than 60% in aggregate principal
amount of the Parity Bonds then outstanding, the City Council may pass any
supplemental or amendatory ordinance deemed necessary or desirable by the City
for the purpose of modifying, altering, amending, supplementing or rescinding, in
any particular, any of the terms or provisions contained in this ordinance.
However, unless approved in writing by the registered owner of each Parity Bond

1 then outstanding, nothing contained in this section shall permit, or be construed as
2 permitting (A) a change in the times, amounts or currency of payment of the
3 principal of or interest on any outstanding Parity Bond, or a reduction in the
4 principal amount or redemption price of any outstanding Parity Bond or a change
5 in the method of determining the rate of interest thereon, (B) a preference or
6 priority of any Parity Bond over any other Parity Bond, or (C) a reduction in the
7 aggregate principal amount of Parity Bonds.

8 (ii) If at any time the City Council passes a supplemental or amendatory ordinance for
9 any of the purposes of this subsection (c), the Bond Registrar shall cause notice of
10 the proposed supplemental or amendatory ordinance to be given by first class
11 United States mail to all registered owners of the then outstanding Parity Bonds,
12 to each provider of Bond Insurance or a Reserve Security, and to each Rating
13 Agency. Such notice shall briefly set forth the nature of the proposed
14 supplemental or amendatory ordinance and shall state that a copy is on file at the
15 office of the City Clerk for inspection by all owners of the outstanding Parity
16 Bonds.

17 (iii) Within two years after the date of the mailing of such notice, such supplemental
18 or amendatory ordinance, substantially as described in such notice, may go into
19 effect, but only if there shall have first been delivered to the Bond Registrar
20 (A) the required consents, in writing, of registered owners of the Parity Bonds,
21 and (B) an opinion of Bond Counsel stating that such supplemental or amendatory
22 ordinance is authorized or permitted by this ordinance and, upon the effective date
23 thereof, will be valid and binding upon the City in accordance with its terms, will
24 not adversely affect the exclusion from gross income for federal income tax
25 purposes of interest on any Tax-Exempt Bonds.

26 (iv) If registered owners of not less than the percentage of Parity Bonds required by
27 this subsection (c) shall have consented to and approved the passage of such a
28 supplemental or amendatory ordinance, no owner of a Parity Bond shall have any
right to object to the passage of such supplemental ordinance, or to object to any
of the terms and provisions contained therein or the operation thereof, or in any
manner to question the propriety of the passage thereof, or to enjoin or restrain the
City from passing the same or the City, any authorized official thereof, or the
Bond Registrar from taking any action pursuant to the provisions thereof.

(d) The Registered Owners from time to time of the
outstanding Bonds, by taking and holding the same, shall be
deemed to have consented to the adoption by the City of any
supplemental or amendatory ordinance or resolution passed

1 pursuant to the provisions of this section for any one or more of
2 the following purposes:

- 3 (i) When calculating “Annual Debt Service,” to permit or require Tax Credit Subsidy
4 Payments expected to be received by the City in any period to be credited against
5 amounts required to be paid in respect of interest on the Parity Bonds in that
6 period; and
7 (ii) To permit or require Tax Credit Subsidy Payments to be deposited into the
8 Principal and Interest Subaccount and credited against the Net Revenue otherwise
9 required to be deposited into the Principal and Interest Subaccount.

10 (e) Upon the effective date of any supplemental or
11 amendatory ordinance pursuant to the provisions of this section,
12 this ordinance shall be, and be deemed to be, modified and
13 amended in accordance therewith, and the respective rights,
14 duties and obligations under this ordinance of the City, the Bond
15 Registrar and all owners of Parity Bonds then outstanding shall
16 thereafter be determined, exercised and enforced under this
17 ordinance subject in all respects to such modifications and
18 amendments.

19 **Section 25. Defaults and Remedies.**

20 (a) **Events of Default.** The following shall constitute
21 Events of Default with respect to the Bonds:

- 22 (i) If a default is made in the payment of the principal of or interest on any of the
23 Bonds when the same shall become due and payable; or
24 (ii) If the City defaults in the observance and performance of any other of the
25 covenants, conditions and agreements on the part of the City set forth in this
26 ordinance or in any Parity Bond Legislation (except as otherwise provided herein
27 or in such Parity Bond Legislation) and such default or defaults have continued
28 for a period of six months after the City has received from the Bond Owners’
Trustee (as defined below) or from the Registered Owners of not less than 25% in
principal amount of the Parity Bonds, a written notice specifying and demanding
the cure of such default. However, if the default in the observance and
performance of any other of the covenants, conditions and agreements is one
which cannot be completely remedied within the six months after written notice

1 has been given, it shall not be an Event of Default with respect to the Bonds as
2 long as the City has taken active steps within the six months after written notice
3 has been given to remedy the default and is diligently pursuing such remedy.

4 Notwithstanding anything in this section to the contrary, the
5 failure of the City or any obligated person to comply with the
6 Undertaking shall not constitute an Event of Default under this
7 ordinance, the Bond Resolution or the Bonds, and the sole remedy
8 of any holder of a Bond shall be to seek an order of specific
9 performance from an appropriate court to compel the City to
10 comply with the Undertaking.

11 **(b) Bond Owners' Trustee.** So long as such Event of Default
12 has not been remedied, a trustee (the "Bond Owners' Trustee") may
13 be appointed by the registered owners of 25% in principal amount
14 of the then outstanding Parity Bonds, by an instrument or
15 concurrent instruments in writing signed and acknowledged by such
16 registered owners of the Parity Bonds or by their attorneys-in-
17 fact duly authorized and delivered to such Bond Owners' Trustee,
18 notification thereof being given to the City. That appointment
19 shall become effective immediately upon acceptance thereof by the
20 Bond Owners' Trustee. Any Bond Owners' Trustee appointed under
21 the provisions of this subsection shall be a bank or trust
22 company organized under the laws of the State of Washington or
23 the State of New York or a national banking association. The bank
24 or trust company acting as Bond Owners' Trustee may be removed at
25 any time, and a successor Bond Owners' Trustee may be appointed,
26 by the registered owners of a majority in principal amount of the
27 Parity Bonds, by an instrument or concurrent instruments in

1 writing signed and acknowledged by such registered owners of the
2 Parity Bonds or by their attorneys-in-fact duly authorized. The
3 Bond Owners' Trustee may require such security and indemnity as
4 may be reasonable against the costs, expenses and liabilities
5 that may be incurred in the performance of its duties.

6 In the event that any Event of Default in the sole judgment
7 of the Bond Owners' Trustee is cured and the Bond Owners' Trustee
8 furnishes to the City a certificate so stating, that Event of
9 Default shall be conclusively deemed to be cured and the City,
10 the Bond Owners' Trustee and the registered owners of the Parity
11 Bonds shall be restored to the same rights and position which
12 they would have held if no Event of Default had occurred.

13 The Bond Owners' Trustee appointed in the manner herein
14 provided, and each successor thereto, is declared to be a trustee
15 for the registered owners of all the Parity Bonds and is
16 empowered to exercise all the rights and powers herein conferred
17 on the Bond Owners' Trustee.

18 **(c) Suits at Law or in Equity.** Upon the happening of an
19 Event of Default and during the continuance thereof, the Bond
20 Owners' Trustee may, and upon the written request of the
21 registered owners of not less than 25% in principal amount of the
22 Parity Bonds outstanding shall, take such steps and institute
23 such suits, actions or other proceedings, all as it may deem
24 appropriate for the protection and enforcement of the rights of
25 the registered owners of the Parity Bonds, to collect any amounts
26 due and owing to or from the City, or to obtain other appropriate
27 relief, and may enforce the specific performance of any covenant,
28

1 agreement or condition contained in this ordinance or in any of
2 the Parity Bonds.

3 Nothing contained in this section shall, in any event or
4 under any circumstance, be deemed to authorize the acceleration
5 of maturity of principal on the Parity Bonds, and the remedy of
6 acceleration is expressly denied to the registered owners of the
7 Parity Bonds under any circumstances including, without
8 limitation, upon the occurrence and continuance of an Event of
9 Default.

10 Any action, suit or other proceedings instituted by the Bond
11 Owners' Trustee hereunder shall be brought in its name as the
12 Bond Owners' Trustee and all such rights of action upon or under
13 any of the Parity Bonds or the provisions of this ordinance may
14 be enforced by the Bond Owners' Trustee without the possession of
15 any of those Parity Bonds and without the production of the same
16 at any trial or proceedings relative thereto except where
17 otherwise required by law. Any such suit, action or proceeding
18 instituted by the Bond Owners' Trustee shall be brought for the
19 ratable benefit of all of the registered owners of those Parity
20 Bonds, subject to the provisions of this ordinance. The
21 respective registered owners of the Parity Bonds, by taking and
22 holding the same, shall be conclusively deemed irrevocably to
23 appoint the Bond Owners' Trustee the true and lawful trustee of
24 the respective registered owners of those Parity Bonds, with
25 authority to institute any such action, suit or proceeding; to
26 receive as trustee and deposit in trust any sums becoming
27 distributable on account of those Parity Bonds; to execute any

1 paper or documents for the receipt of money; and to do all acts
2 with respect thereto that the registered owner himself or herself
3 might have done in person. Nothing herein shall be deemed to
4 authorize or empower the Bond Owners' Trustee to consent to
5 accept or adopt, on behalf of any registered owner of the Parity
6 Bonds, any plan of reorganization or adjustment affecting the
7 Parity Bonds or any right of any registered owner thereof, or to
8 authorize or empower the Bond Owners' Trustee to vote the claims
9 of the registered owners thereof in any receivership, insolvency,
10 liquidation, bankruptcy, reorganization or other proceeding to
11 which the City is a party.

12 **(d) Application of Money Collected by Bond Owners' Trustee.**

13 Any money collected by the Bond Owners' Trustee at any time
14 pursuant to this section shall be applied in the following order
15 of priority:

- 16 (i) to the payment of the charges, expenses, advances and compensation of the Bond
17 Owners' Trustee and the charges, expenses, counsel fees, disbursements and
18 compensation of its agents and attorneys; and
- 19 (ii) to the payment to the persons entitled thereto of all installments of interest then
20 due on the Parity Bonds in the order of maturity of such installments and, if the
21 amount available shall not be sufficient to pay in full any installment or
22 installments maturing on the same date, then to the payment thereof ratably,
23 according to the amounts due thereon to the persons entitled thereto, without any
24 discrimination or preference; and
- 25 (iii) to the payment to the persons entitled thereto of the unpaid principal amounts of
26 any Parity Bonds which shall have become due (other than Parity Bonds
27 previously called for redemption for the payment of which money is held pursuant
28 to the provisions hereto), whether at maturity or by proceedings for redemption or
otherwise, in the order of their due dates and, if the amount available shall not be
sufficient to pay in full the principal amounts due on the same date, then to the
payment thereof ratably, according to the principal amounts due thereon to the
persons entitled thereto, without any discrimination or preference.

1 **(e) Duties and Obligations of Bond Owners' Trustee.** The
2 Bond Owners' Trustee shall not be liable except for the
3 performance of such duties as are specifically set forth herein.
4 During an Event of Default, the Bond Owners' Trustee shall
5 exercise such of the rights and powers vested in it hereby, and
6 shall use the same degree of care and skill in its exercise, as a
7 prudent person would exercise or use under the circumstances in
8 the conduct of his or her own affairs. The Bond Owners' Trustee
9 shall have no liability for any act or omission to act hereunder
10 except for the Bond Owners' Trustee's own negligent action, its
11 own negligent failure to act or its own willful misconduct. The
12 duties and obligations of the Bond Owners' Trustee shall be
13 determined solely by the express provisions of this ordinance,
14 and no implied powers, duties or obligations of the Bond Owners'
15 Trustee shall be read into this ordinance.

16 The Bond Owners' Trustee shall not be required to expend or
17 risk its own funds or otherwise incur individual liability in the
18 performance of any of its duties or in the exercise of any of its
19 rights or powers as the Bond Owners' Trustee, except as may
20 result from its own negligent action, its own negligent failure
21 to act or its own willful misconduct.

22 The Bond Owners' Trustee shall not be bound to recognize any
23 person as a registered owner of any Parity Bond until his or her
24 title thereto, if disputed, has been established to its
25 reasonable satisfaction.

26 The Bond Owners' Trustee may consult with counsel and the
27 opinion of such counsel shall be full and complete authorization
28

1 and protection in respect of any action taken or suffered by it
2 hereunder in good faith and in accordance with the opinion of
3 such counsel. The Bond Owners' Trustee shall not be answerable
4 for any neglect or default of any person, firm or corporation
5 employed and selected by it with reasonable care.

6 **(f) Suits by Individual Parity Bond Owners Restricted.** No
7 owner of any one or more Parity Bonds shall have any right to
8 institute any action, suit or proceeding at law or in equity for
9 the enforcement of same unless:

- 10 (i) an Event of Default has happened and is continuing; and
11 (ii) a Bond Owners' Trustee has been appointed; and
12 (iii) such owner previously shall have given to the Bond Owners' Trustee written
13 notice of the Event of Default on account of which such suit, action or proceeding
14 is to be instituted; and
15 (iv) the registered owners of 25% in principal amount of the Parity Bonds, after the
16 occurrence of such Event of Default, have made written request of the Bond
17 Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable
18 opportunity to institute such suit, action or proceeding; and
19 (v) there have been offered to the Bond Owners' Trustee security and indemnity
20 satisfactory to it against the costs, expenses and liabilities to be incurred therein or
21 thereby; and
22 (vi) the Bond Owners' Trustee has refused or neglected to comply with such request
23 within a reasonable time.

24 No owner of any Parity Bond shall have any right in any manner
25 whatever by his or her action to affect or impair the obligation
26 of the City to pay from the Net Revenue the principal of and
27 interest on such Parity Bonds to the respective registered owners
28 thereof when due.

1 **Section 26. General Authorization.** In addition to the
2 specific authorizations in this ordinance, the Mayor and the
3 Director of Finance and each of the other appropriate officers of
4 the City are each authorized and directed to do everything as in
5 his or her judgment may be necessary, appropriate, or desirable
6 in order to carry out the terms and provisions of, and complete
7 the transactions contemplated by, this ordinance. In particular
8 and without limiting the foregoing:

9 (a) The Director of Finance may, in his or her discretion
10 and without further action by the City Council: (i) issue
11 requests for proposals for underwriting or financing facilities
12 and execute engagement letters with underwriters, bond insurers
13 or other financial institutions based on responses to such
14 requests, (ii) change the Bond Registrar or Securities Depository
15 for the Bonds; and (iii) take such actions on behalf of the City
16 as are necessary or appropriate for the City to designate,
17 qualify or maintain the tax-exempt treatment with respect to any
18 Series issued as Tax-Exempt Bonds, to receive from the United
19 States Treasury the applicable Tax Credit Subsidy Payments in
20 respect of any Series issued as Tax-Credit Subsidy Bonds and to
21 otherwise receive any other federal tax benefits relating to the
22 Bonds that available to the City; and

23 (b) Each of the Mayor and the Director of Finance is
24 separately authorized to execute and deliver (i) any and all
25 contracts or other documents as are consistent with this
26 ordinance and for which the City's approval is necessary or to
27

1 which the City is a party (including but not limited to
2 agreements with escrow agents, refunding trustees, providers of
3 Bond Insurance or Reserve Securities, remarketing agents,
4 underwriters, lenders, fiscal agents, Qualified Counterparties,
5 custodians, and the Bond Registrar); and (ii) such other
6 contracts or documents incidental to the issuance and sale of a
7 Series; the establishment of the initial interest rate or rates
8 on a Bond; or the tender, purchase, remarketing, or redemption of
9 a Bond, as may in his or her judgment be necessary or
10 appropriate.

11 **Section 27. Severability.** The provisions of this
12 ordinance are declared to be separate and severable. If a court
13 of competent jurisdiction, all appeals having been exhausted or
14 all appeal periods having run, finds any provision of this
15 ordinance to be invalid or unenforceable as to any person or
16 circumstance, such offending provision shall, if feasible, be
17 deemed to be modified to be within the limits of enforceability
18 or validity. However, if the offending provision cannot be so
19 modified, it shall be null and void with respect to the
20 particular person or circumstance, and all other provisions of
21 this ordinance in all other respects, and the offending provision
22 with respect to all other persons and all other circumstances,
23 shall remain valid and enforceable.

24 **Section 28. Ratification of Prior Acts.** Any action taken
25 consistent with the authority of this ordinance, after its
26 passage but prior to the effective date, is ratified, approved
27 and confirmed.

Exhibit B – Form of Undertaking to Provide Continuing Disclosure

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EXHIBIT A

OUTSTANDING DRAINAGE AND WASTEWATER PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Bond Legislation
Drainage and Wastewater Revenue Bonds, 2004	10/28/2004	\$62,010,000	Ord 121938 Res 30716
Drainage and Wastewater Revenue and Refunding Bonds, 2006	11/01/2006	\$121,765,000	Ord 121938 Ord 122209 Res 30927
Drainage and Wastewater Revenue Bonds, 2008	04/16/2008	\$84,645,000	Ord 122637 Res 31050
Drainage and Wastewater Revenue Bonds, Series 2009A (Taxable Build America Bonds – Direct Payment)	12/17/2009	\$102,535,000	Ord 123055 Res 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, Series 2009B	12/17/2009	\$36,680,000	Ord 121938 Ord 122209 Ord 122637 Ord 123055 Res 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2012	06/27/2012	\$222,090,000	Ord 121938 Ord 122209 Ord 123753 Res 31387

EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the “City”) makes the following written Undertaking for the benefit of the owners of the City’s Drainage and Wastewater Improvement Revenue Bonds, 2014 (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ and Resolution _____ (together, the “Bond Legislation”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data regarding the Drainage and Wastewater System of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

1 (b) Type of Annual Financial Information Undertaken to be Provided. The annual
financial information that the City undertakes to provide in subsection (a) of this section:

2 (i) Shall consist of annual financial information and operating data
3 regarding the Drainage and Wastewater System of the type included in the final official
statement for the Bonds as follows: (1) annual financial statements of the Drainage and
4 Wastewater System prepared in accordance with generally accepted accounting principles
5 applicable to governmental units (except as otherwise noted therein), as such principles may be
6 changed from time to time and as permitted by State law, which financial statements will not be
7 audited, except, that if and when audited financial statements are otherwise prepared and
8 available to the City they will be provided; (2) a statement of authorized, issued and
outstanding bonded debt secured by revenues of the Drainage and Wastewater System; (3) debt
service coverage ratios; (4) general customer statistics, such as number and type of customers
and revenues by customer class; and (5) current drainage rate and wastewater rates;

9 (ii) Shall be provided not later than the last day of the ninth month after the
10 end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal
11 year may be changed as required or permitted by State law, commencing with the City's fiscal
year ending December 31, 20__; and

12 (iii) May be provided in a single or multiple documents, and may be
13 incorporated by specific reference to documents available to the public on the Internet website
of the MSRB or filed with the SEC.

14 (c) Amendment of Undertaking. The Undertaking is subject to amendment after the
15 primary offering of the Bonds without the consent of any holder of any Bond, or of any broker,
16 dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,
under the circumstances and in the manner permitted by Rule 15c2-12. The City will give
17 notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking
and a brief statement of the reasons for the amendment. If the amendment changes the type of
18 annual financial information to be provided, the annual financial information containing the
19 amended financial information will include a narrative explanation of the effect of that change
on the type of information to be provided.

20 (d) Beneficiaries. The Undertaking evidenced by this section shall inure to the
21 benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or
22 create any rights in any other person.

23 (e) Termination of Undertaking. The City's obligations under this Undertaking
24 shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the
25 outstanding Bonds. In addition, the City's obligations under this Undertaking shall terminate if
those provisions of Rule 15c2-12 which require the City to comply with this Undertaking
become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion

1 of nationally recognized bond counsel or other counsel familiar with federal securities laws
2 delivered to the City, and the City provides timely notice of such termination to the MSRB.

3 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after
4 the City learns of any failure to comply with the Undertaking, the City will proceed with due
5 diligence to cause such noncompliance to be corrected. No failure by the City or other
6 obligated person to comply with the Undertaking shall constitute a default in respect of the
7 Bonds. The sole remedy of any Beneficial Owner of a Bond shall be to take such actions as
8 that Beneficial Owner deems necessary, including seeking an order of specific performance
9 from an appropriate court, to compel the City or other obligated person to comply with the
10 Undertaking.

11 (g) Designation of Official Responsible to Administer Undertaking. The Director
12 of Finance of the City (or such other officer of the City who may in the future perform the
13 duties of that office) or his or her designee is the person designated, in accordance with the
14 Bond Legislation, to carry out the Undertaking of the City in respect of the Bonds set forth in
15 this section and in accordance with Rule 15c2-12, including, without limitation, the following
16 actions:

17 (i) Preparing and filing the annual financial information undertaken to be
18 provided;

19 (ii) Determining whether any event specified in subsection (a) has occurred,
20 assessing its materiality, where necessary, with respect to the Bonds, and preparing and
21 disseminating any required notice of its occurrence;

22 (iii) Determining whether any person other than the City is an “obligated
23 person” within the meaning of the Rule with respect to the Bonds, and obtaining from such
24 person an undertaking to provide any annual financial information and notice of listed events
25 for that person in accordance with the Rule;

26 (iv) Selecting, engaging and compensating designated agents and
27 consultants, including but not limited to financial advisors and legal counsel, to assist and
28 advise the City in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

2014 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services (FAS)	Michael Van Dyck/4-8347	Jennifer Devore/5-1328

Legislation Title:

AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The Drainage and Wastewater bond sale is anticipated to occur in early to mid-2014. The bond proceeds, combined with internally generated funds, will support the Drainage and Wastewater capital program for about 18 months.

The bond sizing is based on the adopted budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will be used to make a deposit to the construction fund, to meet a debt service reserve requirement, and to pay costs of issuance.

The proposed issue is for \$113 million of 30-year, fixed-rate bonds. Total annual debt service is expected to be about \$7.8 million starting in 2015. SPU's adopted rates incorporate the debt service costs resulting from this bond issue.

These bonds will finance improvements to the City's drainage and wastewater system, including projects designed to meet federal and state regulatory requirements. For further information about SPU's capital projects, please see the Proposed 2014-2019 CIP.

 X **This legislation has financial implications.**

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

The Drainage and Wastewater Fund will be obligated to pay annual debt service on these bonds through their term.

b) What is the financial cost of not implementing the legislation?

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or massive rate increases. Since the capital improvements financed with this debt have a long useful life and interest rates are currently low, it is more practical to spread the costs of these improvements over current and future beneficiaries by issuing bonds.

c) Does this legislation affect any departments besides the originating department?

This legislation affects FAS, which will coordinate the issuance of bonds.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from funding the Drainage and Wastewater CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

None.

List attachments to the fiscal note below:

None.