

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117939

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.

"Accreted Value" means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Legislation authorizing

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

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

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

20 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Operating and
21 Maintenance Expense.

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

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

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

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

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

17 (iii) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in**
18 **Force.** Debt service on Parity Bonds with respect to which a Payment Agreement
19 is in force shall be based on the net economic effect on the City expected to be
20 produced by the terms of the Parity Bonds and the terms of the Payment
21 Agreement, including but not limited to the effects produced by the following:
22 (A) Parity Bonds that would, but for a Payment Agreement, be treated as
23 obligations bearing interest at a Variable Interest Rate instead shall be treated as
24 obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that
25 would, but for a Payment Agreement, be treated as obligations bearing interest at
26 a fixed interest rate instead shall be treated as obligations bearing interest at a
27 Variable Interest Rate. Accordingly, the amount of interest deemed to be payable
28 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
practicable Payment Agreement Receipts and Payment Agreement Payments
under a Payment Agreement that includes a variable rate component determined

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

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

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

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

“**Authorized Denomination**” means \$5,000 or any integral multiple thereof within a
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 Resolution provides for a
20 different Bond Registrar with respect to a particular Series), or any successor bond registrar
21 selected in accordance with the Registration Ordinance.

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

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

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

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

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

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

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

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

23 **“Construction Account”** means the Drainage and Wastewater Construction Account,
24 2014, created in the Drainage and Wastewater Fund by this ordinance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 **“Parity Bond Account”** means the Drainage and Wastewater Revenue Bond Account,
17 1990, created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of
18 paying and securing the principal of and interest on Parity Bonds.

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

23 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds and any outstanding
24 Future Parity Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

1 **"RBI"** means *The Bond Buyer* Revenue Bond Index or comparable index, or, if no
2 comparable index can be obtained, 80% of the interest rate for actively traded 30 year United
3 States Treasury obligations.

4 **"Rate Stabilization Account"** means the account of that name previously established by
5 Section 25 of Ordinance 118974.

6 **"Rating Agency"** means any nationally recognized rating agency then maintaining a
7 rating on a series of Parity Bonds at the request of the City.

8 **"Record Date"** means, unless otherwise defined in the Bond Resolution, in the case of
9 each interest or principal payment or redemption date, the Bond Registrar's close of business on
10 the 15th day of the month preceding the interest or principal payment date. With regard to
11 redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's
12 close of business on the day prior to the date on which the Bond Registrar sends the notice of
13 redemption.

14 **"Registered Owner"** means, with regard to a Bond, the person in whose name that Bond
15 is registered on the Bond Register. For so long as the City uses a book-entry only system under
16 the Letter of Representations, the Registered Owner shall mean the Securities Depository.

17 **"Registration Ordinance"** means City Ordinance 111724 establishing a system of
18 registration for the City's bonds and other obligations pursuant to Seattle Municipal Code
19 Chapter 5.10, as that chapter now exists or may hereafter be amended.

20 **"Reserve Requirement"** means the least of the Maximum Annual Debt Service at the
21 time of calculation, 1.25 times Average Annual Debt Service at the time of calculation, or 10%
22 of the proceeds of each series of then outstanding Parity Bonds, as of the date of delivery of each
23 series.

24 **"Reserve Security"** means any Qualified Insurance or Qualified Letter of Credit
25 obtained by the City to satisfy part or all of the Reserve Requirement, and which is not
26 cancelable on less than three years' notice.

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

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

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

7 **“Securities Depository”** means DTC, any successor thereto, any substitute securities
8 depository selected by the City, or the nominee of any of the foregoing. Any successor or
9 substitute Securities Depository must be qualified under applicable laws and regulations to
10 provide the services proposed to be provided by it.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 **“Variable Interest Rate Bond”** means, for any period of time, any Parity Bond that
25 bears a Variable Interest Rate during that period, except that a Parity Bond shall not be treated as
26 a Variable Interest Rate Bond if the net economic effect of interest rates on particular Parity
27 Bonds of a series and interest rates on other Parity Bonds of the same series, as set forth in the
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1 applicable Parity Bond Legislation, or the net economic effect of a Payment Agreement with
2 respect to a particular Parity Bond, in either case is to produce obligations that bear interest at a
3 fixed interest rate; and a Parity Bond with respect to which a Payment Agreement is in force
4 shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment
5 Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) The Bond Sale Terms for any Series may provide for Bond Insurance, a Reserve
Security or other credit enhancement, or for a Parity Payment Agreement. To that
end, the Bond Sale Terms may include such additional terms, conditions and
covenants as may be necessary or desirable, including but not limited to:
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.

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

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

6 **Section 6. Bond Registrar; Registration and Transfer of Bonds.**

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

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

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

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

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

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

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

23 **Section 7. Payment of Bonds.** Principal of and interest on each Bond shall be
24 payable solely out of the Parity Bond Account, in lawful money of the United States. Principal of
25 and interest on each Bond registered in the name of the Securities Depository is payable in the
26 manner set forth in the Letter of Representations. Interest on each Bond not registered in the
27 name of the Securities Depository is payable by electronic transfer on the interest payment date,
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1 or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered
2 Owner at the address appearing on the Bond Register on the Record Date. However, the City is
3 not required to make electronic transfers except pursuant to a request by a Registered Owner in
4 writing received at least ten days prior to the Record Date and at the sole expense of the
5 Registered Owner. Principal of each Bond not registered in the name of the Securities
6 Depository is payable upon presentation and surrender of the Bond by the Registered Owner to
7 the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

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

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

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

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

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

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

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

23 **Section 10. Failure to Pay Bonds.** If any Bond is not paid when properly presented
24 at its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond
25 Account and the other sources pledged in this ordinance, interest on that Bond at the same rate
26 provided in that Bond from and after its maturity or redemption date until that Bond, principal,
27 premium, if any and interest, is paid in full or until sufficient money for its payment in full is on
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1 deposit in the Parity Bond Account and that Bond has been called for payment by giving notice
2 of that call to the Registered Owner of that Bond.

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

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

16 If any officer whose manual or facsimile signature appears on a Bond ceases to be an
17 officer of the City authorized to sign bonds before the Bond bearing his or her manual or
18 facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that
19 Bond nevertheless may be authenticated, delivered and issued and, when authenticated, issued
20 and delivered, shall be as binding on the City as though that person had continued to be an
21 officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City
22 by any person who, on the actual date of signing of the Bond, is an officer of the City authorized
23 to sign bonds, although he or she did not hold the required office on the date of issuance of the
24 Bonds.

25 **Section 12. Construction Account; Deposit of Proceeds.** An account to be known as
26 the Drainage and Wastewater Construction Account, 2014 is created in the Drainage and
27 Wastewater Fund. The principal proceeds of the sale of the Bonds remaining after the deposit of
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1 accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and the deposit
2 of any proceeds as determined by the Bond Resolution into the Reserve Subaccount, shall be
3 deposited into the Construction Account, unless otherwise specified in the Bond Resolution or
4 directed by the Director of Finance, to be used for the purpose of paying part of the costs of
5 carrying out the Plan of Additions and to pay capitalized interest on, if necessary, and the costs
6 of issuance of the Bonds. Until needed to pay such costs, the City may invest principal proceeds
7 and interest thereon temporarily in any Permitted Investment, and the investment earnings may,
8 as determined by the Director of Finance, be retained in the Construction Account and be spent
9 for the purposes of that account or deposited in the Parity Bond Account.

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

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

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

5 **Section 14. Priority Expenditure of Gross Revenue; Flow of Funds.** The Gross
6 Revenue (except for earnings on investments in the Parity Bond Account or other bond
7 redemption fund, arbitrage rebate account, refunding escrow account or other trust account,
8 unless those earnings are transferred from those accounts or funds to the Drainage and
9 Wastewater Fund) shall be deposited as received in the Drainage and Wastewater Fund and shall
10 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 Interest Subaccount for all
13 Parity Bonds;
- 14 (c) To make the required payments into the Reserve Subaccount for all Parity Bonds;
- 15 (d) To make all required payments into any revenue bond redemption fund created to
16 pay and secure the payment of the principal of and interest on any revenue bonds or short-term
17 obligations of the City having a charge and lien upon the Net Revenue subordinate to the lien
18 thereon for the payment of the principal of and interest on Parity Bonds; and
- 19 (e) To retire by redemption and purchase any outstanding revenue bonds or revenue
20 obligations of the Drainage and Wastewater System; to make necessary additions, betterments,
21 repairs, extensions and replacements of the Drainage and Wastewater System; to pay City taxes
22 or other payments in lieu of taxes payable from Gross Revenue; to make deposits to the Rate
23 Stabilization Account; or for any other lawful Drainage and Wastewater System purpose.

24 **Section 15. Parity Bond Account.** The Parity Bond Account is divided into two
25 subaccounts: the Principal and Interest Subaccount and the Reserve Subaccount. The Director of
26 Finance may create sinking fund subaccounts or other subaccounts in the Parity Bond Account

1 for the payment or securing the payment of Parity Bonds as long as the maintenance of such
2 subaccounts does not conflict with the rights of the owners of Parity Bonds.

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

7 (i) Into the Principal and Interest Subaccount (A) upon receipt thereof, the accrued
8 interest, if any, received by the City from the Purchaser, and (B) on or before each
9 interest or principal and interest payment date of any Parity Bonds an amount
10 which, together with other money on deposit therein, will be sufficient to pay the
11 interest, or principal and interest and Sinking Fund Requirements, to become due
and payable on the Parity Bonds on that payment date, and net payments due on
Parity Payment Agreements; and

12 (ii) Into the Reserve Subaccount an amount necessary to provide for the Reserve
13 Requirement for the Parity Bonds within the time and in the manner required by
14 this ordinance and the Parity Bond Legislation. The amount necessary to satisfy
15 the Reserve Requirement upon the issuance of a Series may be funded (i) on the
16 Issue Date, by a deposit of bond sale proceeds or a Reserve Security, or (ii) in
annual installments from Net Revenue so that the Reserve Requirement is fully
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.

17 The Director of Finance may transfer any money from any funds or accounts of the City
18 legally available therefor, except bond redemption funds refunding escrow funds or defeasance
19 funds, to meet the required payments to be made into the Parity Bond Account. The Director of
20 Finance may provide for the purchase, redemption or defeasance of any Parity Bonds by the use
21 of money on deposit in any subaccount in the Parity Bond Account as long as the money
22 remaining in those subaccounts is sufficient to satisfy the required deposits in those subaccounts
23 for the remaining Parity Bonds.

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

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

3 (d) **Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside
4 and pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth above,
5 the registered owner of any of the outstanding Parity Bonds may bring action against the City for
6 failure to make the required deposits to the Parity Bond Account only in accordance with Section
7 25 regarding Events of Default.

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

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

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

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

10 **(c) Sale or Disposition of Drainage and Wastewater System.** It will not sell, lease,
11 mortgage, or in any manner encumber or dispose of all of the property of the Drainage and
12 Wastewater System unless provision is made for the payment into the Parity Bond Account of an
13 amount sufficient to pay the principal of and interest on Parity Bonds then outstanding; and it
14 will not sell, lease, mortgage, or in any manner encumber or dispose of (each a “transfer”) any
15 part of the property of the Drainage and Wastewater System that is used, useful and material to
16 the operation thereof, except consistent with one or more of the following:

17 (i) if provision is made for replacement thereof, or for payment into the Parity Bond
18 Account of the total amount of Gross Revenue received from the portion of the
19 Drainage and Wastewater System transferred, which shall not be less than an
20 amount which shall bear the same ratio to the amount of Parity Bonds then
21 outstanding as the Gross Revenue available for debt service for such outstanding
22 bonds for the 12 months preceding such transfer from the portion of the Drainage
23 and Wastewater System so transferred bears to the Gross Revenue available for
24 debt service for the then outstanding Parity Bonds from the entire Drainage and
25 Wastewater System of the City for the same period. Any such money so paid into
26 the Parity Bond Account shall be used to retire such Parity Bonds at the earliest
27 possible date; or

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

 (iii) ***Upon the redemption or defeasance of all outstanding 2004 Bonds: if the***
proceeds from such transfer are used to acquire new useful operating facilities or

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

22 **(d) Books and Records.** It will keep proper and separate accounts and records in
23 which complete and separate entries shall be made of all transactions relating to the Drainage
24 and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any
25 subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s),
26 complete operating and income statements of the Drainage and Wastewater System in reasonable
27 detail covering any fiscal year not more than six months after the close of such fiscal year and it
28 will grant any Registered Owner(s) of at least 25% of the outstanding Bonds the right at all
reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts
and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds,
it also will furnish to such Registered Owner a copy of the most recently completed audit of the
City's accounts by the State Auditor.

Section 17. Future Parity Bonds.

(a) The City reserves the right to issue Future Parity Bonds and to enter into Parity
Payment Agreements for purposes of the Drainage and Wastewater System or to refund a portion

1 of the Parity Bonds if the following conditions are met and complied with at the time of the
2 issuance of those Future Parity Bonds or entering into the Parity Payment Agreement:

- 3 (i) There must be no deficiency in the Parity Bond Account and no Event of Default
4 with respect to any Parity Bonds shall have occurred and be continuing.
- 5 (ii) The Future Parity Bond Legislation must provide that all ULID Assessments shall
6 be paid directly into the Parity Bond Account.
- 7 (iii) The Future Parity Bond Legislation must provide for the payment of the principal
8 thereof and the interest thereon out of the Parity Bond Account.
- 9 (iv) The Future Parity Bond Legislation must provide for the payment of any Sinking
10 Fund Requirements from money in the Principal and Interest Subaccount.
- 11 (v) The Future Parity Bond Legislation must provide for the deposit into the Reserve
12 Subaccount of (A) an amount, if any, necessary to fund the Reserve Requirement
13 upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds
14 or other money legally available; (B) one or more Reserve Securities or an
15 amount plus Reserve Securities necessary to fund the Reserve Requirement upon
16 the issuance of those Future Parity Bonds, or (C) amounts necessary to fund the
17 Reserve Requirement from ULID Assessments and Net Revenue within five years
18 from the date of issuance of those Future Parity Bonds, in five approximately
19 equal annual payments. Immediately prior to the issuance of Future Parity Bonds,
20 amounts then deposited in the Reserve Subaccount shall be valued as determined
21 on the most recent annual financial report of the City applicable to the Drainage
22 and Wastewater System, and the additional amounts, if any, needed to be
23 deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall
24 be based on that valuation.
- 25 (vi) There shall be on file either:
- 26 (A) A certificate of the Director of Finance or the Director of Seattle Public
27 Utilities demonstrating that during any 12 consecutive calendar months
28 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 Seattle Public Utilities or a certificate from
an Independent Utility Consultant showing that in his or her professional
opinion the Adjusted Net Revenue will be equal to the Coverage
Requirement. However, if Future Parity Bonds proposed to be so issued

1 are for the sole purpose of refunding outstanding Parity Bonds, such
2 certification of coverage shall not be required if the Annual Debt Service
3 in each year for the refunding bonds is not increased over the amount
4 required for the bonds to be refunded thereby and the maturities of those
5 refunding bonds are not extended beyond the maturities of the bonds to be
6 refunded thereby.

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

- 11 (1) any changes in rates in effect and being charged or expressly
12 committed by ordinance of the City Council to be made in the
13 future;
- 14 (2) income derived from customers of the Drainage and Wastewater
15 System that have become customers during the 12 consecutive
16 month period or thereafter adjusted to reflect one year's net
17 revenue from such customers;
- 18 (3) revenues from any customers to be connected to the Drainage and
19 Wastewater System who have paid the required connection
20 charges;
- 21 (4) revenue to be derived from any person, firm, corporation or
22 municipal corporation under any executed contract for Drainage or
23 Wastewater service which revenue was not included in the
24 historical Gross Revenue;
- 25 (5) an estimate of the Gross Revenue to be derived by the City from
26 customers with improved property available to connect to any
27 additions to and improvements and extensions of the Drainage and
28 Wastewater System to be paid for out of the proceeds of the sale of
the additional Future Parity Bonds or other additions to and
improvements and extensions of the Drainage and Wastewater
System then under construction and not fully connected to the
facilities of the Drainage and Wastewater System when such
additions, improvements and extensions are completed.

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

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

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

4 (A) *A certificate of the Director of Finance demonstrating that during any 12*
5 *consecutive calendar months out of the immediately preceding*
6 *24 calendar months Adjusted Net Revenue was at least equal to the*
7 *Coverage Requirement for all Parity Bonds plus the Future Parity Bonds*
8 *proposed to be issued (and assuming that the debt service of the proposed*
9 *Future Parity Bonds for that 12 month period was the Average Annual*
10 *Debt Service for those proposed bonds); or*

11 (B) *A certificate of the Director of Finance and the Director of Seattle Public*
12 *Utilities (or any officer who succeeds to substantially all of the*
13 *responsibilities of that office) that in their opinion, Adjusted Net Revenue*
14 *for the five fiscal years next following the earlier of (1) the end of the*
15 *period during which interest on those Future Parity Bonds is to be*
16 *capitalized or, if no interest is capitalized, the fiscal year in which the*
17 *Future Parity Bonds are issued, or (2) the date on which substantially all*
18 *new facilities financed with those Future Parity Bonds are expected to*
19 *commence operations, such Adjusted Net Revenue further adjusted as*
20 *provided in paragraphs (1) through (4) below, will be at least equal to the*
21 *Coverage Requirement. That certificate may take into account the*
22 *following adjustments:*

23 (1) *Any changes in rates in effect and being charged, or rates expected*
24 *to be charged in accordance with a program of specific rates, rate*
25 *levels or increases in overall rate revenue approved by ordinance*
26 *or resolution;*

27 (2) *Net revenue from customers of the Drainage and Wastewater*
28 *System who have become customers during the 12 consecutive*
29 *month period or thereafter, and their estimate of net revenue from*
30 *any customers to be connected to the Drainage and Wastewater*
31 *System who have paid the required connection charges, adjusted to*
32 *reflect one year's net revenue from those customers;*

33 (3) *Their estimate of net revenue from customers anticipated to be*
34 *served by facilities or improvements financed in substantial part by*
35 *those Future Parity Bonds (or additional Parity Bonds expected to*
36 *be issued during the five-year period); and*

37 (4) *Net revenue from any person, firm, corporation or municipal*
38 *corporation under any executed contract for drainage and*

1 wastewater or other utility service, which revenue was not
2 included in the historical Net Revenue of the Drainage and
3 Wastewater System.

4 *If the Future Parity Bonds proposed to be issued are for the sole purpose*
5 *of refunding Parity Bonds, no such coverage certification shall be*
6 *required if the Adjusted Annual Debt Service on the Parity Bonds after the*
7 *issuance of the Future Parity Bonds is not, for any year in which the*
8 *Parity Bonds being refunded were outstanding, more than \$5,000 over the*
9 *Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of*
10 *those Future Parity Bonds.*

11 (b) Nothing contained in the provisions for Future Parity Bonds shall prevent the City
12 from issuing revenue bonds or other obligations having a lien on the Gross Revenue subordinate
13 to the lien of the Bonds and any Future Parity Bonds. *Upon the redemption or defeasance of all*
14 *outstanding 2004 Bonds, this subsection shall be replaced in its entirety with the following:*
15 *Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund*
16 *maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue*
17 *bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien of the*
18 *Parity Bonds, or from pledging the payment of ULID assessments into a bond redemption fund*
19 *created for the payment of the principal of and interest on those subordinate lien bonds as long*
20 *as such ULID assessments are levied for improvements constructed from the proceeds of those*
21 *subordinate lien bonds.*

22 **Section 18. Rate Stabilization Account.** The Rate Stabilization Account has been
23 created as a separate account in the Drainage and Wastewater Fund. The City may at any time,
24 as determined by the Director of Finance, deposit in the Rate Stabilization Account, Gross
25 Revenue and any other money received by the Drainage and Wastewater System and available
26 for this purpose, consistent with Section 14. The Director of Finance may, upon authorization by
27 resolution of the City Council, withdraw any or all of the money from the Rate Stabilization
28 Account for inclusion in the Adjusted Gross Revenue for any fiscal year. Such deposits or
withdrawals may be made up to and including the date 90 days after the end of the fiscal year for
which the deposit or withdrawal will be included as Adjusted Gross Revenue. No deposit of

1 Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit
2 would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

3 **Section 19. Separate Utility Systems.** The City may create, acquire, construct,
4 finance, own and operate one or more additional systems for drainage and wastewater service or
5 other commodity or service relating to the Drainage and Wastewater System. The revenue of that
6 separate utility system shall not be included in the Gross Revenue and may be pledged to the
7 payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or
8 expand the separate utility system. Neither the Gross Revenue nor the Net Revenue shall be
9 pledged by the City to the payment of any obligations of a separate utility system except (a) as a
10 Contract Resource Obligation, or (b) with respect to the Net Revenue, on a basis subordinate to
11 the lien of the Parity Bonds on that Net Revenue.

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

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

- 22 (i) No Event of Default has occurred and is continuing; and
23 (ii) There shall be on file a certificate of an Independent Utility Consultant stating
24 that (A) the payments to be made by the City in connection with the Contract
25 Resource Obligation are reasonable for the commodity or service rendered;
26 (B) any facilities to be constructed to provide the commodity or service are sound
27 from a drainage and wastewater services or other commodity or service planning
28 standpoint, are technically and economically feasible in accordance with prudent
utility practice, and are likely to provide supply or transmission no later than a
date set forth in the Independent Utility Consultant's certification; and (C) the

1 Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's
2 estimate of the payments to be made in accordance with the Contract Resource
3 Obligation) for the five fiscal years following the year in which the Contract
4 Resource Obligation is incurred, as such Adjusted Net Revenue is estimated by
5 the Independent Utility Consultant in accordance with the provisions of and
6 adjustments permitted in Section 17(a)(vi)(B), will be at least equal to the
7 Coverage Requirement.

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

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

18 **Section 21. Refunding and Defeasance of the Bonds.** The Bonds are hereby
19 designated "Refundable Bonds" for purposes of Ordinance 121938, as it may be amended from
20 time to time. The City may issue refunding bonds pursuant to the laws of the State or use money
21 available from any other lawful source to pay when due the principal of, premium, if any, and
22 interest on any Bond, or portion thereof, included in a refunding or defeasance plan, and to
23 redeem and retire, release, refund or defease those Bonds (the "defeased Bonds") and to pay the
24 costs of such refunding or defeasance. If money and/or Government Obligations maturing at a
25 time or times and in an amount sufficient, together with known earned income from the
26 investment thereof, to redeem and retire, release, refund or defease the defeased Bonds in
27 accordance with their terms, are set aside in a special trust fund or escrow account irrevocably
28 pledged to such redemption, retirement or defeasance (the "trust account"), then all right and
interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the Net

1 Revenue and the funds and accounts pledged to the payment of such defeased Bonds, other than
2 the right to receive the funds so set aside and pledged, thereafter shall cease and become void.
3 Such Owners thereafter shall have the right to receive payment of the principal of and interest or
4 redemption price on the defeased Bonds from the trust account. After establishing and fully
5 funding such a trust account, the defeased Bonds shall be deemed as no longer outstanding, and
6 the Director of Finance then may apply any money in any other fund or account established for
7 the payment or redemption of the defeased Bonds to any lawful purposes. Notice of refunding or
8 defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be
9 conducted, in the manner set forth in this ordinance for the redemption of Bonds.

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

19 **Section 22. Provisions Relating to Certain Federal Tax Consequences of the**
20 **Bonds.**

21 (a) **Tax-Exempt Bonds.** The City covenants that it will take all actions, consistent
22 with the terms of any Series issued as Tax-Exempt Bonds, this ordinance, and the Bond
23 Resolution, reasonably within its power and necessary to prevent interest on that Series from
24 being included in gross income for federal income tax purposes, and the City will neither take
25 any action nor make or permit any use of gross proceeds of that Series or other funds of the City
26 treated as gross proceeds of that Series at any time during the term of such Series which will
27 cause interest on such Series to be included in gross income for federal income tax purposes. The
28

1 City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of
2 the Code is applicable to any Series issued as Tax-Exempt Bonds, take all actions necessary to
3 comply (or to be treated as having complied) with that requirement in connection with that
4 Series, including the calculation and payment of any penalties that the City has elected to pay as
5 an alternative to calculating rebatable arbitrage, and the payment of any other penalties if
6 required under Section 148 of the Code to prevent interest on such Series from being included in
7 gross income for federal income tax purposes.

8 (b) **Tax-Credit Subsidy Bonds or other Taxable Bonds.** The Director of Finance
9 may, without further action by the City Council, make provision in the Bonds or other written
10 document for such additional covenants of the City as may be necessary or appropriate in order
11 for the City to receive from the United States Treasury the applicable Tax Credit Subsidy
12 Payments in respect of any Series issued as Tax Credit Subsidy Bonds, or otherwise become and
13 remain eligible for tax benefits under the Code.

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

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

23 (b) **Final Official Statement.** The City approves the preparation of a final official
24 statement for each sale of one or more Series to be sold to the public in the form of the
25 preliminary official statement with such modifications and amendments as the Director of
26 Finance deems necessary or desirable, and further authorizes the Director of Finance to execute
27 and deliver such final official statement to the Purchaser. The City authorizes and approves the
28

1 distribution by the Purchaser of that final official statement to purchasers and potential
2 purchasers of the Bonds.

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

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

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

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

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

- 1 (vi) To comply with any future federal law or interpretation to preserve the exclusion
2 of the interest on the Tax-Exempt Bonds from gross income for federal income
3 tax purposes and the entitlement of the City to receive from the United States
4 Treasury the applicable Tax Credit Subsidy Payments in respect of any Series
5 sold and issued as Tax Credit Subsidy Bonds;
- 6 (vii) To modify, alter, amend or supplement this ordinance in any other respect which
7 is not materially adverse to the owners of the Parity Bonds and which does not
8 involve a change described in subsection (c) of this section; and
- 9 (viii) To add to the covenants and agreements of, and limitations and restrictions upon,
10 the City in this ordinance, other covenants, agreements, limitations and
11 restrictions to be observed by the City which are requested by a provider of Bond
12 Insurance or provider of a Reserve Security and which are not materially adverse
13 to the owners of the Parity Bonds.

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

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

- 23 (i) With the consent of registered owners of not less than 60% in aggregate principal
24 amount of the Parity Bonds then outstanding, the City Council may pass any
25 supplemental or amendatory ordinance deemed necessary or desirable by the City
26 for the purpose of modifying, altering, amending, supplementing or rescinding, in
27 any particular, any of the terms or provisions contained in this ordinance.
28 However, unless approved in writing by the registered owner of each Parity Bond
then outstanding, nothing contained in this section shall permit, or be construed as
permitting (A) a change in the times, amounts or currency of payment of the
principal of or interest on any outstanding Parity Bond, or a reduction in the
principal amount or redemption price of any outstanding Parity Bond or a change
in the method of determining the rate of interest thereon, (B) a preference or
priority of any Parity Bond over any other Parity Bond, or (C) a reduction in the
aggregate principal amount of Parity Bonds.

- 1 (ii) If at any time the City Council passes a supplemental or amendatory ordinance for
2 any of the purposes of this subsection (c), the Bond Registrar shall cause notice of
3 the proposed supplemental or amendatory ordinance to be given by first class
4 United States mail to all registered owners of the then outstanding Parity Bonds,
5 to each provider of Bond Insurance or a Reserve Security, and to each Rating
6 Agency. Such notice shall briefly set forth the nature of the proposed
7 supplemental or amendatory ordinance and shall state that a copy is on file at the
8 office of the City Clerk for inspection by all owners of the outstanding Parity
9 Bonds.
- 10 (iii) Within two years after the date of the mailing of such notice, such supplemental
11 or amendatory ordinance, substantially as described in such notice, may go into
12 effect, but only if there shall have first been delivered to the Bond Registrar
13 (A) the required consents, in writing, of registered owners of the Parity Bonds,
14 and (B) an opinion of Bond Counsel stating that such supplemental or amendatory
15 ordinance is authorized or permitted by this ordinance and, upon the effective date
16 thereof, will be valid and binding upon the City in accordance with its terms, will
17 not adversely affect the exclusion from gross income for federal income tax
18 purposes of interest on any Tax-Exempt Bonds.
- 19 (iv) If registered owners of not less than the percentage of Parity Bonds required by
20 this subsection (c) shall have consented to and approved the passage of such a
21 supplemental or amendatory ordinance, no owner of a Parity Bond shall have any
22 right to object to the passage of such supplemental ordinance, or to object to any
23 of the terms and provisions contained therein or the operation thereof, or in any
24 manner to question the propriety of the passage thereof, or to enjoin or restrain the
25 City from passing the same or the City, any authorized official thereof, or the
26 Bond Registrar from taking any action pursuant to the provisions thereof.
- 27 (d) The Registered Owners from time to time of the outstanding Bonds, by taking and
28 holding the same, shall be deemed to have consented to the adoption by the City of any
supplemental or amendatory ordinance or resolution passed pursuant to the provisions of this
section for any one or more of the following purposes:
- (i) When calculating "Annual Debt Service," to permit or require Tax Credit Subsidy
Payments expected to be received by the City in any period to be credited against
amounts required to be paid in respect of interest on the Parity Bonds in that
period; and
- (ii) To permit or require Tax Credit Subsidy Payments to be deposited into the
Principal and Interest Subaccount and credited against the Net Revenue otherwise
required to be deposited into the Principal and Interest Subaccount.

1 (e) Upon the effective date of any supplemental or amendatory ordinance pursuant to
2 the provisions of this section, this ordinance shall be, and be deemed to be, modified and
3 amended in accordance therewith, and the respective rights, duties and obligations under this
4 ordinance of the City, the Bond Registrar and all owners of Parity Bonds then outstanding shall
5 thereafter be determined, exercised and enforced under this ordinance subject in all respects to
6 such modifications and amendments.

7 **Section 25. Defaults and Remedies.**

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

10 (i) If a default is made in the payment of the principal of or interest on any of the
11 Bonds when the same shall become due and payable; or

12 (ii) If the City defaults in the observance and performance of any other of the
13 covenants, conditions and agreements on the part of the City set forth in this
14 ordinance or in any Parity Bond Legislation (except as otherwise provided herein
15 or in such Parity Bond Legislation) and such default or defaults have continued
16 for a period of six months after the City has received from the Bond Owners'
17 Trustee (as defined below) or from the Registered Owners of not less than 25% in
18 principal amount of the Parity Bonds, a written notice specifying and demanding
19 the cure of such default. However, if the default in the observance and
20 performance of any other of the covenants, conditions and agreements is one
21 which cannot be completely remedied within the six months after written notice
22 has been given, it shall not be an Event of Default with respect to the Bonds as
23 long as the City has taken active steps within the six months after written notice
24 has been given to remedy the default and is diligently pursuing such remedy.

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

(b) **Bond Owners' Trustee.** So long as such Event of Default has not been remedied,
a trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of 25% in
principal amount of the then outstanding Parity Bonds, by an instrument or concurrent

1 instruments in writing signed and acknowledged by such registered owners of the Parity Bonds
2 or by their attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee,
3 notification thereof being given to the City. That appointment shall become effective
4 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee
5 appointed under the provisions of this subsection shall be a bank or trust company organized
6 under the laws of the State of Washington or the State of New York or a national banking
7 association. The bank or trust company acting as Bond Owners' Trustee may be removed at any
8 time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of a
9 majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in
10 writing signed and acknowledged by such registered owners of the Parity Bonds or by their
11 attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security and
12 indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in
13 the performance of its duties.

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

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

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

1 relief, and may enforce the specific performance of any covenant, agreement or condition
2 contained in this ordinance or in any of the Parity Bonds.

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

8 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
9 shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or
10 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond
11 Owners' Trustee without the possession of any of those Parity Bonds and without the production
12 of the same at any trial or proceedings relative thereto except where otherwise required by law.
13 Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for
14 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions
15 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding
16 the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true
17 and lawful trustee of the respective registered owners of those Parity Bonds, with authority to
18 institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums
19 becoming distributable on account of those Parity Bonds; to execute any paper or documents for
20 the receipt of money; and to do all acts with respect thereto that the registered owner himself or
21 herself might have done in person. Nothing herein shall be deemed to authorize or empower the
22 Bond Owners' Trustee to consent to accept or adopt, on behalf of any registered owner of the
23 Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of
24 any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the
25 claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,
26 reorganization or other proceeding to which the City is a party.

1 **(d) Application of Money Collected by Bond Owners' Trustee.** Any money
2 collected by the Bond Owners' Trustee at any time pursuant to this section shall be applied in the
3 following order of priority:

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

21 **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee
22 shall not be liable except for the performance of such duties as are specifically set forth herein.
23 During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and
24 powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a
25 prudent person would exercise or use under the circumstances in the conduct of his or her own
26 affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act
27 hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure
28 to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee
shall be determined solely by the express provisions of this ordinance, and no implied powers,
duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

The Bond Owners' Trustee shall not be required to expend or risk its own funds or
otherwise incur individual liability in the performance of any of its duties or in the exercise of

1 any of its rights or powers as the Bond Owners' Trustee, except as may result from its own
2 negligent action, its own negligent failure to act or its own willful misconduct.

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

6 The Bond Owners' Trustee may consult with counsel and the opinion of such counsel
7 shall be full and complete authorization and protection in respect of any action taken or suffered
8 by it hereunder in good faith and in accordance with the opinion of such counsel. The Bond
9 Owners' Trustee shall not be answerable for any neglect or default of any person, firm or
10 corporation employed and selected by it with reasonable care.

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

- 14 (i) an Event of Default has happened and is continuing; and
15 (ii) a Bond Owners' Trustee has been appointed; and
16 (iii) such owner previously shall have given to the Bond Owners' Trustee written
17 notice of the Event of Default on account of which such suit, action or proceeding
18 is to be instituted; and
19 (iv) the registered owners of 25% in principal amount of the Parity Bonds, after the
20 occurrence of such Event of Default, have made written request of the Bond
21 Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable
22 opportunity to institute such suit, action or proceeding; and
23 (v) there have been offered to the Bond Owners' Trustee security and indemnity
24 satisfactory to it against the costs, expenses and liabilities to be incurred therein or
25 thereby; and
26 (vi) the Bond Owners' Trustee has refused or neglected to comply with such request
27 within a reasonable time.
28

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

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

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

16 (b) Each of the Mayor and the Director of Finance is separately authorized to execute
17 and deliver (i) any and all contracts or other documents as are consistent with this ordinance and
18 for which the City's approval is necessary or to which the City is a party (including but not
19 limited to agreements with escrow agents, refunding trustees, providers of Bond Insurance or
20 Reserve Securities, remarketing agents, underwriters, lenders, fiscal agents, Qualified
21 Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts or documents
22 incidental to the issuance and sale of a Series; the establishment of the initial interest rate or rates
23 on a Bond; or the tender, purchase, remarketing, or redemption of a Bond, as may in his or her
24 judgment be necessary or appropriate.

25 **Section 27. Severability.** The provisions of this ordinance are declared to be separate
26 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
27 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as
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1 to any person or circumstance, such offending provision shall, if feasible, be deemed to be
2 modified to be within the limits of enforceability or validity. However, if the offending provision
3 cannot be so modified, it shall be null and void with respect to the particular person or
4 circumstance, and all other provisions of this ordinance in all other respects, and the offending
5 provision with respect to all other persons and all other circumstances, shall remain valid and
6 enforceable.

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

10 **Section 29. Section Headings.** Section headings in this ordinance are used for
11 convenience only and shall not constitute a substantive portion of this ordinance.

12 **Section 30. Effective Date.** This ordinance shall take effect and be in force 30 days
13 after its approval by the Mayor, but if not approved and returned by the Mayor within ten days
14 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

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1 Passed by the City Council the ____ day of _____, 2013, and signed by me in open
2 session in authentication of its passage this ____ day of _____, 2013.

3
4
5 _____
6 President of the City Council

7 Approved by me this ____ day of _____, 2013.

8
9 _____
10 Michael McGinn, Mayor

11 Filed by me this ____ day of _____, 2013.

12
13
14 _____
15 Monica Martinez Simmons, City Clerk

16 (SEAL)

17
18 **Attachments:**

19 Exhibit A – List of Outstanding Parity Bonds

20 Exhibit B – Form of Undertaking to Provide Continuing Disclosure

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
2 financial information that the City undertakes to provide in subsection (a) of this section:

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

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

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

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

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

(e) Termination of Undertaking. The City's obligations under this Undertaking
shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the
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.



City of Seattle
Office of the Mayor

September 23, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill, which will authorize the issuance of up to \$113 million of Drainage and Wastewater Revenue Bonds as assumed in the 2014 Proposed Budget and Proposed 2014-2019 Capital Improvement Program (CIP). Together with cash from operations, the bond proceeds authorized by this bill will support the City's capital program and pay costs associated with the bond issuance.

These bonds will finance improvements to the City's drainage and wastewater system, including projects designed to meet federal and state regulatory requirements.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck in the Department of Finance and Administrative Services (FAS) at 684-8347.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council