

CITY OF SEATTLE
ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the solid waste system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste system 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 solid waste collection and disposal system as part of Seattle Public Utilities (the “Solid Waste System”), which Solid Waste 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 Solid Waste 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 solid waste 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 Solid Waste 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 solid waste 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 such Capital Appreciation Bond, and (b) as of any date other than a Valuation Date, the sum of

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

7 **“Adjusted Annual Debt Service”** for any fiscal year means Annual Debt Service minus
8 (a) an amount equal to earnings from investments in the Reserve Subaccount and (b) Annual
9 Debt Service provided for by Parity Bond proceeds.

10 **“Adjusted Gross Revenue”** for any period means Gross Revenue plus withdrawals from
11 the Rate Stabilization Account made during that period, and minus (a) earnings from investments
12 in the Reserve Subaccount and (b) deposits into the Rate Stabilization Account made during that
13 period.

14 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Maintenance and
15 Operation Expenses.

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

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

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

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

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

16 (iii) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in
17 Force.** Debt service on Parity Bonds with respect to which a Payment Agreement
18 is in force shall be based on the net economic effect on the City expected to be
19 produced by the terms of the Parity Bonds and the terms of the Payment
20 Agreement, including but not limited to the effects produced by the following:
21 (A) Parity Bonds that would, but for a Payment Agreement, be treated as
22 obligations bearing interest at a Variable Interest Rate instead shall be treated as
23 obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that
24 would, but for a Payment Agreement, be treated as obligations bearing interest at
25 a fixed interest rate instead shall be treated as obligations bearing interest at a
26 Variable Interest Rate. Accordingly, the amount of interest deemed to be payable
27 on any Parity Bonds with respect to which a Payment Agreement is in force shall
28 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
by reference to a pricing mechanism or index that is not the same as the pricing
mechanism or index used to determine the variable rate interest component on the
Parity Bonds to which the Payment Agreement is related, it shall be assumed that
the fixed rate used in calculating Payment Agreement Payments will be equal to
105% of the fixed rate specified by the Payment Agreement and that the pricing
mechanism or index specified by the Payment Agreement is the same as the
pricing mechanism or index specified by the Parity Bonds. Notwithstanding the
other provisions of this paragraph, the City shall not be required to (but may in its

1 discretion) take into account in determining Annual Debt Service the effects of
2 any Payment Agreement that has a term of ten years or less.

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

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

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

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

“**Bond Account**” means the Solid Waste System Revenue Bond Account, created in the
Solid Waste Fund by Ordinance 118975 for the payment of the principal of and interest on Parity
Bonds.

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

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

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

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

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

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

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

24 **“Bonds”** means the Solid Waste System revenue bonds issued pursuant to this ordinance.

25 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on
26 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in
27 the applicable Parity Bond Legislation and is payable only upon redemption or on the maturity
28

1 date of such Parity Bond. A Parity Bond issued as a Capital Appreciation Bond, but which later
2 converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation
3 Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but
4 shall be treated as having a principal amount equal to its Accreted Value on the conversion date.

5 **“CIP”** means those portions of the City’s “2013-2018 Capital Improvement Program”
6 relating to the Solid Waste System, adopted by the City in Ordinance 124058, together with any
7 previously adopted Capital Improvement Program of the City. For purposes of this ordinance,
8 the CIP includes all amendments, updates, supplements or replacements that may be adopted
9 from time to time by ordinance.

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

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

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

16 **“Construction Account”** means the “Solid Waste Construction Account 2015” created
17 in the Solid Waste Fund by this ordinance.

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

20 **“Coverage Requirement”** in any fiscal year means the amount of Adjusted Net Revenue
21 equal to at least 1.25 times Adjusted Annual Debt Service in that year on all Parity Bonds then
22 outstanding.

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

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

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

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

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

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

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

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

8 **“Independent Utility Consultant”** means an independent person or firm having a
9 favorable reputation for skill and experience with solid waste systems of comparable size and
10 character to the Solid Waste System in such areas as are relevant to the purpose for which they
11 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 **“Maintenance and Operation Expenses”** means all expenses incurred by the City in
19 causing the Solid Waste System to be operated and maintained in good repair, working order and
20 conditions, including without limitation: deposits, premiums, assessments or other payments for
21 insurance (other than payments out of proceeds of Parity Bonds), if any, on the Solid Waste
22 System; payments into pension funds; State-imposed taxes; amounts due under Contract
23 Resource Obligations (but only at the times described in Section 20); payments made to any
24 other person or entity for the collection, transportation, treatment or disposal of solid waste or
25 other commodity or service related to the Solid Waste System; and payments with respect to any
26 other expenses of the Solid Waste System that are properly treated as operation and maintenance
27 expenses under generally accepted accounting principles. Maintenance and Operation Expenses
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1 does not include any depreciation, amortization, or taxes levied or imposed by the City or
2 payments to the City in lieu of taxes, or capital additions or capital replacement.

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

6 **“MSRB”** means the Municipal Securities Rulemaking Board.

7 **“Net Revenue”** means, for any period, the Gross Revenue less Maintenance and
8 Operation Expense.

9 **“Outstanding Parity Bonds”** means, with reference to any Series, the then outstanding
10 solid waste revenue bonds described in Exhibit A.

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

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

17 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds and any outstanding
18 Future Parity Bonds.

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

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

25 **“Payment Agreement”** means a written agreement for the purpose of managing or
26 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,
27 investment, asset or liability management purposes, entered into on either a current or forward
28

1 basis by the City and a Qualified Counterparty as authorized by any applicable laws of the State
2 in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes,
3 bond anticipation notes, commercial paper or other obligations for borrowed money, or lease,
4 installment purchase or other similar financing agreements or certificates of participation therein,
5 that provides for an exchange of payments based on interest rates, ceilings or floors on such
6 payments, options on such payments, or any combination thereof or any similar device.

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

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

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

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

24 **“Principal and Interest Subaccount”** means the subaccount of that name created in the
25 Bond Account by Ordinance 118975 for the payment of the principal of and interest on Parity
26 Bonds.

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

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

11 **“Qualified Insurance”** means any municipal bond insurance policy or surety bond
12 issued by any insurance company licensed to conduct an insurance business in any state of the
13 United States (or by a service corporation acting on behalf of one or more such insurance
14 companies) which insurance company or companies, as of the time of issuance of such policy or
15 surety bond, are rated in one of the two highest rating categories by Moody’s Investors Service
16 and Standard & Poor’s Ratings Services or their comparably recognized business successors.

17 **“Qualified Letter of Credit”** means any letter of credit issued by a financial institution
18 for the account of the City in connection with the issuance of Parity Bonds, which institution
19 maintains an office, agency or branch in the United States and as of the time of issuance of such
20 letter of credit is rated in one of the two highest rating categories by Moody’s Investors Service
21 and Standard & Poor’s Ratings Services or their comparably recognized business successors.

22 **“Rate Stabilization Account”** means the account of that name originally established by
23 Ordinance 118975.

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

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

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

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

15 **“Reserve Requirement”** means, at any time, the lesser of (a) Maximum Annual Debt
16 Service; or (b) the maximum amount permitted by the Code as a “reasonably required reserve or
17 replacement fund.”

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

21 **“Reserve Subaccount”** means the subaccount of that name created in the Bond Account
22 by Ordinance 118975 for the purpose of securing the payment of the principal of and interest on
23 Parity Bonds.

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

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

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

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

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

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

12 **“Solid Waste Fund”** means the “Garbage Collection and Disposal Fund” of the City
13 created by Ordinance 90379 and subsequently renamed the “Solid Waste Fund.”

14 **“Solid Waste System”** means the entire solid waste collection, transportation and
15 disposal system of the City, created by Ordinance 90379, as amended, together with all additions
16 thereto and betterments and extensions thereof at any time made, acquired or constructed,
17 together with any other utility systems of the City hereafter combined with the Solid Waste
18 System. The Solid Waste System shall not include any separate utility system acquired or
19 constructed by the City pursuant to Section 19.

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

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

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

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

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

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

7 **“Undertaking”** means the undertaking to provide continuing disclosure entered into
8 pursuant to Section 23, in substantially the form attached as Exhibit B.

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

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

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

1 **Section 2. Adoption of Plan of Additions.** The City specifies, adopts and orders the
2 Plan of Additions to be carried out as generally provided for in the documents comprising the
3 Plan of Additions. The estimated cost of the Plan of Additions, as near as may be determined, is
4 declared to be \$56,000,000, of which approximately \$39,000,000 is expected to be financed from
5 the proceeds of the Bonds and investment earnings thereon.

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

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

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

5 (a) **Maximum Principal Amount.** The Bonds may be issued in one or more Series
6 and shall not exceed the aggregate principal amount of \$39,000,000.

7 (b) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the
8 Director of Finance, which Issue Date may not be later than December 31, 2017.

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

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

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

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

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

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

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

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

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

11 (ii) As of the Issue Date of each Series, (A) the Finance Director must determine that
12 the Parity Conditions have been met or satisfied, so that such Series may be
13 issued as Parity Bonds, and (B) the City Council must find the Bond Resolution
14 that, in creating the Bond Account and in fixing the amounts to be paid into it in
15 accordance with this ordinance, the City Council has had due regard for the cost
16 of maintenance and operation of the Solid Waste System, and is not setting aside
17 into the Bond Account a greater amount than in the judgment of the City Council,
18 based on the rates to be established from time to time consistent with Section
19 16(a), will be available over and above such cost of maintenance and operation.

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

27 (iv) The Bond Sale Terms must establish the method of providing for the Reserve
28 Requirement, consistent with Section 15(d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Only Bonds bearing a certificate of authentication in substantially the following form
4 (with the designation, year, and Series adjusted consistent with this ordinance), manually signed
5 by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of
6 this ordinance: “This Bond is one of the fully registered The City of Seattle, Washington, [Solid
7 Waste Revenue Bonds], [Year], [Series], described in [this ordinance].” The authorized signing
8 of a certificate of authentication shall be conclusive evidence that the Bond so authenticated has
9 been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

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

19 **Section 12. Construction Account; Deposit of Proceeds.** An account to be known as
20 the “Solid Waste Construction Account 2015” is created in the Solid Waste Fund. The principal
21 proceeds of the sale of the Bonds remaining after the deposit of accrued interest on the Bonds, if
22 any, into the Principal and Interest Subaccount and the deposit of any proceeds as determined by
23 the Bond Resolution into the Reserve Subaccount, shall be deposited into the Construction
24 Account, unless otherwise specified in the Bond Resolution or directed by the Director of
25 Finance, to be used for the purpose of paying part of the costs of carrying out the Plan of
26 Additions and to pay capitalized interest on, if necessary, and the costs of issuance of the Bonds.
27 Until needed to pay such costs, the City may invest principal proceeds and interest thereon
28

1 temporarily in any Permitted Investment, and the investment earnings may, as determined by the
2 Director of Finance, be retained in the Construction Account and be spent for the purposes of
3 that account or deposited in the Bond Account.

4 **Section 13. Security for the Bonds.** The Bonds shall be special limited obligations of
5 the City payable from and secured solely by the Net Revenue and by money in the Bond
6 Account, including the Reserve Subaccount. The Net Revenue is pledged to make the payments
7 into the Bond Account and the Reserve Subaccount required by subsections (b) and (d) of
8 Section 15, which pledge shall constitute a lien and charge upon such Net Revenue prior and
9 superior to all other liens and charges whatsoever.

10 The Bonds shall not in any manner or to any extent constitute general obligations of the
11 City, the State or any political subdivision of the State or a lien or charge upon any general fund
12 or upon any money or other property of the City, the State or any political subdivision of the
13 State not specifically pledged thereto by this ordinance.

14 **Section 14. Flow of Funds.** The Gross Revenue of the Solid Waste System shall be
15 used for the following purposes only and shall be applied in the following order of priority:

- 16 (a) To pay Maintenance and Operations Expenses;
- 17 (b) To pay interest on Parity Bonds and Payment Agreement Payments when due;
- 18 (c) To pay the principal of Parity Bonds as it comes due at maturity or as the
19 principal is required to be paid pursuant to mandatory redemption requirements applicable to
20 Term Bonds;
- 21 (d) To make all payments required to be made into the Reserve Subaccount;
- 22 (e) To make all payments required to be made into any revenue bond, note, warrant
23 or other revenue obligation redemption fund, debt service account or reserve account created to
24 pay or secure the payment of the principal of and interest on any revenue bonds, notes, warrants
25 or other obligations of the City having a lien upon the Net Revenue junior and inferior to the lien
26 thereon for the payment of the principal of and interest on the Parity Bonds; and

1 (f) To retire by redemption or purchase any outstanding revenue bonds or other
2 revenue obligations of the Solid Waste System, to make necessary additional betterments,
3 improvements and repairs to or extensions and replacements of Solid Waste System, to make
4 deposits into the Rate Stabilization Account, or for any other lawful purposes of the Solid Waste
5 System.

6 The City may transfer any money from any funds or accounts of the Solid Waste System
7 legally available therefor, except bond redemption funds, refunding escrow funds or defeasance
8 funds, to meet the required payments to be made into the Bond Account.

9 **Section 15. Bond Account.** A special account of the City known as the “Bond
10 Account” has been created and shall be maintained as a separate account within the Solid Waste
11 Fund, for the sole purpose of paying the principal of and premium, if any, and interest on the
12 Parity Bonds as the same shall become due. The Bond Account consists of the Principal and
13 Interest Subaccount and the Reserve Subaccount and such additional subaccounts as the Director
14 of Finance may deem necessary. The Parity Bonds shall be payable, principal, premium, if any,
15 and interest, out of the Bond Account.

16 **(a) Required Payments Into Bond Account.** From and after the issuance of the
17 Bonds, and so long thereafter as any Parity Bonds are outstanding against the Bond Account
18 (including any Payment Agreement Payments required to be made under any Parity Payment
19 Agreements), the Director of Finance shall set aside and pay into the Principal and Interest
20 Subaccount on or prior to the respective dates on which the interest on or principal of and
21 interest on the Parity Bonds shall become due and payable certain fixed amounts out of the Net
22 Revenue sufficient to pay such interest or principal and interest as the same shall become due.

23 **(b) Reserve Subaccount.** The Reserve Subaccount previously has been created and
24 maintained as a subaccount within the Bond Account for the purpose of securing the payment of
25 the principal of and interest on all Parity Bonds outstanding (including amounts due under any
26 Parity Payment Agreements if required under such agreement).

1 (c) **Investment of Money in Bond Account.** Money in the Principal and Interest
2 Subaccount shall, to the fullest extent practicable and reasonable, be invested and reinvested at
3 the direction of the Director of Finance solely in, and obligations deposited in such accounts
4 shall consist of, Permitted Investments. Earnings on money and investments in the Principal and
5 Interest Subaccount shall be deposited in and used for the purposes of that subaccount. Money
6 held in the Reserve Subaccount shall, to the fullest extent practicable and reasonable, be invested
7 and reinvested at the direction of the Director of Finance solely in, and obligations deposited in
8 such accounts shall consist of, Permitted Investments. Earnings on money and investments in
9 the Reserve Subaccount shall be deposited in that fund and credited against amounts required to
10 be deposited therein until the Reserve Subaccount is fully funded, and thereafter such earnings
11 shall be deposited in the Principal and Interest Subaccount.

12 (d) **Funding of Reserve Requirement.** The City shall provide in the Bond
13 Resolution with respect to the Bonds or in the Parity Bond Legislation authorizing the issuance
14 of any Future Parity Bonds for the deposit into the Reserve Subaccount out of the Net Revenue
15 (or out of any other funds of the City on hand and legally available therefor, including proceeds
16 of the Bonds or of the Future Parity Bonds being issued or any other Future Parity Bonds) of
17 periodic payments so that by five years from the date of such Future Parity Bonds there will have
18 been paid into the Reserve Subaccount an amount which, together with the money already on
19 deposit therein, will be at least equal to the Reserve Requirement for all Parity Bonds
20 outstanding at the end of that five-year period.

21 Notwithstanding the foregoing, the Bond Resolution or any Parity Bond Legislation may
22 provide for the City to obtain Qualified Insurance or a Qualified Letter of Credit for specific
23 amounts required to be paid into the Reserve Subaccount. The amount available to be drawn
24 upon under such Qualified Insurance or Qualified Letter of Credit shall be credited against the
25 amounts required to be maintained in the Reserve Subaccount by this subsection.

26 Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less
27 than three years' notice. If the City receives any such notice of cancellation, the City shall
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1 substitute Qualified Insurance or a Qualified Letter of Credit in the amount required pursuant to
2 this subsection or in the alternative shall create a special account in the Solid Waste Fund and
3 deposit therein, on or before the 25th day of each of the 36 succeeding calendar months, 1/36th
4 of the amount sufficient, together with other money and investments on deposit in the Reserve
5 Subaccount, to equal the Reserve Requirement on the date any such cancellation shall become
6 effective. Such amounts shall be transferred from money in the Solid Waste Fund (after making
7 provision for payment of Maintenance and Operation Expenses and for the required payments
8 into the Principal and Interest Subaccount). Amounts on deposit in such special account shall
9 not be available to pay debt service on Parity Bonds or for any other purpose of the City, and
10 shall be transferred to the Reserve Subaccount on the effective date of any cancellation of a
11 Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

12 If the amount in the Reserve Subaccount shall be less than the Reserve Requirement
13 (taking into account the five year period referred to in this subsection, the City shall transfer to
14 the Reserve Subaccount money in an amount sufficient to restore the Reserve Subaccount to the
15 Reserve Requirement within 12 months after the date of such deficiency. The City shall transfer
16 such amounts from money in the Solid Waste Fund (after making provision for payment of
17 Maintenance and Operation Expenses and for the required payments into the Principal and
18 Interest Subaccount). If the amount in the Reserve Subaccount shall be greater than the Reserve
19 Requirement, then and only then may the City withdraw such excess from the Reserve
20 Subaccount and deposit such excess in the Solid Waste Fund to be used for any lawful purpose.

21 **(e) Use of Reserve Subaccount for Refunding Bonds.** If any Parity Bonds are
22 refunded, the money set aside in the Reserve Subaccount to secure the payment of such Parity
23 Bonds may be used to retire such Parity Bonds or may be transferred to any Reserve Subaccount
24 or account which may be created to secure the payment of any bonds issued to refund such Parity
25 Bonds, as long as the money left remaining in the Reserve Subaccount is at least equal, together
26 with any Qualified Insurance or Qualified Letters of Credit, to the Reserve Subaccount
27 Requirement.

1 **(f) Use of Reserve Subaccount for Payment of Debt Service.** If the money in the
2 Principal and Interest Subaccount is insufficient to meet maturing installments of either interest
3 on or principal of and interest on the Parity Bonds payable out of the Bond Account (including
4 amounts payable under any Parity Payment Agreement), such deficiency shall be made up from
5 the Reserve Subaccount by the withdrawal of money or proceeds of Qualified Insurance or
6 Qualified Letters of Credit therefrom, as the case may be. Any deficiency created in the Reserve
7 Subaccount by reason of any such withdrawal or claim against Qualified Insurance or a Qualified
8 Letter of Credit shall then be made up out of the Net Revenue, after making necessary provision
9 for the payments required to be made for debt service on any outstanding Parity Bonds consistent
10 with Section 14.

11 **(g) Withdrawals From Reserve Subaccount.** Money in the Reserve Subaccount
12 may be withdrawn by the City for any lawful purpose as long as the aggregate of any money,
13 Qualified Insurance and Qualified Letters of Credit left remaining on deposit in the Reserve
14 Subaccount is at least equal to the Reserve Requirement for the Parity Bonds then outstanding.

15 The City reserves the right to substitute Qualified Insurance or a Qualified Letter of
16 Credit for money previously deposited in the Reserve Subaccount and to withdraw such money
17 to the extent described in the preceding paragraph.

18 Any withdrawals from subaccounts within the Reserve Subaccount shall be made on a
19 pro rata basis except when the provider of a Qualified Letter of Credit or Qualified Insurance
20 requires all cash and investments in the Reserve Subaccount to be withdrawn before draws on
21 the Qualified Letter of Credit or Qualified Insurance, or unless the City receives an opinion of
22 Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the exclusion
23 of interest on the Parity Bonds then outstanding from gross income for federal income tax
24 purposes.

1 **Section 16. Parity Bond Covenants.**

2 **(a) Establishment and Collection of Rates and Charges.** The City will establish,
3 maintain and collect rates and charges for services and facilities provided by the Solid Waste
4 System and will adjust those rates and charges from time to time so that:

- 5 (i) Gross Revenue will be sufficient to (A) pay all Maintenance and Operation
6 Expenses, (B) pay when due all amounts that the City is obligated to pay into the
7 Bond Account and the subaccounts therein, and (C) pay all taxes, assessments or
8 other governmental charges lawfully imposed on the Solid Waste System or the
9 revenue therefrom or payments in lieu thereof and any and all other amounts
10 which the City may now or hereafter become obligated to pay from the Gross
11 Revenue by law or contract; and
- 12 (ii) Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage
13 Requirement; and
- 14 (iii) Except to aid the poor or infirm, it will not furnish or supply or permit the
15 furnishing or supplying of any service or facility in connection with the operation
16 of the Solid Waste System free of charge to any person, firm or corporation,
17 public or private.

18 The failure of the City to comply with paragraphs (i) and (ii) of this subsection shall not
19 be an Event of Default under this ordinance if the City promptly retains an Independent Utility
20 Consultant to recommend to the City Council adjustments in the rates of the Solid Waste System
21 necessary to meet the requirements of those paragraphs and if the City Council adopts the
22 recommended modifications within 180 days of the date the failure became known to the City
23 Council.

24 **(b) Maintenance and Operation of the Solid Waste System.** The City will operate
25 the properties of the Solid Waste System in an efficient manner and at a reasonable cost, and will
26 maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the
27 Solid Waste System in good repair, working order and condition; and from time to time will
28 make or cause to be made all necessary and proper repairs, renewals and replacements thereto so
that at all times the business carried on in connection therewith will be properly and
advantageously conducted.

1 (c) **Liens Upon the Solid Waste System.** Except as otherwise provided in this
2 ordinance, the City will not at any time create or permit to accrue or to exist any lien or other
3 encumbrance or indebtedness upon the Gross Revenue or any part thereof, prior or superior to
4 the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be
5 paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid,
6 might become a lien or charge upon the Gross Revenue or any part thereof, prior or superior to,
7 or on a parity with, the lien of the Parity Bonds, or which might impair the security of the Parity
8 Bonds.

9 (d) **Books and Accounts.** The City will keep proper books, records and accounts
10 with respect to the operations, income and expenditures of the Solid Waste System in accordance
11 with generally accepted accounting practices applicable to governmental utilities and any
12 applicable rules and regulations prescribed by the State. The City will prepare or cause to be
13 prepared annual financial and operating statements as soon as practicable after the close of each
14 fiscal year showing in reasonable detail the financial condition of the Solid Waste System as of
15 the close of the previous year, and the income and expenses for such year, including the amounts
16 paid into the Bond Account and into any and all special funds or accounts created pursuant to the
17 provisions of this ordinance, the status of all funds and accounts as of the end of such year, and
18 the amounts expended for maintenance, renewals, replacements and capital additions to the Solid
19 Waste System. A copy of such annual financial statements shall be sent to any owner of Parity
20 Bonds upon written request therefor being made to the City. The City may charge a reasonable
21 cost for providing such financial statements.

22 (e) **Collection of Delinquent Accounts.** On at least an annual basis, the City will
23 determine all accounts that are delinquent and will take such actions as the City determines are
24 reasonably necessary to enforce payment of those delinquent accounts.

25 (f) **Maintenance of Insurance.** The City at all times will carry fire and extended
26 coverage, public liability and property damage and such other forms of insurance with
27 responsible insurers and with policies payable to the City on such of the buildings, equipment,
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1 works, plants, facilities and properties of the Solid Waste System as are ordinarily carried by
2 municipal or privately owned utilities engaged in the operation of the like systems, and against
3 such claims for damages as are ordinarily carried by municipal or privately owned utilities
4 engaged in the operation of like systems, or, in the City's sole discretion, it will self-insure or
5 will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment
6 of the City, to protect the Solid Waste System against loss.

7 **(g) Condemnation Awards and Insurance Proceeds.** If the City receives any
8 condemnation awards or proceeds of an insurance policy in connection with any loss of or
9 damage to any property of the Solid Waste System, the City shall apply the condemnation award
10 or insurance proceeds, in the City's sole discretion, either (i) to the cost of replacing or repairing
11 the lost or damaged properties, (ii) to the payment, purchase or redemption of Parity Bonds, or
12 (iii) to the cost of improvements to the Solid Waste System.

13 **(h) Sale of System.** The City will sell, transfer or otherwise dispose of all or any part
14 of the works, plant, properties, facilities or other component of the Solid Waste System or any
15 real or personal property comprising a part of the Solid Waste System only consistent with one
16 or more of the following:

- 17 (i) The City in its discretion may carry out such a sale, transfer or disposition (each,
18 as used in this subsection, a "transfer") if the facilities or property transferred are
19 not material to the operation of the Solid Waste System, or shall have become
20 unserviceable, inadequate, obsolete or unfit to be used in the operation of the
21 Solid Waste System or are no longer necessary, material or useful to the operation
22 of the Solid Waste System; or
- 23 (ii) The City in its discretion may carry out such a transfer if the aggregate
24 depreciated cost value of the facilities or property being transferred under this
25 paragraph in any fiscal year comprises no more than 5% of the total assets of the
26 Solid Waste System; or
- 27 (iii) The City in its discretion may carry out such a transfer if the proceeds from such
28 transfer are used to acquire new useful operating facilities or properties of the
Solid Waste System, or are used to retire outstanding Parity Bonds or other
revenue obligations of the Solid Waste System, if, at the time of such transfer,
there is on file with the City Clerk a certificate of the Director of Finance and the
Director of Seattle Public Utilities demonstrating that in his or her professional

1 opinion, upon such transfer and the use of proceeds of the transfer as proposed by
2 the City, the remaining facilities of the Solid Waste System will retain their
3 operational integrity and, based on the financial statements for the most recent
4 fiscal year available, the proposed transfer would not prevent the Solid Waste
5 System from complying with the rate covenants contained in Section 16(a) during
6 the five fiscal years following the fiscal year in which the transfer is to occur.
7 The Director of Finance and the Director of Seattle Public Utilities shall take into
8 account (A) the reduction in revenue and expenses, if any, resulting from the
9 transfer, (B) the use of any proceeds of the transfer for the redemption of Parity
10 Bonds, (C) the Director of Finance and the Director of Seattle Public Utilities'
11 estimate of revenue from customers anticipated to be served by any additions to
12 and betterments and extensions of the Solid Waste System financed in part by the
13 proposed portion of the proceeds of the transfer and (D) any other adjustment
14 permitted in the preparation of a certificate under Section 17(a)(ii). Before such a
15 transfer, the City also must obtain confirmation from each of the Rating Agencies
16 to the effect that the rating then in effect will not be reduced or withdrawn upon
17 such transfer.

18 **Section 17. Future Parity Bonds.**

19 (a) Except as provided in subsection (b) of this section for the issuance of refunding
20 Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be
21 entered into), from time to time in one or more series for any lawful purpose of the Solid Waste
22 System, only if at the time of the delivery of each series of Future Parity Bonds to the initial
23 purchasers thereof (or on the effective date of the Parity Payment Agreement):

24 (i) There is no deficiency in the Bond Account or in any of the accounts therein and
25 provision has been made to meet the Reserve Requirement for all Parity Bonds
26 then outstanding plus such proposed series of Future Parity Bonds; and

27 (ii) There shall have been filed with the City either:

28 (A) A certificate of both the Director of Finance and the Director of Seattle
Public Utilities demonstrating that during any 12 consecutive calendar
months out of the immediately preceding 24 calendar months Adjusted
Net Revenue was at least equal to the Coverage Requirement of 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 both the Director of Finance and the Director of Seattle
Public Utilities (or any officer who succeeds to substantially all of the

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

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

29 (b) Without complying with the provisions of subsection (a) of this section, the City
30 may at any time and from time to time issue one or more series of refunding Parity Bonds, but
31 only if there shall have been filed with the City a certificate of the Director of Finance stating
32 that immediately after the issuance of such refunding Parity Bonds the Annual Debt Service in
33 any calendar year that Parity Bonds (other than such refunding Parity Bonds) are then
34 outstanding shall not be increased by more than \$5,000 by reason of the issuance of such
35 refunding Parity Bonds.

1 Parity Bonds of any one or more series or one or more maturities within a series may be
2 refunded by a single series of refunding Parity Bonds, which Parity Bonds to be refunded shall
3 be specified in the Parity Bond Legislation providing for the issuance of the refunding Parity
4 Bonds, and the principal amount of such refunding Parity Bonds may include amounts necessary
5 to pay the principal of the Parity Bonds to be refunded, interest thereon to the date of payment or
6 redemption thereof, any premium payable thereon upon such payment or redemption, the costs
7 of issuance of such refunding Parity Bonds and an amount, if any, required to fund the Reserve
8 Requirement. The proceeds of the refunding Parity Bonds shall be held and applied in such
9 manner as is provided in the Parity Bond Legislation providing for the issuance of such
10 refunding Parity Bonds, so that upon the delivery of such refunding Parity Bonds the Parity
11 Bonds to be refunded thereby shall be deemed to be no longer outstanding in accordance with the
12 provisions of the Parity Bond Legislation providing for the issuance of those bonds.

13 Refunding Parity Bonds may also be issued upon compliance with the provisions of
14 subsection (a) of this section.

15 Nothing contained in this ordinance shall prohibit or prevent, or be deemed or construed
16 to prohibit or prevent, the City from issuing refunding Parity Bonds to fund or refund maturing
17 Parity Bonds of the City for the payment of which money is not otherwise available without
18 complying with this section.

19 (c) Nothing in this ordinance shall prevent the City from issuing revenue bonds or
20 other obligations having a lien and charge on the Net Revenue subordinate to the lien and charge
21 of the Parity Bonds.

22 **Section 18. Rate Stabilization Account.** There has been created in the Solid Waste
23 Fund a separate account known as the Rate Stabilization Account. The City may at any time, as
24 determined by the City and as consistent with Section 14, deposit in the Rate Stabilization
25 Account Gross Revenue and any other money received by the Solid Waste System and available
26 to be used therefor. The City may withdraw any or all of the money from the Rate Stabilization
27 Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the City. Such
28

1 deposits or withdrawals may be made up to and including the date 90 days after the end of the
2 fiscal year for which the deposit or withdrawal will be included as Adjusted Gross Revenue. No
3 deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that
4 such deposit would prevent the City from meeting the Coverage Requirement in the relevant
5 fiscal year.

6 **Section 19. Separate Utility Systems.** The City may create, acquire, construct,
7 finance, own and operate one or more additional systems for solid waste collection,
8 transportation, treatment or disposal, or other commodity or service related to the Solid Waste
9 System. The revenue of that separate utility system shall not be included in the Gross Revenue
10 of the Solid Waste System and may be pledged to the payment of revenue obligations issued to
11 purchase, construct, condemn or otherwise acquire or expand the separate utility system. Neither
12 the Gross Revenue nor the Net Revenue of the Solid Waste System shall be pledged by the City
13 to the payment of any obligations of a separate utility system except (1) as a Contract Resource
14 Obligation upon compliance with Section 20 and/or (2), with respect to the Net Revenue, on a
15 basis subordinate to the lien of the Parity Bonds on that Net Revenue.

16 **Section 20. Contract Resource Obligations.** The City may at any time enter into one
17 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
18 solid waste collection, transportation, treatment or disposal, or other commodity or service
19 relating to the Solid Waste System. The City may determine that, and may agree under a
20 Contract Resource Obligation to provide that, all payments under that Contract Resource
21 Obligation (including payments prior to the time that the solid waste collection, transportation,
22 treatment or disposal or other commodity or service is being provided, or during a suspension or
23 after termination of commodity or service) shall be Maintenance and Operation Expenses if the
24 following requirements are met at the time such a Contract Resource Obligation is entered into:

25 (a) No event of default under any Parity Bond Legislation has occurred and is
26 continuing.

1 (b) There shall be on file a certificate of an Independent Utility Consultant stating
2 that (i) the payments to be made by the City in connection with the Contract Resource Obligation
3 are reasonable for the commodities provided or services rendered; (ii) the source of any new
4 commodities or services, and any facilities to be constructed to provide the commodities or
5 services, are sound from a solid waste collection, transportation, treatment and disposal, or other
6 commodity or service planning standpoint, are technically and economically feasible in
7 accordance with prudent utility practice, and are likely to provide commodities or services no
8 later than a date set forth in the Independent Utility Consultant's certification; and (iii) the
9 Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's estimate of the
10 payments to be made in accordance with the Contract Resource Obligation) for the five fiscal
11 years following the year in which the Contract Resource Obligation is incurred, as such Adjusted
12 Net Revenue is estimated by the Independent Utility Consultant in accordance with the
13 provisions of and adjustments permitted in Section 17(a)(ii), will be at least equal to the
14 Coverage Requirement.

15 Payments required to be made under Contract Resource Obligations shall not be subject
16 to acceleration. Nothing in this section shall be deemed to prevent the City from entering into
17 other agreements for the acquisition of solid waste collection, transportation, treatment or
18 disposal, or other commodity or service, from existing facilities and from treating those
19 payments as Maintenance and Operation Expenses. Nothing in this section shall be deemed to
20 prevent the City from entering into other agreements for the acquisition of solid waste collection,
21 transportation, treatment or disposal, or other commodity or service, from facilities to be
22 constructed and from agreeing to make payments with respect thereto, such payments
23 constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

24 **Section 21. Refunding and Defeasance of the Bonds.** The Bonds are hereby
25 designated "Refundable Bonds" for purposes of Ordinance 121940, as it may be amended from
26 time to time. The City may issue refunding bonds pursuant to the laws of the State or use money
27 available from any other lawful source to pay when due the principal of, premium, if any, and
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1 interest on any Bond, or portion thereof, included in a refunding or defeasance plan, and to
2 redeem and retire, release, refund or defease those Bonds (the “defeased Bonds”) and to pay the
3 costs of such refunding or defeasance. If money and/or Government Obligations maturing at a
4 time or times and in an amount sufficient, together with known earned income from the
5 investment thereof, to redeem and retire, release, refund or defease the defeased Bonds in
6 accordance with their terms, are set aside in a special trust fund or escrow account irrevocably
7 pledged to such redemption, retirement or defeasance (the “trust account”), then all right and
8 interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the Net
9 Revenue and the funds and accounts pledged to the payment of such defeased Bonds, other than
10 the right to receive the funds so set aside and pledged, thereafter shall cease and become void.
11 Such Registered Owners thereafter shall have the right to receive payment of the principal of and
12 interest or redemption price on the defeased Bonds from the trust account. After establishing and
13 fully funding such a trust account, the defeased Bonds shall be deemed as no longer outstanding,
14 and the Director of Finance then may apply any money in any other fund or account established
15 for the payment or redemption of the defeased Bonds to any lawful purposes. Notice of
16 refunding or defeasance shall be given, and selection of Bonds for any partial refunding or
17 defeasance shall be conducted, in the manner set forth in this ordinance for the redemption of
18 Bonds.

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

1 **Section 22. Provisions Relating to Certain Federal Tax Consequences of the**
2 **Bonds.**

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

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

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

24 **(a) Preliminary Official Statement.** The Director of Finance and other appropriate
25 City officials are directed to cause the preparation of and review the form of a preliminary
26 official statement in connection with each sale of one or more Series to the public. For the sole
27

1 purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Director of
2 Finance is authorized to deem that preliminary official statement final as of its date, except for
3 the omission of information permitted to be omitted by Rule 15c2-12. The City approves the
4 distribution to potential purchasers of the Bonds of a preliminary official statement that has been
5 deemed final in accordance with this subsection.

6 **(b) Final Official Statement.** The City approves the preparation of a final official
7 statement for each sale of one or more Series to be sold to the public in the form of the
8 preliminary official statement with such modifications and amendments as the Director of
9 Finance deems necessary or desirable, and further authorizes the Director of Finance to execute
10 and deliver such final official statement to the Purchaser. The City authorizes and approves the
11 distribution by the Purchaser of that final official statement to purchasers and potential
12 purchasers of the Bonds.

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

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

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

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

- 24 (i) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance
25 in a manner not adverse to the owners of any Parity Bonds;
- 26 (ii) To impose upon the Bond Registrar (with its consent) for the benefit of the
27 owners of any Parity Bonds any additional rights, remedies, powers, authority,
28 security, liabilities or duties which may lawfully be granted, conferred or imposed

1 and which are not contrary to or inconsistent with this ordinance as theretofore in
2 effect;

3 (iii) To add to the covenants and agreements of, and limitations and restrictions upon,
4 the City in this ordinance other covenants, agreements, limitations and restrictions
5 to be observed by the City which are not contrary to or inconsistent with this
6 ordinance as theretofore in effect;

7 (iv) To confirm, as further assurance, any pledge under, and the subjection to any
8 claim, lien or pledge created or to be created by this ordinance of any other
9 money, securities or funds;

10 (v) To authorize different denominations of the Bonds and to make correlative
11 amendments and modifications to this ordinance regarding exchangeability of
12 Bonds of different authorized denominations, redemptions of portions of Bonds of
13 particular authorized denominations and similar amendments and modifications of
14 a technical nature;

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

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

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

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

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

4 (i) With the consent of registered owners of not less than 60% in aggregate principal
5 amount of the Parity Bonds then outstanding, the City Council may pass any
6 supplemental or amendatory ordinance deemed necessary or desirable by the City
7 for the purpose of modifying, altering, amending, supplementing or rescinding, in
8 any particular, any of the terms or provisions contained in this ordinance.
9 However, unless approved in writing by the registered owner of each Parity Bond
10 then outstanding, nothing contained in this section shall permit, or be construed as
11 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.

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

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

23 (iv) If registered owners of not less than the percentage of Parity Bonds required by
24 this subsection shall have consented to and approved the passage of such a
25 supplemental or amendatory ordinance, no owner of a Parity Bond shall have any
26 right to object to the passage of such supplemental ordinance, or to object to any
27 of the terms and provisions contained therein or the operation thereof, or in any
28 manner to question the propriety of the passage thereof, or to enjoin or restrain the

1 City from passing the same or the City, any authorized official thereof, or the
2 Bond Registrar from taking any action pursuant to the provisions thereof.

3 (d) The Registered Owners from time to time of the outstanding Bonds, by taking and
4 holding the same, shall be deemed to have consented to the adoption by the City of any
5 supplemental or amendatory ordinance or resolution passed pursuant to the provisions of this
6 section for any one or more of the following purposes:

- 7 (i) When calculating "Annual Debt Service," to permit or require Tax Credit Subsidy
8 Payments expected to be received by the City in any period to be credited against
9 amounts required to be paid in respect of interest on the Parity Bonds in that
10 period; and
11 (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.

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

18 **Section 25. Defaults and Remedies.**

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

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

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

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

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

26 In the event that any Event of Default in the sole judgment of the Bond Owners' Trustee
27 is cured and the Bond Owners' Trustee furnishes to the City a certificate so stating, that Event of
28 Default shall be conclusively deemed to be cured and the City, the Bond Owners' Trustee and

1 the registered owners of the Parity Bonds shall be restored to the same rights and position which
2 they would have held if no Event of Default had occurred.

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

6 (c) **Suits at Law or in Equity.** Upon the happening of an Event of Default and
7 during the continuance thereof, the Bond Owners' Trustee may, and upon the written request of
8 the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding
9 shall, take such steps and institute such suits, actions or other proceedings, all as it may deem
10 appropriate for the protection and enforcement of the rights of the registered owners of the Parity
11 Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate
12 relief, and may enforce the specific performance of any covenant, agreement or condition
13 contained in this ordinance or in any of the Parity Bonds.

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

19 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
20 shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or
21 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond
22 Owners' Trustee without the possession of any of those Parity Bonds and without the production
23 of the same at any trial or proceedings relative thereto except where otherwise required by law.
24 Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for
25 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions
26 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding
27 the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true
28

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

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

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

26 **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee
27 shall not be liable except for the performance of such duties as are specifically set forth herein.

1 During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and
2 powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a
3 prudent person would exercise or use under the circumstances in the conduct of his or her own
4 affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act
5 hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure
6 to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee
7 shall be determined solely by the express provisions of this ordinance, and no implied powers,
8 duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

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

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

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

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

- 24 (i) an Event of Default has happened and is continuing; and
- 25 (ii) a Bond Owners' Trustee has been appointed; and
- 26 (iii) such owner previously shall have given to the Bond Owners' Trustee written
27 notice of the Event of Default on account of which such suit, action or proceeding
28 is to be instituted; and

- 1 (iv) the registered owners of 25% in principal amount of the Parity Bonds, after the
2 occurrence of such Event of Default, have made written request of the Bond
3 Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable
4 opportunity to institute such suit, action or proceeding; and
5 (v) there have been offered to the Bond Owners' Trustee security and indemnity
6 satisfactory to it against the costs, expenses and liabilities to be incurred therein or
7 thereby; and
8 (vi) the Bond Owners' Trustee has refused or neglected to comply with such request
9 within a reasonable time.

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

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

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

28 (b) Each of the Mayor and the Director of Finance is separately authorized to execute
and deliver (i) any and all contracts or other documents as are consistent with this ordinance and

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

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

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

20 **Section 29. Section Headings.** Section headings in this ordinance are used for
21 convenience only and shall not constitute a substantive portion of this ordinance.
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Section 30. Effective Date. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2014, and signed by me in open session in authentication of its passage this ____ day of _____, 2014.

President of the City Council

Approved by me this ____ day of _____, 2014.

Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

Monica Martinez Simmons, City Clerk

(SEAL)

Attachments:

- Exhibit A – List of Outstanding Parity Bonds
- Exhibit B – Form of Undertaking to Provide Continuing Disclosure

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EXHIBIT A
CITY OF SEATTLE
OUTSTANDING SOLID WASTE PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Outstanding Balance	Bond Legislation
Solid Waste Revenue and Refunding Bonds, 2007	12/12/2007	\$82,175,000	\$28,665,000	Ordinance 121940, Ordinance 122498, and Resolution 31032
Solid Waste Revenue Bonds, 2011	6/22/2011	\$45,750,000	\$42,860,000	Ordinance 123576 and Resolution 31301
Solid Waste Revenue and Refunding Bonds, 2014	6/12/2014	\$95,350,000	\$95,350,000	Ordinance 121940 as amended by Ordinance 122498, Ordinance 123567, Ordinance 124046 and Resolution 31528

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 holders of the City’s Solid Waste Revenue Bonds, 2015 (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 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, or other material events affecting 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; and

(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 and operating data regarding the Solid Waste System that the City
undertakes to provide in subsection (a) of this section:

3 (i) Shall consist of: (1) annual financial statements of the Solid Waste
4 System, prepared in accordance with generally accepted accounting principles applicable to
5 governmental units (except as otherwise noted therein), as such principles may be changed
6 from time to time and as permitted by State law, which financial statements will not be audited,
7 except, that if and when audited financial statements are otherwise prepared and available to
8 the City they will be provided; (2) a statement of authorized, issued and outstanding bonded
9 debt secured by the Net Revenue of the Solid Waste System; (3) debt service coverage ratios;
(4) summary operating statistics for the Solid Waste System, including data of the type
included in the Official Statement for the Bonds dated _____, 20__ in the tables entitled
“Solid Waste Tonnage,” “Regional Comparison of Transfer Station Rates,” and “Number of
Customers by Class;” and (5) current solid waste rates;

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

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

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

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

23 (e) Termination of Undertaking. The City’s obligations under this Undertaking
24 shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the
25 outstanding Bonds. In addition, the City’s obligations under this Undertaking shall terminate if
26 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 holder of a Bond shall be to take such actions as that holder
8 deems necessary, including seeking an order of specific performance from an appropriate court,
9 to compel the City or other obligated person to comply with the Undertaking.

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

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

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

21 (iii) Determining whether any person other than the City is an “obligated
22 person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from
23 such person an undertaking to provide any annual financial information and notice of listed
24 events for that person in accordance with Rule 15c2-12;

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

28 (v) Effecting any necessary amendment of the Undertaking.

FISCAL NOTE FOR CAPITAL PROJECTS ONLY

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Michael Van Dyck 4-8347	Aaron Blumenthal/3-2656 Jennifer Devore/5-1328

Legislation Title:

AN ORDINANCE relating to the solid waste system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste system 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:

This legislation provides the legal authorization to issue up to \$39 million of bonds for Seattle Public Utility's Solid Waste System, based on assumptions in the Strategic Business Plan with an allowance for soil contamination at the North Transfer Station construction site.

Background:

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 Solid Waste bond sale is anticipated to occur in mid-2015. The bond proceeds, combined with internally generated funds, will support the Solid Waste 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 required debt service reserve requirement, and to pay issuance costs.

The proposed issue is for 25-year, fixed-rate bonds. Total annual debt service is expected to be about \$3 million starting in 2016. SPU's currently projected mid-term adjustment of 5.9% in 2015 and 3.4% in 2016 for Solid Waste rates incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include primarily completion of the new North Transfer Station and rehabilitation and redevelopment of the old South Transfer site as laid out in SPU's Strategic Business Plan.

Other Implications:

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

Seattle Public Utilities 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.

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

There are no viable alternatives aside from financing the Solid Waste System's 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.

d) Is a public hearing required for this legislation?

No

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

No

f) Does this legislation affect a piece of property?

No

g) Other Issues:

None

List attachments to the fiscal note below: