

Ordinance No. 19649

Council Bill No. 112872

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to or extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds for the purposes of paying part of the cost of carrying out that system or plan and providing a reserve for and paying the costs of issuing and selling those bonds; describing the terms, conditions, covenants, lien and manner of sale of those bonds; and creating certain accounts of the City.

CF No. _____

Date Introduced: <u>AUG 30 1999</u>		
Date 1st Referred: <u>AUG 30 1999</u>	To: (committee)	UTILITIES & ENVIRONMENTAL MANAGEMENT COMMITTEE
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>9/7/99</u>	Full Council Vote: <u>7-0</u>	
Date Presented to Mayor: <u>9/8/99</u>	Date Approved: SEP 08 1999	
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Date Vetted by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

The City of Seattle - Legislative Department
Council Bill/Ordinance sponsored by: _____

Committee Action

9-2-99 do pass 3-0

7-0 extended: chao/mago

This file is complete and ready for presentation to Full Council

Law Department

Law Dept. Review

OMP
Review

City Clerk
Review

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: PAGELER

Councilmember

Committee Action:

9-2-99 do pass 3-0

7-0 extended: case/wago

This file is complete and ready for presentation to Full Council. Committee: _____

(Initial/Date)

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THE CITY OF SEATTLE, WASHINGTON

ORDINANCE 119649

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to or extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds for the purposes of paying part of the cost of carrying out that system or plan and providing a reserve for and paying the costs of issuing and selling those bonds; describing the terms, conditions, covenants, lien and manner of sale of those bonds; and creating certain accounts of the City.

Passed _____, 1999.

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THE CITY OF SEATTLE, WASHINGTON

ORDINANCE 119649

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to or extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds for the purposes of paying part of the cost of carrying out that system or plan and providing a reserve for and paying the costs of issuing and selling those bonds; describing the terms, conditions, covenants, lien and manner of sale of those bonds; and creating certain accounts of the City.

WHEREAS, The City of Seattle (the "City") owns and operates a municipal water system (the "Municipal Water System"); and

WHEREAS, pursuant to Ordinance 116705 and Resolution 28745 the City issued its Two Hundred Fifty-Six Million Two Hundred Fifty-Five Thousand Dollars (\$256,255,000) principal amount Water System and Refunding Revenue Bonds, 1993 (the "1993 Bonds") payable from and having a charge and lien upon the Net Revenue of the Municipal Water System prior and superior to other charges whatsoever; and

WHEREAS, by Section 24 of Ordinance 116705, the City reserved the right to issue revenue bonds and other obligations having a charge and lien upon the Net Revenue of the Municipal Water System on a parity with the charge and lien of the 1993 Bonds ("Future Parity Bonds") if the following conditions are met and complied with at the time of issuance of those Future Parity Bonds:

(a) *There shall be no deficiency in the Bond Account and no Event of Default as defined in Section 34 of Ordinance 116705 shall have occurred and be continuing.*

(b) *The Parity Bond Authorizing Ordinance shall provide that all assessments and interest thereon that may be levied in any ULID created for the purpose of paying, in whole or in part, the principal of and interest on those Future Parity Bonds, shall be paid directly into the Bond Account, except for any prepaid assessments permitted by law to be paid into a construction fund or account.*

(c) *The Parity Bond Authorizing Ordinance shall provide for the payment of the principal thereof and interest thereon out of the Bond Account.*

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1 (d) The Parity Bond Authorizing Ordinance shall provide for the
2 payment of amounts into the Bond Account to meet mandatory redemption
3 requirements applicable to any Term Bonds to be issued and for regular payments
4 to be made for the payment of the principal of such Term Bonds on or before their
maturity, or, as an alternative, the mandatory redemption of those Term Bonds
prior to their maturity date from money in the Principal and Interest Subaccount.

5 (e) The Parity Bond Authorizing Ordinance shall provide for the
6 deposit into the Reserve Subaccount of (i) an amount, if any, necessary to fund the
7 Reserve Requirement upon the issuance of those Future Parity Bonds from Future
8 Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance
9 or an amount plus Reserve Insurance necessary to fund the Reserve Requirement
10 upon the issuance of those Future Parity Bonds, or (iii) amounts necessary to
fund the Reserve Requirement from ULID Assessments and Adjusted Net Revenue
within five years from the date of issuance of those Future Parity Bonds, in five
approximately equal annual payments.

11 (f) There shall be on file with the City either:

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

17 (2) a certificate of both the Finance Director and the
18 Superintendent of the Municipal Water System (or any officer who
19 succeeds to substantially all of the responsibilities of either office) that in
20 their opinion the Adjusted Net Revenue for the five fiscal years next
21 following the earlier of (i) the end of the period during which interest on
22 those Future Parity Bonds is to be capitalized or, if no interest is
23 capitalized, the fiscal year in which the Future Parity Bonds are issued, or
24 (ii) the date on which substantially all new facilities financed with those
Future Parity Bonds are expected to commence operations, such Adjusted
Net Revenue further adjusted as provided in paragraphs (i) through (iv)
below, will be at least equal to the Coverage Requirement. That
certificate may take into account the following adjustments:

25 (i) Any changes in rates in effect and being charged, or
26 rates expected to be charged in accordance with a program of



specific rates, rate levels or increases in overall rate revenue approved by ordinance or resolution;

(ii) Net revenue from customers of the Municipal Water System who have become customers during the twelve (12) consecutive month period or thereafter, and their estimate of net revenue from any customers to be connected to the Municipal Water System who have paid the required connection charges, adjusted to reflect one year's net revenue from those customers;

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

(iv) Net revenue from any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the Municipal Water System.

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding bonds payable from the Bond Account, no such coverage certification shall be required if the Adjusted Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for any year in which the Parity Bonds being refunded were outstanding, more than Five Thousand Dollars (\$5,000) over the Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity Bonds; and

WHEREAS, pursuant to Ordinance 118512 and Resolution 29553 the City issued its Fifty-Three Million Dollars (\$53,000,000) principal amount Water System Revenue Bonds, 1997 (the "1997 Bonds") on a parity of charge and lien with the 1993 Bonds; and

WHEREAS, pursuant to Ordinance 118973 and Resolution 29785 the City issued its Eighty Million Dollars (\$80,000,000) principal amount Water System Revenue Bonds, 1998 (the "1998 Bonds") on a parity of charge and lien with the 1993 Bonds and the 1997 Bonds; and

WHEREAS, pursuant to Ordinance 119457 and Resolution 29973 the City issued its One Hundred Million Dollars (\$100,000,000) principal amount Water System Revenue Bonds, 1999 (the "1999A Bonds") on a parity of charge and lien with the 1993 Bonds, the 1997 Bonds and the 1998 Bonds (together with the 1999A Bonds, the "Outstanding Parity Bonds"); and

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1 WHEREAS, the City has need to acquire and construct certain additions or betterments to
2 or extensions of the Municipal Water System described in the system or plan adopted by this
3 ordinance (the "Plan of Additions"); and

4 WHEREAS, the City has determined to issue its water system revenue bonds on a parity
5 of charge and lien with the Outstanding Parity Bonds to pay part of the cost of carrying out the
6 Plan of Additions and to provide a reserve for and pay the costs of issuing and selling those
7 bonds; NOW, THEREFORE,

8 BE IT ORDAINED BY THE CITY OF SEATTLE, WASHINGTON, AS FOLLOWS:

9 **Section 1. Definitions.** As used in this ordinance and for the purposes of this ordinance
10 the following words shall have the following meanings:

11 **"Accreted Value"** means:

12 (1) with respect to any Capital Appreciation Bonds, as of the time of
13 calculation, the sum of the amount representing the initial principal amount of such Capital
14 Appreciation Bonds as set forth in the applicable Parity Bond Authorizing Ordinance plus the
15 interest accumulated, compounded and unpaid thereon as of the most recent compounding date,
16 or

17 (2) with respect to original issue discount bonds under the Code, as of the
18 time of calculation, the amount representing the initial public offering price of such original issue
19 discount bonds plus the amount of the discounted principal which has accreted since the date of
20 issue, determined in accordance with the provisions of the applicable Parity Bond Authorizing
21 Ordinance.

22 **"Adjusted Annual Debt Service"** for any fiscal year means Annual Debt Service minus

23 (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount
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1 equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service
2 provided for by Parity Bond proceeds.

3 **"Adjusted Gross Revenue of the Municipal Water System"** or **"Adjusted Gross**
4 **Revenue"** means Gross Revenue of the Municipal Water System plus withdrawals from the Rate
5 Stabilization Account and minus (1) ULID Assessments, (2) earnings from investments in the
6 Reserve Subaccount and (3) deposits into the Rate Stabilization Account.

7 **"Adjusted Net Revenue of the Municipal Water System"** or **"Adjusted Net Revenue"**
8 means Adjusted Gross Revenue less Operation and Maintenance Expenses.

9 **"Annual Debt Service"** means, for any fiscal year of the City, all amounts required to be
10 paid in respect of interest on and principal of Parity Bonds and Payment Agreement Payments in
11 respect of Parity Payment Agreements, subject to the following:

12 (i) **Debt Service on Term Bonds.** For purposes of calculating debt service on
13 Term Bonds, only the scheduled mandatory redemption amounts payable in respect of principal
14 of Term Bonds shall be taken into account in any fiscal year prior to the Term Bond Maturity
15 Year, and only the principal amount scheduled to remain outstanding after payment of all prior
16 mandatory redemption amounts shall be taken into account in the Term Bond Maturity Year;

17 (ii) **Interest on Parity Bonds.** For purposes of determining compliance with
18 the Coverage Requirement, the Reserve Requirement and conditions for the issuance of Future
19 Parity Bonds,

20 (A) **Generally.** Except as otherwise provided by subparagraph (ii)(B)
21 with respect to Variable Interest Rate Bonds and by subparagraph (ii)(C) with respect to Parity
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1 Bonds with respect to which a Payment Agreement is in force, interest on any issue of Parity
2 Bonds shall be calculated based on the actual amount of accrued, accreted or otherwise
3 accumulated interest that is payable in respect of that issue taken as a whole, at the rate or rates
4 set forth in the Parity Bond Authorizing Ordinance;

5 (B) Interest on Variable Interest Rate Bonds. The amount of interest
6 deemed to be payable on any issue of Variable Interest Rate Bonds shall be calculated on the
7 assumption that the interest rate on those bonds would be equal to the rate (the "assumed RBI-
8 based rate") that is ninety percent (90%) of the average RBI during the fiscal quarter preceding
9 the quarter in which the calculation is made;

10 (C) Interest on Parity Bonds With Respect to Which a Payment
11 Agreement is in Force. Debt service on Parity Bonds with respect to which a Payment
12 Agreement is in force shall be based on the net economic effect on the City expected to be
13 produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including
14 but not limited to the effects that (i) Parity Bonds that would, but for a Payment Agreement, be
15 treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as
16 obligations bearing interest at a fixed interest rate, and (ii) Parity Bonds that would, but for a
17 Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead shall
18 be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the amount of
19 interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement
20 is in force shall be an amount equal to the amount of interest that would be payable at the rate or
21 rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement
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1 Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts
2 and Payment Agreement Payments under a Payment Agreement, the following assumptions shall
3 be made:

4 (1) Counterparty Obligated to Pay Actual Variable Interest on
5 Variable Interest Rate Bonds. If any Payment Agreement obligates a Qualified Counterparty to
6 make payments to the City based on the actual Variable Interest Rate on Parity Bonds that
7 would, but for the Payment Agreement, be treated as Variable Interest Rate Bonds and obligates
8 the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the
9 City to the Qualified Counterparty shall be assumed to be made at the fixed rate specified by the
10 Payment Agreement and payments by the Qualified Counterparty to the City shall be assumed to
11 be made at the actual Variable Interest Rate on such bonds, without regard to the occurrence of
12 any event that, under the provisions of the Payment Agreement, would permit the Qualified
13 Counterparty to make payments on any basis other than the actual Variable Interest Rate on such
14 bonds, and the Parity Bond Authorizing Ordinance shall set forth a debt service schedule for
15 those Parity Bonds based on that assumption;
16

17 (2) Variable Interest Rate Bonds and Payment Agreements
18 Having the Same Variable Rate Component. If both a Payment Agreement and related Parity
19 Bonds that would, but for the Payment Agreement, be treated as Variable Interest Rate Bonds
20 include a variable rate payment component that is required to be calculated on the same basis
21 (including, without limitation, on the basis of the same variable rate index), it shall be assumed
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1 that the variable rate payment component payable pursuant to the Payment Agreement is equal in
2 amount to the variable rate interest component payable on those Parity Bonds;

3 (3) Variable Interest Rate Bonds and Payment Agreements
4 Having Different Variable Rate Interest Components. If a Payment Agreement obligates either
5 the City or the Qualified Counterparty to make payments of a variable rate interest component on
6 a basis that is different (including, without limitation, on a different variable rate index) from the
7 basis that is required to be used to calculate interest on the Parity Bonds that would, but for the
8 Payment Agreement, be treated as Variable Interest Rate Bonds, it shall be assumed:
9

10 (a) City Obligated to Make Payments Based on
11 Variable Rate Index. If payments by the City under the Payment Agreement are to be based on a
12 variable rate index and payments by the Qualified Counterparty are to be based on a fixed rate,
13 that payments by the City to the Qualified Counterparty will be based upon an interest rate equal
14 to the assumed RBI-based rate, and that payments by the Qualified Counterparty to the City will
15 be based on the fixed rate specified by the Payment Agreement; and
16

17 (b) City Obligated to Make Payments Based on Fixed
18 Rate. If payments by the City under the Payment Agreement are to be based on a fixed rate and
19 payments by the Qualified Counterparty are to be based on a variable rate index, that payments
20 by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the
21 "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed rate
22 specified by the Payment Agreement, and that payments by the Qualified Counterparty to the
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1 City will be based on a rate equal to the actual Variable Interest Rate on the Variable Interest
2 Rate Bonds;

3 (4) Certain Payment Agreements May be Disregarded.

4 Notwithstanding the provisions of subparagraphs (ii)(C)(1), (2) and (3) of this definition, the
5 City shall not be required to (but may in its discretion) take into account in determining Annual
6 Debt Service the effects of any Payment Agreement that has a term of ten (10) years or less;

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

15 (1) City Obligated to Make Payments Based on Fixed Rate. If

16 the City is obligated to make Payment Agreement Payments based on a fixed rate and the
17 Qualified Counterparty is obligated to make payments based on a variable rate index, that
18 payments by the City will be based on the assumed fixed payor rate, and that payments by the
19 Qualified Counterparty will be based on a rate equal to the average rate determined by the
20 variable rate index specified by the Parity Payment Agreement during the fiscal quarter
21 preceding the quarter in which the calculation is made, and
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1 (2) City Obligated to Make Payments Based on Variable Rate
2 Index. If the City is obligated to make Payment Agreement Payments based on a variable rate
3 index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that
4 payments by the City will be based on a rate equal to the average rate determined by the variable
5 rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the
6 quarter in which the calculation is made, and that the Qualified Counterparty will make payments
7 based on the fixed rate specified by the Parity Payment Agreement; and
8

9 (E) For purposes of calculating debt service on any Balloon Bonds, it
10 shall be assumed that the principal of those Balloon Bonds, together with interest thereon at a
11 rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a
12 term of thirty (30) years.
13

14 "Average Annual Debt Service" means the sum of the Annual Debt Service for the
15 remaining years to the last scheduled maturity of the applicable issue or issues of Parity Bonds
16 divided by the number of those years.
17

18 "Balloon Bonds" means any series of Parity Bonds designated as Balloon Bonds in the
19 applicable Parity Bond Authorizing Ordinance.
20

21 "Bond Account" means that special account of the City known as the Water Revenue
22 Bond Account created by Ordinance 116705 in the Water Fund of the City for the payment of the
23 principal of, mandatory sinking fund payments and interest on the Parity Bonds.
24
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1 **"Bond Counsel"** means a firm of lawyers nationally recognized and accepted as bond
2 counsel and so employed by the City for any purpose under this ordinance applicable to the use
3 of that term.

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

7 **"Bond Insurer"** means any provider of Bond Insurance approved by the City Council by
8 ordinance or resolution.

9 **"Bond Register"** means the books or records maintained by the Bond Registrar on which
10 are recorded the names and addresses of the registered owners of each of the Bonds.

11 **"Bond Registrar"** means the Fiscal Agency.

12 **"Bond Resolution"** means a resolution of the City Council adopted pursuant to this
13 ordinance and confirming the sale and final terms of the Bonds.

14 **"Bonds"** means the bonds authorized to be issued pursuant to, under the authority of and
15 for the purposes provided in this ordinance.

16 **"1993 Bonds"** means the Water System and Refunding Revenue Bonds, 1993, of the
17 City, issued pursuant to Ordinance 116705 and Resolution 28745.

18 **"1997 Bonds"** means the Water System Revenue Bonds, 1997, of the City, issued
19 pursuant to Ordinance 118512 and Resolution 29553.

20 **"1998 Bonds"** means the Water System Revenue Bonds, 1998, of the City, issued
21 pursuant to Ordinance 118973 and Resolution 29785.

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1 **"1999A Bonds"** means the Water System Revenue Bonds, 1999, of the City, issued
2 pursuant to Ordinance 119457 and Resolution 29973.

3 **"Capital Appreciation Bonds"** means any Parity Bonds, all or a portion of the interest
4 on which is compounded and accumulated at the rates or in the manner, and on the dates, set
5 forth in the applicable Parity Bond Authorizing Ordinance and is payable only upon redemption
6 or on the maturity date of such Parity Bonds. Parity Bonds that are issued as Capital
7 Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall
8 be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital
9 Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted
10 Value on the conversion date.
11

12 **"CIP"** means the portion or portions relating to the Municipal Water System of the
13 "1999-2004 Capital Improvement Program" of the City as adopted by the City in
14 Ordinance 119246, on November 23, 1998, as that CIP may be amended, updated, supplemented
15 or replaced from time to time.
16

17 **"City"** means The City of Seattle, Washington.
18

19 **"City Clerk"** means the City Clerk of the City, or any other officer who succeeds to
20 substantially all of the responsibilities of that office specified in this ordinance.

21 **"Code"** means the Internal Revenue Code of 1986, as amended, and applicable rules and
22 regulations promulgated thereunder.
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1 **"Construction Account"** means the Water System Construction Subaccount, 1999B,
2 created by this ordinance in the Water System Construction Account, which account was
3 previously created in the Water Fund.

4 **"Contract Resource Obligation"** means an obligation of the City, designated as a
5 Contract Resource Obligation and entered into pursuant to Section 23 of this ordinance, to make
6 payments for water supply, transmission or other commodity or service to another person or
7 entity (including without limitation a separate utility system created pursuant to Section 22 of
8 this ordinance).
9

10 **"Coverage Requirement"** in any fiscal year of the City means an amount of Adjusted
11 Net Revenue of the Municipal Water System equal to at least 1.25 times the Adjusted Annual
12 Debt Service that year on all Parity Bonds.
13

14 **"DTC"** means The Depository Trust Company, New York, New York, as initial
15 Securities Depository for the Bonds.

16 **"Finance Director"** means the Finance Director of the Executive Services Department of
17 the City, or any other officer who succeeds to substantially all of the responsibilities of that
18 office specified in this ordinance.
19

20 **"Fiscal Agency"** means either of the fiscal agencies of the State of Washington located in
21 Seattle, Washington, and New York, New York, or any other paying agent/registrar of the City,
22 as the same may be designated from time to time.
23

24 **"Future Parity Bonds"** means all revenue bonds and other obligations (including Parity
25 Payment Agreements) of the City issued or entered into after the date of the issuance of the
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1 Bonds and then outstanding, the payment of which constitutes a charge and lien on the Net
2 Revenue of the Municipal Water System equal in rank with the charge and lien upon such
3 revenue required to be paid into the Bond Account to pay and secure the payment of the principal
4 of and interest on the Parity Bonds, including the Bonds.

5 **"Government Obligations"** means those government obligations defined by
6 RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

7 **"Gross Revenue of the Municipal Water System"** or **"Gross Revenue"** means in any
8 fiscal year of the City all of the revenues of the Municipal Water System, including but not
9 limited to revenue from the sale or transmission of water; the sale, lease or furnishing of other
10 commodities, services, properties or facilities; the imposition of connection, capital improvement
11 or other charges; ULID Assessments; net receipts from Payment Agreements; and earnings from
12 the investment of money in the Water Fund. However, Gross Revenue shall not include earnings
13 of a separate utility system that may be acquired or constructed by the City pursuant to
14 Section 22 hereof; principal proceeds of Parity Bonds or other borrowings; or earnings or
15 proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund
16 Municipal Water System obligations (until commingled with other earnings and revenues of the
17 Municipal Water System defined as Gross Revenue) or held in a special account for the purpose
18 of paying a rebate to the United States Government under the Code.

19 **"Independent Consulting Engineer"** means either (1) an independent licensed
20 professional engineer experienced in the design, construction or operation of municipal utilities
21 of comparable size and character to the Municipal Water System, or (2) an independent certified
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1 public accountant or other professional consultant experienced in the development of rates and
2 charges for municipal utilities of comparable size and character to the Municipal Water System.

3 **"Letter of Representations"** means the Letter of Representations relating to the Bonds
4 to be delivered by the City to DTC.

5 **"Maximum Annual Debt Service"** means at the time of calculation, the maximum
6 amount of Annual Debt Service that will mature or come due in the current year or any future
7 year on the Parity Bonds.
8

9 **"Municipal Water System"** means the water system of the City as it now exists, and all
10 additions thereto and betterments and extensions thereof at any time made for so long as any of
11 the Parity Bonds are outstanding. The Municipal Water System shall not include any water
12 supply or service or other facilities that may be created, acquired or constructed by the City as a
13 separate utility system as provided in Section 22 of this ordinance.
14

15 *Upon the maturity, redemption or defeasance of all of the then outstanding 1993 Bonds,*

16 *"Municipal Water System" shall be defined as follows:*

17 *"Municipal Water System" means the water system of the City as*
18 *it now exists, and all additions thereto and betterments and*
19 *extensions thereof at any time made, together with any utility*
20 *systems of the City hereinafter combined with the Municipal Water*
21 *System. The Municipal Water System shall not include any water*
22 *supply or other utility system service or other facilities that may be*
created, acquired or constructed by the City as a separate utility
system as provided in Section 22 of this ordinance.

23 **"Net Revenue of the Municipal Water System" or "Net Revenue"** means the Gross
24 Revenue less Operation and Maintenance Expenses.
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1 **"Operation and Maintenance Expenses"** means all expenses incurred by the City in
2 causing the Municipal Water System of the City to be operated and maintained in good repair,
3 working order and condition, including without limitation: deposits, premiums, assessments or
4 other payments for insurance, if any, on the Municipal Water System; payments into pension
5 funds; State-imposed taxes; amounts due under Contract Resource Obligations (but only at the
6 times described in Section 23 of this ordinance); payments made to any other person or entity for
7 the receipt of water supply or transmission or other commodity or service; and payments with
8 respect to any other expenses of the Municipal Water System that are properly treated as
9 operation and maintenance expenses under generally accepted accounting principles applicable
10 to municipal corporations. Operation and Maintenance Expenses does not include any
11 depreciation or taxes levied or imposed by the City, or payments to the City in lieu of taxes, or
12 capital additions or capital replacements to the Municipal Water System.
13

14 **"Outstanding Parity Bonds"** means the then outstanding 1993 Bonds, 1997 Bonds,
15 1998 Bonds and 1999A Bonds.
16

17 **"Parity Bonds"** means the Outstanding Parity Bonds, the Bonds, and any Future Parity
18 Bonds.
19

20 **"Parity Bond Authorizing Ordinance"** means the ordinance and/or resolution of the
21 City that authorizes the issuance and sale and establishes the terms of a particular issue of Parity
22 Bonds and other matters relating to the same plan of finance.
23

24 **"Parity Payment Agreement"** means a Payment Agreement under which the City's
25 payment obligations are expressly stated to constitute a charge and lien on the Net Revenue of
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1 the Municipal Water System equal in rank with the charge and lien upon such revenue required
2 to be paid into the Bond Account to pay and secure the payment of the principal of and interest
3 on Parity Bonds.

4 *Upon the maturity, redemption or defeasance of all of the then outstanding 1993 Bonds,*

5 "Parity Payment Agreement" shall be defined as follows:
6

7 *"Parity Payment Agreement" means a Payment Agreement under*
8 *which the City's payment obligations are expressly stated to*
9 *constitute a charge and lien on the Net Revenue of the Municipal*
10 *Water System equal in rank with the charge and lien upon such*
11 *revenue required to be paid into the Bond Account to pay interest*
12 *on Parity Bonds.*

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

22 **"Payment Agreement Payments"** means the amounts periodically required to be paid
23 by the City to the Qualified Counterparty pursuant to a Payment Agreement.
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1 **"Payment Agreement Receipts"** means the amounts periodically required to be paid by
2 the Qualified Counterparty to the City pursuant to a Payment Agreement.

3 **"Plan of Additions"** means, collectively, the CIP and the Water Supply Plan, as they
4 may be modified hereafter as described herein.

5 **"Principal and Interest Subaccount"** means the account of that name created in the
6 Bond Account for the payment of the principal of and interest and mandatory redemption
7 requirements, if any, on the Parity Bonds.

8 **"Qualified Counterparty"** means a party (other than the City or a party related to the
9 City) who is the other party to a Payment Agreement and (1)(a) whose senior debt obligations are
10 rated in one of the three highest rating categories of each of the Rating Agencies (without regard
11 to any gradations within a rating category) or (b) whose obligations under the Payment
12 Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or
13 other institution which has been assigned a credit rating in one of the two highest rating
14 categories of each of the Rating Agencies, and (2) who is otherwise qualified to act as the other
15 party to a Payment Agreement under any applicable laws of the State.

16 **"Rate Stabilization Account"** means the account of that name created in the Water Fund
17 pursuant to Ordinance 116705.

18 **"Rating Agencies"** means Moody's Investors Service, Inc., and Standard & Poor's
19 Ratings Services, a Division of The McGraw-Hill Companies, Inc., and their successors, and any
20 other nationally-recognized securities rating agency or agencies rating Parity Bonds at the
21 request of the City.
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1 **"RBI"** means The Bond Buyer Revenue Bond Index or comparable index, or, if no
2 comparable index can be obtained, eighty percent (80%) of the interest rate for actively traded
3 thirty (30) year United States Treasury obligations.

4 **"Reserve Insurance"** means any bond insurance, letter of credit, guaranty, surety bond
5 or similar credit enhancement device obtained by the City equal to part or all of the Reserve
6 Requirement for any Parity Bonds which is issued by an institution which has been assigned a
7 credit rating at the time of issuance of the device in one of the two highest rating categories of
8 each of the Rating Agencies.

9 **"Reserve Requirement"** means as of any date the lesser of Maximum Annual Debt
10 Service or one hundred twenty-five percent (125%) of Average Annual Debt Service on the
11 Parity Bonds.

12 **"Reserve Subaccount"** means the account of that name created in the Bond Account for
13 the purpose of securing the payment of the principal of and interest on the Parity Bonds.

14 **"Securities Depository"** means any one of the following registered securities
15 depositories which has been designated by the City: (i) DTC; (ii) Midwest Securities Trust
16 Company, Chicago, Illinois; (iii) Philadelphia Depository Trust Company, Philadelphia,
17 Pennsylvania; or (iv) such other securities depositories as the City may designate in a certificate
18 of the City delivered to the Bond Registrar.

19 **"State"** means the State of Washington.

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

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1 **"Term Bond Maturity Year"** means any calendar year in which Term Bonds are
2 scheduled to mature.

3 **"Term Bonds"** means those Parity Bonds designated as such in the applicable Parity
4 Bond Authorizing Ordinance.

5 **"ULID"** means a utility local improvement district.

6 **"ULID Assessments"** means all assessments levied and collected in a ULID of the City
7 created for the acquisition or construction of additions to and betterments and extensions of the
8 Municipal Water System if (and only if) those assessments are pledged to be paid into the Bond
9 Account, not including any prepaid assessments paid into a construction fund or account. ULID
10 Assessments shall include installments thereof and any interest or penalties thereon.
11

12 **"Undertaking"** means the City's undertaking in the Bond Resolution to provide certain
13 disclosure as provided by Section 25.
14

15 **"Variable Interest Rate"** means any variable interest rate or rates to be borne by any
16 Parity Bonds. The method of computing such a variable interest rate shall be as specified in the
17 applicable Parity Bond Authorizing Ordinance, which ordinance or resolution also shall specify
18 either (1) the particular period or periods of time or manner of determining such period or
19 periods of time for which each value of such variable interest rate shall remain in effect or (2) the
20 time or times upon which any change in such variable interest rate shall become effective. A
21 Variable Interest Rate may, without limitation, be based on the interest rate on certain bonds or
22 may be based on interest rate, currency, commodity or other indexes.
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1 **"Variable Interest Rate Bonds"** means, for any period of time, any Parity Bonds that
2 bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as
3 Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity
4 Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the
5 applicable Parity Bond Authorizing Ordinance, or the net economic effect of a Payment
6 Agreement with respect to particular Parity Bonds, in either case is to produce obligations that
7 bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment
8 Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect
9 of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.
10

11 **"Water Fund"** means the fund of that name into which is paid the Gross Revenue of the
12 Municipal Water System.
13

14 **"Water Supply Plan"** means the long range water supply plan known as the Seattle
15 Comprehensive Regional Water Plan, adopted by the City in Ordinance 116869, as that Water
16 Supply Plan may be amended, updated, supplemented or replaced from time to time.
17

18 **Section 2. Adoption of Plan of Additions.** The CIP and the Water Supply Plan
19 constitute a system or plan of additions to or betterments or extensions of the Municipal Water
20 System (the "Plan of Additions" and each element thereof an "Addition"). To the extent not
21 previously specified, adopted and ordered to be carried out by the City by ordinance, the City
22 specifies, adopts and orders to be carried out the Plan of Additions as generally provided for in
23 the Water Supply Plan and the CIP. The estimated cost of the Plan of Additions, as near as may
24 be determined, is declared to be Five Hundred Fifty Million Four Hundred Thirty-Two Thousand
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1 Dollars (\$550,432,000), of which One Hundred Ten Million Dollars (\$110,000,000) is expected
2 to be financed from the proceeds of the Bonds.

3 The Plan of Additions shall include any amendments, updates, supplements or
4 replacements to the CIP or the Water Supply Plan, all of which automatically shall constitute
5 amendments to the Plan of Additions. The Plan of Additions also may be modified, without
6 amending the CIP or the Water Supply Plan, to include other improvements if the City
7 determines by ordinance that those amendments or other improvements constitute a system or
8 plan of additions to or betterments or extensions of the Municipal Water System.
9

10 The Plan of Additions includes the purchase and installation of all materials, supplies,
11 appliances, equipment (including but not limited to data processing hardware and software and
12 conservation equipment) and facilities, the acquisition of all permits, franchises, property and
13 property rights, other capital assets and all engineering, consulting and other professional
14 services and studies (whether performed by the City or by other public or private entities)
15 necessary or convenient to carry out the Plan of Additions.
16

17 **Section 3. Authorization and Description of Bonds.** For the purpose of providing all
18 or a part of the money required to (1) pay part of the cost of carrying out the Plan of Additions;
19 (2) provide for a reserve for the Bonds; and (3) pay the costs of issuing and selling the Bonds, the
20 City shall issue the Bonds in the principal amount of not to exceed One Hundred Ten Million
21 Dollars (\$110,000,000). The Bonds may be issued in one or more series; may be combined with
22 other Parity Bonds authorized separately; shall be called "The City of Seattle Water System
23 Revenue Bonds, 1999, Series B"; may have such different or further designations as determined
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1 by the Finance Director or as specified in the Bond Resolution; shall be dated as specified in the
2 Bond Resolution; shall be in the denomination of Five Thousand Dollars (\$5,000) or any integral
3 multiple thereof within a single maturity or such other denomination within a maturity provided
4 by the Bond Resolution; shall be numbered separately, in the manner and with any additional
5 designation as the Bond Registrar deems necessary for the purpose of identification; shall bear
6 interest at such rate or rates (computed on the basis of a 360-day year of twelve 30-day months)
7 as shall be specified and approved by the Bond Resolution, except that the net interest cost shall
8 not exceed a weighted average of eight percent (8.0%) per annum, payable semiannually on such
9 dates as are specified by the Bond Resolution. The Bonds shall mature on the dates and in years
10 and amounts to be specified in the Bond Resolution, except that the final maturity of the Bonds
11 shall not be later than December 31, 2029. The Finance Director may designate Term Bonds
12 with mandatory redemption amounts as he deems necessary or advisable, all to be provided by
13 the Bond Resolution. The Finance Director also may specify in Bond closing documents the
14 respective amounts of each maturity of the Bonds allocated to paying the costs of carrying out
15 the Plan of Additions.
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19 **Section 4. Bond Resolution.** The City Council may adopt the Bond Resolution and in
20 that resolution may provide for the matters described in this ordinance and such other matters
21 that the City Council deems necessary and appropriate to carry out the purposes of this
22 ordinance.
23

24 The Bond Resolution may provide for Bond Insurance or Reserve Insurance, and
25 conditions or covenants relating thereto, including additional terms, conditions and covenants
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1 relating to the Bonds that are required by the Bond Insurer and are consistent with the provisions
2 of this ordinance, including but not limited to restrictions on investments and requirements of
3 notice to and consent of the Bond Insurer.

4 The Bond Resolution may approve and authorize the execution and delivery on behalf of
5 the City of any agreements consistent with the provisions of this ordinance for which the City's
6 approval is necessary or to which the City is a party and that are related or incidental to the initial
7 issuance and sale of the Bonds, the establishment of the interest rate or rates on the Bonds,
8 redemption of the Bonds, provision of Bond Insurance, payment agreements and similar
9 agreements.

10 The City Council may determine and specify by the Bond Resolution the amount, if any,
11 from the proceeds of or accrued interest on the Bonds to be deposited into specified funds,
12 subfunds, accounts and subaccounts. In the absence of such a determination and specification in
13 the Bond Resolution, the Finance Director may make such determination and specification.

14 **Section 5. Registration and Transfer or Exchange of Bonds.** The Bonds shall be
15 issued only in registered form as to both principal and interest and recorded on the Bond
16 Register. The Bond Register shall contain the name and mailing address of the registered owner
17 of each Bond and the principal amount and number of each of the Bonds held by each owner.

18 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized
19 denomination of an equal aggregate principal amount and of the same interest rate and maturity.
20 Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the
21 Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The
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1 Bond Registrar shall not be obligated to exchange or transfer any Bond during the fifteen (15)
2 days preceding any principal or interest payment or redemption date (or other record date
3 established by the Bond Resolution).

4 The City appoints DTC as initial Securities Depository for the Bonds. For so long as
5 DTC is the Securities Depository for the Bonds, DTC or its nominee shall be deemed to be the
6 registered owner for all purposes hereunder, and all references in this ordinance or the Bond
7 Resolution to the registered owners of the Bonds shall mean DTC or its nominee and shall not
8 mean the owners of any beneficial interests in the Bonds. Payments of principal of, premium, if
9 any, and interest on all outstanding Bonds registered in the name of the nominee of DTC, or its
10 registered assign, shall be made as provided in the Letter of Representations.
11

12 Bonds executed and delivered in fully immobilized form shall be executed and delivered
13 in the form of one fully-registered immobilized certificate for each series and maturity of the
14 Bonds representing the aggregate principal amount of the Bonds of that series and maturity,
15 which Bonds shall (except as provided below for the discontinuation or substitution of Securities
16 Depository) be registered in the name of Cede & Co., as nominee of DTC; however, if DTC shall
17 request that the Bonds be registered in the name of a different nominee, the Bond Registrar shall
18 exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds
19 registered in the name of such other nominee or nominees of DTC. No person other than DTC or
20 its nominee shall be entitled to receive from the City or the Bond Registrar any Bond or any
21 other evidence of ownership of the Bonds, or any right to receive any payment in respect thereof,
22 unless DTC or its nominee shall transfer record ownership of all or any portion of the Bonds on
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1 the Bond Register, in connection with discontinuing the book entry system as provided below or
2 otherwise.

3 For so long as the Bonds are registered in the name of DTC or any nominee thereof, all
4 payments of the principal or interest with respect to the Bonds shall be made to DTC or its
5 nominee in immediately available funds on the dates provided for such payments under this
6 ordinance and the Bond Resolution and at such times and in the manner provided in the Letter of
7 Representations. Each such payment to DTC or its nominee shall be valid and effective to fully
8 discharge all liability of the City or the Bond Registrar with respect to the principal or interest
9 with respect to the Bonds to the extent of the sum or sums so paid. In the event of the
10 redemption of less than all of the Bonds of any series and maturity, the Bond Registrar shall not
11 require surrender by DTC or its nominee of the Bonds so redeemed, and DTC or its nominee
12 may retain such Bonds and make an appropriate notation thereon as to the amount of such partial
13 redemption. DTC shall deliver to the Bond Registrar, upon request, a written confirmation of
14 such partial redemption. The records maintained by the Bond Registrar shall be conclusive as to
15 the amount of the Bonds of such series and maturity that have been redeemed.
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19 All transfers of beneficial ownership interests in Bonds issued in fully immobilized form
20 shall be effected by the procedures of DTC's participants for recording and transferring the
21 ownership of beneficial interests in bonds.

22 The City and the Bond Registrar may treat DTC (or its nominee) as the sole and
23 exclusive registered owner of the Bonds registered in its name for the purposes of payment of the
24 principal or interest with respect to those Bonds, selecting Bonds or portions thereof to be
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1 redeemed, giving any notice permitted or required to be given to registered owners under this
2 ordinance or the Bond Resolution, registering the transfer of Bonds, obtaining any consent or
3 other action to be taken by registered owners of Bonds and for all other purposes whatsoever;
4 and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City
5 and the Bond Registrar shall not have any responsibility or obligation to any participant in DTC,
6 any person claiming a beneficial ownership interest in the Bonds under or through DTC or any
7 such participant, or any other person which is not shown on the Bond Register as being a
8 registered owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or
9 any such participant; (iii) the payment by DTC or any such participant of any amount in respect
10 of the principal or interest with respect to the Bonds; (iv) any notice which is permitted or
11 required to be given to registered owners of Bonds under this ordinance or the Bond Resolution;
12 (v) the selection by DTC or any such participant of any person to receive payment in the event of
13 a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as
14 registered owner of the Bonds.
15
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17 For so long as the Bonds are registered in the name of DTC or any nominee thereof, all
18 notices required or permitted to be given to the registered owners of such Bonds under this
19 ordinance or the Bond Resolution shall be given to DTC as provided in the Letter of
20 Representations.
21

22 In connection with any notice or other communication to be provided to registered
23 owners pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar with
24 respect to any consent or other action to be taken by registered owners of the Bonds, DTC shall
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1 consider the date of receipt of notice requesting such consent or other action as the record date
2 for such consent or other action; however, the City or the Bond Registrar may establish a special
3 record date for such consent or other action and shall give DTC notice of such special record date
4 not less than fifteen (15) calendar days in advance of such special record date to the extent
5 practical.
6

7 Any successor Bond Registrar, in its written acceptance of its duties under this ordinance
8 and the Bond Resolution, shall agree to take any actions necessary from time to time to comply
9 with the requirements of any applicable Letter of Representations.
10

11 The book-entry system for registration of the ownership of the Bonds delivered in fully
12 immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond
13 Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) after notice to
14 DTC and the Bond Registrar, the City determines that a continuation of the system of book-entry
15 transfers through DTC (or through a successor Securities Depository) is not in the best interests
16 of the City. In each of such events (unless, in the case described in clause (i) above, the City
17 appoints a successor Securities Depository), the Bonds shall be delivered in registered certificate
18 form to such persons, and in such maturities and principal amounts, as may be designated by
19 DTC, but without any liability on the part of the City or the Bond Registrar for the accuracy of
20 such designation. Whenever DTC requests the City and the Bond Registrar to do so, and for so
21 long as clause (ii) above does not apply, the City and the Bond Registrar shall cooperate with
22 DTC in taking appropriate action after reasonable notice to arrange for another Securities
23 Depository to maintain custody of certificates evidencing the Bonds.
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1 **Section 6. Mutilated, Lost, Stolen and Destroyed Bonds.** In case any Bonds issued

2 hereunder shall become mutilated or be destroyed, stolen or lost, the City shall, if not then
3 prohibited by law, cause to be executed and delivered a new Bond of like amount, interest rate,
4 maturity date, series and tenor in exchange and substitution for and upon cancellation of such
5 mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen or lost Bonds, upon
6 payment by the registered owner thereof of the reasonable expenses and charges of the City and
7 the Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost,
8 the filing with the Bond Registrar of evidence satisfactory to it that such Bond was destroyed,
9 stolen or lost, and of the ownership thereof, and furnishing the City and the Bond Registrar with
10 indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already
11 has matured or been called for redemption in accordance with its terms it shall not be necessary
12 to issue a new Bond prior to payment. If the provisions of State law at any time differ from the
13 provisions of this Section 6 with respect to the requirements or procedures for replacing or
14 otherwise handling mutilated, lost, stolen or destroyed Bonds, then the provisions of State law
15 shall prevail.
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18

19 **Section 7. Payment of Bond Principal and Interest.** Principal of, premium, if any, and
20 interest on the Bonds shall be payable in lawful money of the United States of America. Interest
21 on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest
22 payment date to the registered owners at the addresses appearing on the Bond Register on the
23 fifteenth (15th) day of the month preceding the interest payment date (or other record date
24 established by the Bond Resolution) (the "Record Date") or, at the request of a registered owner
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1 of One Million Dollars (\$1,000,000) or more in aggregate principal amount of Bonds, by wire
2 transfer to an account in the United States designated in writing by such registered owner prior to
3 the Record Date. Principal of and premium, if any, on the Bonds shall be payable upon
4 presentation and surrender of the Bonds by the registered owners at either of the principal offices
5 of the Bond Registrar at the option of the registered owners. Notwithstanding the foregoing,
6 payment of any Bonds registered in the name of DTC or its nominee shall be made in accordance
7 with the Letter of Representations.
8

9 The Bonds shall be payable solely out of the Bond Account and shall not be general
10 obligations of the City.
11

12 **Section 8. Redemption and Open Market Purchase of Bonds.**

13 (a) **Optional Redemption.** All or some of the Bonds may be subject to
14 redemption at the option of the City at the times and on the terms set forth in the Bond
15 Resolution.
16

17 (b) **Mandatory Redemption.** The City shall redeem any Term Bonds, if not
18 redeemed under the optional redemption provisions set forth above or purchased in the open
19 market under the provisions set forth below, by lot (in such manner as the Bond Registrar shall
20 determine) at par plus accrued interest on the dates and in the years and principal amounts as set
21 forth in the Bond Resolution.
22

23 If the City shall redeem Term Bonds under the optional redemption provisions set forth
24 above or purchase Term Bonds in the open market as set forth below, the Term Bonds so
25 redeemed or purchased (irrespective of their redemption or purchase price) shall be credited at
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1 the par amount thereof against the remaining mandatory redemption requirements in a manner to
2 be determined by the Finance Director or, if no such determination is made, on a pro-rata basis.

3 (c) **Partial Redemption.** Whenever less than all of the Bonds of a single
4 maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be
5 redeemed from the Bonds of that maturity by lot, or in such other manner as the Bond Registrar
6 shall determine, except that, for so long as the Bonds are registered in the name of DTC or its
7 nominee, DTC shall select the Bonds or portions thereof to be redeemed in accordance with the
8 Letter of Representations. In no event shall any Bond be outstanding in a principal amount that
9 is not an authorized denomination.
10

11 Portions of the principal amount of any Bond, in integral amounts of Five Thousand
12 Dollars (\$5,000), may be redeemed. If less than all of the principal amount of any Bond is
13 redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar,
14 there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at
15 the option of the registered owner) of the same maturity and interest rate in any of the
16 denominations authorized by the Bond Resolution in the aggregate total principal amount
17 remaining unredeemed.
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1 (d) **Open Market Purchase.** The City reserves the right and option to
2 purchase any or all of the Bonds in the open market at any time at any price acceptable to the
3 City plus accrued interest to the date of purchase. The principal amount of Term Bonds
4 purchased pursuant to this Section 8 shall be credited at the par amount thereof against the next
5 mandatory redemption requirement, or as otherwise directed by the Finance Director.
6

7 (e) **Bonds to be Canceled.** All Bonds purchased or redeemed under this
8 Section 8 shall be canceled.

9 **Section 9. Notice of Redemption.** The City shall cause notice of any intended
10 redemption of Bonds to be given not less than thirty (30) nor more than sixty (60) days prior to
11 the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any
12 Bond to be redeemed at the address appearing on the Bond Register at the time the Bond
13 Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been
14 fulfilled when notice has been mailed as so provided, whether or not it is actually received by the
15 registered owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on
16 the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented
17 pursuant to the call. In addition, the redemption notice shall be mailed by the Bond Registrar
18 within the same period, postage prepaid, to each of the Rating Agencies at their offices in New
19 York, New York, to any Bond Insurer for the Bonds, and to such other persons and with such
20 additional information as the Finance Director shall determine or as specified in the Bond
21 Resolution, but these additional mailings shall not be a condition precedent to the redemption of
22 Bonds.
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1 **Section 10. Failure to Redeem Bonds.** If any Bond is not redeemed when properly
2 presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at
3 the same rate provided in the Bond from and after its maturity or call date until that Bond, both
4 principal and interest, is paid in full or until sufficient money for its payment in full is on deposit
5 in the Bond Account and the Bond has been called for payment by giving notice of that call to
6 the registered owner of each of those unpaid Bonds.
7

8 **Section 11. Form and Execution of Bonds.** The Bonds shall be typed, photocopied,
9 printed or lithographed on good bond paper in a form consistent with the provisions of this
10 ordinance, the Bond Resolution and State law, shall be signed by the Mayor and Finance
11 Director, either or both of whose signatures may be manual or in facsimile, and the seal of the
12 City or a facsimile reproduction thereof shall be impressed or printed thereon.
13

14 Only Bonds bearing a Certificate of Authentication in the following form, manually
15 signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the
16 benefits of this ordinance:
17

18 **CERTIFICATE OF AUTHENTICATION**

19 This Bond is one of the fully registered The City of Seattle,
20 Washington, Water System Revenue Bonds, 1999, Series B, described in the
21 Bond Ordinance.

22 WASHINGTON STATE FISCAL AGENCY
23 Bond Registrar

24 By: _____
25 Authorized Signer
26



1 The authorized signing of a Certificate of Authentication shall be conclusive evidence that the
2 Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to
3 the benefits of this ordinance.

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

13
14 **Section 12. Bond Registrar.** The Bond Registrar shall keep, or cause to be kept, at its
15 principal corporate trust office, sufficient books for the registration and transfer of the Bonds
16 which shall at all times be open to inspection by the City. The Bond Registrar is authorized, on
17 behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with
18 the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds
19 and to carry out all of the Bond Registrar's powers and duties under this ordinance and SMC
20 Chapter 5.10 establishing a system of registration for the City's bonds and obligations.
21

22 The City reserves the right in its discretion to appoint special paying agents, registrars or
23 trustees in connection with the payment of some or all of the principal of or interest on the
24 Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the
25
26

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1 new Bond Registrar shall be mailed to the registered owners of the Bonds. The notice may be
2 mailed together with the next interest payment due on the Bonds, but, to the extent practicable,
3 shall be mailed not less than fifteen (15) days prior to a maturity date of the principal or a
4 mandatory redemption date of any Bond.

5
6 The Bond Registrar shall be responsible for its representations contained in the Bond
7 Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the
8 owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the
9 extent permitted by law, may act as depository for and permit any of its officers or directors to
10 act as members of, or in any other capacity with respect to, any committee formed to protect the
11 rights of Bond owners.
12

13 **Section 13. Bond Account.** Ordinance 116705 created the Water Revenue Bond
14 Account (the "Bond Account") in the Water Fund and further divided the Bond Account into two
15 subaccounts: the Principal and Interest Subaccount and the Reserve Subaccount. So long as any
16 Parity Bonds are outstanding, the City shall set aside and pay into the Bond Account all ULID
17 Assessments on their collection (except for ULID Assessments deposited in a construction
18 account) and, out of the Net Revenue, certain fixed amounts without regard to any fixed
19 proportion, namely:
20

21 (a) Into the Principal and Interest Subaccount (i) upon receipt thereof,
22 the accrued interest, if any, received by the City from the purchaser of the Bonds,
23 and (ii) on or before each interest or principal and interest payment date of any
24 Parity Bonds at least an amount which, together with other money on deposit
25 therein, will be sufficient to pay the interest, or principal and interest, to become
26 due and payable on the Parity Bonds on that payment date, including any Parity
Bonds subject to mandatory redemption on that date, and net payments due on
Parity Payment Agreements; and

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1 (b) Into the Reserve Subaccount, in approximately equal annual
2 payments, amounts necessary to fund the Reserve Requirement within five years
3 from the date of issuance of such Parity Bonds after taking into account the
4 capitalization of all or any part of the Reserve Requirement. The City may
5 provide all or any part of the Reserve Requirement through Reserve Insurance,
6 and the amount available to be drawn upon under that Reserve Insurance shall be
7 credited against the Reserve Requirement, subject to the following:

8 The Reserve Insurance shall not be cancelable on less than three (3) years' notice.
9 On receipt of a notice of cancellation of any Reserve Insurance or upon notice that
10 the entity providing the Reserve Insurance no longer meets the requirements
11 specified herein, the City shall substitute Reserve Insurance in the amount
12 required to make up the deficiency created in the Reserve Subaccount or in the
13 alternative shall create a special account in the Water Fund and deposit therein, on
14 or before the twenty-fifth (25th) day of each of the thirty-six (36) succeeding
15 calendar months (commencing with the twenty-fifth (25th) day of the calendar
16 month next following the date of the notice) one thirty-sixth (1/36th) of the
17 amount sufficient, together with other money and investments on deposit in the
18 Reserve Subaccount, to equal the Reserve Requirement in effect as of the date the
19 cancellation or disqualification of the entity becomes effective. The required
20 amounts shall be deposited in that special account from money in the Water Fund
21 after making provision for payment of Operation and Maintenance Expenses and
22 for required payments into the Bond Account. Amounts on deposit in that special
23 account shall not be available to pay debt service on Parity Bonds or for any other
24 purpose of the City, and shall be transferred to the Reserve Subaccount on the
25 effective date of any cancellation of a Reserve Insurance to make up all or part of
26 the deficiency caused thereby. Amounts in that special account or in the Reserve
Subaccount may be transferred back to the Water Fund and used for any purpose
if and when qualifying Reserve Insurance is obtained.

Except for withdrawals therefrom and payments over time as authorized herein, the
Reserve Subaccount shall be maintained at the Reserve Requirement, as it is adjusted from time
to time, at all times so long as any Parity Bonds are outstanding. For the purpose of determining
the amount credited to the Reserve Subaccount, obligations in which money in the Reserve
Subaccount has been invested shall be valued at the greater of cost or accreted value.

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1 In the event that there shall be a deficiency in the Principal and Interest Subaccount to
2 meet maturing installments of either principal or interest or mandatory redemption requirements,
3 as the case may be, that deficiency shall be made up from the Reserve Subaccount by the
4 withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve
5 Subaccount by reason of any such withdrawal shall within twelve (12) months be made up from
6 ULID Assessments and Net Revenue available after making necessary provisions for the
7 required payments into the Principal and Interest Subaccount.
8

9 The money in the Reserve Subaccount may be applied to the payment of the last
10 outstanding bonds payable out of the Bond Account, except that any money in the Reserve
11 Subaccount (including investment earnings) in excess of the Reserve Requirement may be
12 withdrawn and deposited in the Principal and Interest Subaccount and spent for the purpose of
13 retiring Parity Bonds or may be deposited in any other fund or account and spent for any other
14 lawful Municipal Water System purpose. When the total amount in the Bond Account (including
15 investment earnings) shall equal the total amount of principal and interest for all Parity Bonds to
16 the last maturity thereof, no further payment need be made into the Bond Account.
17
18

19 The City may provide for the purchase, redemption or defeasance of any Parity Bonds by
20 the use of money on deposit in any subaccount in the Bond Account as long as the money
21 remaining in those subaccounts is sufficient to satisfy the required deposits in those subaccounts
22 for the remaining Parity Bonds.
23

24 All money in the Bond Account may be kept in cash or invested in legal investments
25 maturing, for investments in the Principal and Interest Subaccount, not later than the dates when
26

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1 the funds are required for the payment of principal of or interest on the Parity Bonds and, for
2 investments in the Reserve Subaccount, maturing (or subject to redemption, or repurchase and
3 redemption, at the option of the City) on a date not later than fifteen (15) years from the date of
4 investment.

5 Earnings from investments in the Principal and Interest Subaccount shall be deposited in
6 that account. Earnings from investments in the Reserve Subaccount shall be deposited in that
7 account. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject
8 to federal arbitrage rebate requirements may be withdrawn from the Bond Account for deposit
9 into a separate fund or account created for the purpose of compliance with those rebate
10 requirements.
11

12 The City may create sinking fund accounts or other accounts in the Bond Account for the
13 payment or securing the payment of Parity Bonds as long as the maintenance of such accounts
14 does not conflict with the rights of the owners of such Parity Bonds.
15

16 **Section 14. Construction Account.** There has been created in the Water Fund an
17 account known as the Water System Construction Account, within which account is created a
18 subaccount to be known as the Water System Construction Subaccount, 1999B (the
19 "Construction Account"). The principal proceeds of the sale of the Bonds remaining after (1) the
20 deposit of accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and
21 (2) the deposit of any proceeds as determined by the Bond Resolution into the Reserve
22 Subaccount, shall be deposited into the Construction Account to be used for the purpose of
23 paying part of the costs of carrying out the Plan of Additions and to pay for the costs of issuance
24
25
26

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1 of the Bonds. Until needed to pay such costs, the City may invest principal proceeds and interest
2 thereon temporarily in any legal investment, and the investment earnings may, as determined by
3 the Finance Director, be retained in the Construction Account and be spent for the purposes of
4 that fund or deposited in the Bond Account.

5
6 **Section 15. Rate Stabilization Account.** The Rate Stabilization Account has been
7 created in the Water Fund. The City may at any time, as determined by the City and as
8 consistent with Section 19 of this ordinance, deposit in the Rate Stabilization Account Gross
9 Revenue and any other money received by the Municipal Water System and available to be used
10 therefor. The City may withdraw any or all of the money from the Rate Stabilization Account
11 for inclusion in the Adjusted Gross Revenue for any fiscal year of the City. Such deposits or
12 withdrawals may be made up to and including the date ninety (90) days after the end of the fiscal
13 year for which the deposit or withdrawal will be included as Adjusted Gross Revenue.

14
15 No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the
16 extent that such deposit would prevent the City from meeting the Coverage Requirement in the
17 relevant fiscal year.

18
19 **Section 16. Finding as to Sufficiency of Gross Revenue.** The City finds and
20 determines that the Gross Revenue and benefits to be derived from the operation and
21 maintenance of the Municipal Water System of the City at the rates to be charged from time to
22 time for water and other services and commodities from the Municipal Water System consistent
23 with Section 18(b) hereof, will be sufficient to meet all Operation and Maintenance Expenses
24 and to permit the setting aside into the Bond Account out of the Gross Revenue of amounts
25
26

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1 sufficient to pay the principal of and interest on the Bonds and any mandatory redemption
2 requirements when due. The City further declares that in creating the Bond Account and in
3 fixing the amounts to be paid into the Bond Account it has exercised due regard for Operation
4 and Maintenance Expenses, and has not bound and obligated itself to set aside and pay into the
5 Bond Account a greater amount or proportion of the Gross Revenue than in the judgment of the
6 City will be available over and above the Operation and Maintenance Expenses.
7

8 **Section 17. Pledge of Net Revenue and Lien Position.** The Net Revenue of the
9 Municipal Water System and all money and investments held in the Bond Account, the Rate
10 Stabilization Account and the Construction Account (except money and investments held in a
11 separate fund or account created for the purpose of compliance with rebate requirements under
12 the Code), is pledged to the payment of the Parity Bonds and to make payments into the Reserve
13 Subaccount required by this ordinance, the Bond Resolution and Parity Bond Authorizing
14 Ordinances, and this pledge shall constitute a lien and charge upon the Net Revenue prior and
15 superior to any other charges whatsoever.
16

17 **Section 18. Parity Bond Covenants.** The City covenants and agrees with the owner of
18 each Bond at any time outstanding, as follows:
19

20 (a) **Operation and Maintenance.** It will at all times maintain,
21 preserve and keep the properties of the Municipal Water System in good repair,
22 working order and condition, will make all necessary and proper additions,
23 betterments, renewals and repairs thereto, and improvements, replacements and
24 extensions thereof so that at all times the business carried on in connection
25 therewith will be properly and advantageously conducted, and will at all times
26 operate or cause to be operated the properties of the Municipal Water System and
the business in connection therewith in an efficient manner and at a reasonable
cost.

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1 **(b) Establishment and Collection of Rates and Charges.** It will
2 establish, maintain and collect rates and charges for services and facilities
3 provided by the Municipal Water System which will be fair and equitable, and
4 will adjust those rates and charges from time to time so that:

5 (1) The Gross Revenue will be sufficient to (i) pay all
6 Operation and Maintenance Expenses, (ii) pay when due all amounts that
7 the City is obligated to pay into the Bond Account and the subaccounts
8 therein, and (iii) pay all taxes, assessments or other governmental charges
9 lawfully imposed on the Municipal Water System or the revenue
10 therefrom or payments in lieu thereof and any and all other amounts which
11 the City may now or hereafter become obligated to pay from the Gross
12 Revenue by law or contract; and

13 (2) The Adjusted Net Revenue of the Municipal Water System
14 in each fiscal year will be at least equal to the Coverage Requirement; and

15 (3) Except to aid the poor or infirm and for fire-fighting
16 purposes, it will not furnish or supply or permit the furnishing or
17 supplying of any service or facility in connection with the operation of the
18 Municipal Water System free of charge to any person, firm or corporation,
19 public or private.

20 The failure of the City to comply with subparagraphs (1) and (2) of this
21 paragraph (b) shall not be an Event of Default as defined in Section 28 of
22 this ordinance if the City promptly retains an Independent Consulting
23 Engineer to recommend to the City Council adjustments in the rates of the
24 Municipal Water System necessary to meet the requirements of those
25 subparagraphs and if the City Council adopts the recommended
26 modifications within one hundred eighty (180) days of the date the failure
became known to the City Council.

(c) Sale, Transfer or Disposition of the Municipal Water System.
It will sell, transfer or otherwise dispose of any of the works, plant, properties,
facilities or other part of the Municipal Water System or any real or personal
property comprising a part of the Municipal Water System only upon approval by
ordinance and only consistent with one or more of the following:

 (1) The City in its discretion may carry out such a sale, transfer
or disposition (each, as used in this subparagraph, a "transfer") if the
facilities or property transferred are not material to the operation of the
Municipal Water System, or shall have become unserviceable, inadequate,

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1 obsolete or unfit to be used in the operation of the Municipal Water
2 System or are no longer necessary, material or useful to the operation of
the Municipal Water System; or

3 (2) The City in its discretion may carry out such a transfer if
4 the aggregate depreciated cost value of the facilities or property being
5 transferred under this subparagraph (2) in any fiscal year comprises no
6 more than three percent (3%) of the total assets of the Municipal Water
System; or

7 (3) The City in its discretion may carry out such a transfer if
8 the City receives from the transferee an amount equal to the fair market
9 value of the portion of the Municipal Water System transferred. As used
10 in this subparagraph, "fair market value" means the most probable price
11 that a property should bring in a competitive and open market under all
12 conditions requisite to a fair sale, the willing buyer and willing seller each
13 acting prudently and knowledgeably and assuming that the price is not
14 affected by coercion or undue stimulus. The proceeds of the transfer shall
15 be used (i) to promptly redeem, or irrevocably set aside for the redemption
16 of, Parity Bonds, and/or (ii) to provide for part of the cost of additions to
17 and betterments and extensions of the Municipal Water System. Before
18 any such transfer under this subparagraph (3), the City must obtain a
19 certificate of an Independent Consulting Engineer to the effect that in his
20 or her professional opinion, upon such transfer and the use of proceeds of
21 the transfer as proposed by the City, the remaining Municipal Water
22 System will retain its operational integrity and the Adjusted Net Revenue
23 of the Municipal Water System will be at least equal to the Coverage
24 Requirement during the five fiscal years following the fiscal year in which
the transfer is to occur, taking into account, (w) the reduction in revenue
resulting from the transfer; (x) the use of any proceeds of the transfer for
the redemption of Parity Bonds, (y) the Independent Consulting
Engineer's estimate of revenue from customers anticipated to be served by
any additions to and betterments and extensions of the Municipal Water
System financed in part by the proposed portion of the proceeds of the
transfer, and (z) any other adjustment permitted in the preparation of a
certificate under Section 20(f)(2) of this ordinance. Before such a transfer,
the City also must obtain confirmation from each of the Rating Agencies
to the effect that the rating then in effect will not be reduced or withdrawn
upon such transfer.

25 The amount required to be paid to the City may be reduced by any
26 "equity credits" or similar amounts based on prior capital contributions or

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1 other payments to the City which, under any contract between the City and
2 the transferee, are allowed as a setoff against the transfer price that would
otherwise be payable to the City.

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

9 (e) **Books and Accounts.** It will keep proper books, records and
10 accounts with respect to the operations, income and expenditures of the Municipal
11 Water System in accordance with generally accepted accounting practices relating
12 to the municipal utilities and any applicable rules and regulations prescribed by
13 the State, and will cause those books, records and accounts to be audited on an
14 annual basis by the State Auditor (or, if such audit is not made by the State
15 Auditor within two hundred seventy (270) days after the close of any fiscal year
16 of the City, by a certified public accountant selected by the City). It will prepare
17 annual financial and operating statements as soon as practicable after the close of
18 each fiscal year showing in reasonable detail the financial condition of the
19 Municipal Water System as of the close of the previous year, and the income and
20 expenses for such year, including the amounts paid into the Bond Account and
21 into any and all special funds or accounts created pursuant to the provisions of
22 this ordinance, the status of all funds and accounts as of the end of such year, and
23 the amounts expended for maintenance, renewals, replacements and capital
24 additions to the Municipal Water System. Such statements shall be sent to the
25 owner of any Parity Bonds upon written request therefor being made to the City.
26 The City may charge a reasonable cost for providing such financial statements.

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

(g) **Maintenance of Insurance.** It at all times will carry fire and
extended coverage, public liability and property damage and such other forms of
insurance with responsible insurers and with policies payable to the City on such
of the buildings, equipment, works, plants, facilities and properties of the

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1 Municipal Water System as are ordinarily carried by municipal or privately
2 owned utilities engaged in the operation of like systems, and against such claims
3 for damages as are ordinarily carried by municipal or privately owned utilities
4 engaged in the operation of like systems, or it will self-insure or will participate in
5 an insurance pool or pools with reserves adequate, in the reasonable judgment of
6 the City, to protect the Municipal Water System and the owners of the Parity
7 Bonds against loss.

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

15 **Section 19. Flow of Funds.** All ULID Assessments shall be paid into the Bond Account
16 as provided by this ordinance. The Gross Revenue of the Municipal Water System shall be used
17 for the following purposes only and shall be applied in the following order of priority:

18 (a) To pay the Operation and Maintenance Expenses;

19 (b) To pay interest on Parity Bonds and net payments on Parity
20 Payment Agreements when due;

21 (c) To pay the principal of Parity Bonds as it comes due at maturity or
22 as the principal is required to be paid pursuant to mandatory redemption
23 requirements applicable to Term Bonds, and to make payments due under any
24 reimbursement agreement with a Bond Insurer which agreement requires those
25 payments to be treated on a parity of lien with the Parity Bonds;

26 (d) To make all payments required to be made into the Reserve
Subaccount, all payments required to be made under any agreement relating to the
provision of Reserve Insurance, and payments due under any reimbursement
agreement with a Bond Insurer which agreement requires those payments to be
treated on a parity of lien with the payments required to be made into the Reserve
Subaccount;

(e) To make all payments required to be made into any revenue bond,
note, warrant or other revenue obligation redemption fund, debt service account or

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1 reserve account created to pay or secure the payment of the principal of and
2 interest on any revenue bonds, notes, warrants or other obligations of the City
3 having a lien upon the revenue of the Municipal Water System junior and inferior
4 to the lien thereon for the payment of the principal of and interest on the Parity
5 Bonds; and

6 (f) To retire by redemption or purchase in the open market any
7 outstanding revenue bonds or other revenue obligations of the Municipal Water
8 System, to make necessary additional betterments, improvements and repairs to or
9 extensions and replacements of the Municipal Water System, to make deposits
10 into the Rate Stabilization Account, or for any other lawful Municipal Water
11 System purposes.

12 The City may transfer any money from any funds or accounts of the Municipal
13 Water System legally available therefor, except bond redemption funds, refunding escrow funds
14 or defeasance funds, to meet the required payments to be made into the Bond Account.

15 **Section 20. Provisions for Future Parity Bonds.** The City reserves the right to issue
16 Future Parity Bonds and to enter into Parity Payment Agreements for purposes of the Municipal
17 Water System or to refund a portion of the Parity Bonds if the following conditions are met and
18 complied with at the time of the issuance of those Future Parity Bonds or entering into the Parity
19 Payment Agreement:

20 (a) There shall be no deficiency in the Bond Account and no Event of
21 Default with respect to any Parity Bonds. s Event of Default is defined in
22 Section 28 of this ordinance shall have occurred and be continuing.

23 (b) The Parity Bond Authorizing Ordinance shall provide that all
24 assessments and interest thereon that may be levied in any ULID created for the
25 purpose of paying, in whole or in part, the principal of and interest on those
26 Future Parity Bonds, shall be paid directly into the Bond Account, except for any
prepaid assessments permitted by law to be paid into a construction fund or
account.

(c) The Parity Bond Authorizing Ordinance shall provide for the
payment of the principal thereof and interest thereon out of the Bond Account.

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1 (d) The Parity Bond Authorizing Ordinance shall provide for the
2 payment of amounts into the Bond Account to meet mandatory redemption
3 requirements applicable to any Term Bonds to be issued and for regular payments
4 to be made for the payment of the principal of such Term Bonds on or before their
5 maturity, or, as an alternative, the mandatory redemption of those Term Bonds
6 prior to their maturity date from money in the Principal and Interest Subaccount.

7 (e) The Parity Bond Authorizing Ordinance shall provide for the
8 deposit into the Reserve Subaccount of (i) an amount, if any, necessary to fund the
9 Reserve Requirement upon the issuance of those Future Parity Bonds from Future
10 Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance
11 or an amount plus Reserve Insurance necessary to fund the Reserve Requirement
12 upon the issuance of those Future Parity Bonds, or (iii) amounts necessary to fund
13 the Reserve Requirement from ULID Assessments and Adjusted Net Revenue
14 within five years from the date of issuance of those Future Parity Bonds, in five
15 approximately equal annual payments.

16 (f) There shall be on file with the City either:

17 (1) a certificate of the Finance Director demonstrating that
18 during any twelve consecutive calendar months out of the immediately
19 preceding twenty-four (24) calendar months Adjusted Net Revenue was at
20 least equal to the Coverage Requirement for all Parity Bonds plus the
21 Future Parity Bonds proposed to be issued (and assuming that the debt
22 service of the proposed Future Parity Bonds for that twelve-month period
23 was the Average Annual Debt Service for those proposed bonds); or

24 (2) a certificate of both the Finance Director and the Director
25 of Seattle Public Utilities (who has succeeded to substantially all of the
26 responsibilities of the Superintendent of the Municipal Water System), or
any officer who succeeds to substantially all of the responsibilities of
either office, that in their opinion the Adjusted Net Revenue for the five
fiscal years next following the earlier of (A) the end of the period during
which interest on those Future Parity Bonds is to be capitalized or, if no
interest is capitalized, the fiscal year in which the Future Parity Bonds are
issued, or (B) the date on which substantially all new facilities financed
with those Future Parity Bonds are expected to commence operations,
such Adjusted Net Revenue further adjusted as provided in paragraphs (i)
through (iv) below, will be at least equal to the Coverage Requirement.
That certificate may take into account the following adjustments:

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1 (i) Any changes in rates in effect and being charged, or
2 rates expected to be charged in accordance with a program of
3 specific rates, rate levels or increases in overall rate revenue
4 approved by ordinance or resolution;

5 (ii) Net revenue from customers of the Municipal Water
6 System who have become customers during the twelve (12)
7 consecutive month period or thereafter, and their estimate of net
8 revenue from any customers to be connected to the Municipal
9 Water System who have paid the required connection charges,
10 adjusted to reflect one year's net revenue from those customers;

11 (iii) Their estimate of net revenue from customers
12 anticipated to be served by facilities or improvements financed in
13 substantial part by those Future Parity Bonds (or additional Parity
14 Bonds expected to be issued during the five-year period); and

15 (iv) Net revenue from any person, firm, corporation or
16 municipal corporation under any executed contract for water or
17 other utility service, which revenue was not included in the
18 historical Net Revenue of the Municipal Water System.

19 If the Future Parity Bonds proposed to be issued are for the sole purpose
20 of refunding Parity Bonds, no such coverage certification shall be required if the
21 Adjusted Annual Debt Service on the Parity Bonds after the issuance of the Future
22 Parity Bonds is not, for any year in which the Parity Bonds being refunded were
23 outstanding, more than Five Thousand Dollars (\$5,000) over the Adjusted Annual
24 Debt Service on the Parity Bonds prior to the issuance of those Future Parity
25 Bonds.

26 Nothing contained herein shall prevent the City from issuing Future Parity Bonds to
refund maturing Parity Bonds, money for the payment of which is not otherwise available, or
revenue bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien
of the Parity Bonds, or from pledging the payment of ULID assessments into a bond redemption
fund created for the payment of the principal of and interest on those junior lien bonds as long as



1 such ULID assessments are levied for improvements constructed from the proceeds of those
2 junior lien bonds.

3 **Section 21. Reimbursement Obligations.** If the City elects to meet the Reserve
4 Requirement or any portion thereof through the use of Reserve Insurance or elects to secure any
5 issue of Parity Bonds through the use of Bond Insurance, the City may contract with the entity
6 providing such Reserve Insurance or Bond Insurance to the effect that the City's reimbursement
7 obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.
8

9 If provided by the Bond Resolution, if the principal of, interest or mandatory redemption
10 requirements due on the Bonds is paid by a Bond Insurer pursuant to a Bond Insurance policy,
11 the Bonds shall not be considered paid by the City, and the covenants, agreements and other
12 obligations of the City to the registered owners shall continue to exist and the Bond Insurer shall
13 be subrogated to the rights of the registered owners.
14

15 **Section 22. Separate Utility Systems.** The City may create, acquire, construct, finance,
16 own and operate one or more additional systems for water supply, transmission or other
17 commodity or service. The revenue of that separate utility system shall not be included in the
18 Gross Revenue of the Municipal Water System and may be pledged to the payment of revenue
19 obligations issued to purchase, construct, condemn or otherwise acquire or expand the separate
20 utility system. Neither the Gross Revenue nor the Net Revenue of the Municipal Water System
21 shall be pledged by the City to the payment of any obligations of a separate utility system except
22 (1) as a Contract Resource Obligation upon compliance with Section 23 hereof and/or (2) with
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1 respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net
2 Revenue.

3 **Section 23. Contract Resource Obligations.** The City may at any time enter into one
4 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
5 water supply, transmission or other commodity or service relating to the Municipal Water
6 System. The City may determine that, and may agree under a Contract Resource Obligation to
7 provide that, all payments under that Contract Resource Obligation (including payments prior to
8 the time that water supply or transmission or other commodity or service is being provided, or
9 during a suspension or after termination of supply or service) shall be Operation and
10 Maintenance Expenses if the following requirements are met at the time such a Contract
11 Resource Obligation is entered into:
12

13
14 (a) No Event of Default as defined in Section 28 of this ordinance has
15 occurred and is continuing.

16 (b) There shall be on file a certificate of an Independent Consulting
17 Engineer stating that (i) the payments to be made by the City in connection with
18 the Contract Resource Obligation are reasonable for the supply or transmission
19 rendered; (ii) the source of any new supply, and any facilities to be constructed to
20 provide the supply or transmission, are sound from a water or other commodity
21 supply or transmission planning standpoint, are technically and economically
22 feasible in accordance with prudent utility practice, and are likely to provide
23 supply or transmission no later than a date set forth in the Independent Consulting
24 Engineer's certification; and (iii) the Adjusted Net Revenue (further adjusted by
25 the Independent Consulting Engineer's estimate of the payments to be made in
26 accordance with the Contract Resource Obligation) for the five fiscal years
following the year in which the Contract Resource Obligation is incurred, as such
Adjusted Net Revenue is estimated by the Independent Consulting Engineer in
accordance with the provisions of and adjustments permitted in Section 20(f)(2)
of this ordinance, will be at least equal to the Coverage Requirement.

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1 Payments required to be made under Contract Resource Obligations shall not be subject
2 to acceleration.

3 Nothing in this Section 23 shall be deemed to prevent the City from entering into other
4 agreements for the acquisition of water supply, transmission or other commodity or service from
5 existing facilities and from treating those payments as Operation and Maintenance Expenses.
6 Nothing in this Section 23 shall be deemed to prevent the City from entering into other
7 agreements for the acquisition of water supply, transmission or other commodity or service from
8 facilities to be constructed and from agreeing to make payments with respect thereto, such
9 payments constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.
10

11 **Section 24. Preservation of Tax Exemption for Interest on Bonds.** The City
12 covenants that it will take all actions consistent with the terms of the Bonds, this ordinance and
13 the Bond Resolution reasonably within its power and necessary to prevent interest on the Bonds
14 from being included in gross income for federal income tax purposes and it will neither take any
15 action nor make or permit any use of the proceeds of the Bonds or other funds of the City treated
16 as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on
17 the Bonds to be included in gross income for federal income tax purposes.
18

19 The City has not been notified of any listing or proposed listing by the Internal Revenue
20 Service to the effect that the City is a bond issuer whose arbitrage certifications may not be relied
21 upon.
22

23 **Section 25. Continuing Disclosure.** The City shall undertake to provide for the benefit
24 of holders of the Bonds disclosure of certain financial information and operating data of the type
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1 included in the final official statement for the Bonds, as well as disclosure of certain material
2 events respecting the Bonds, in the manner and to the extent required by United States Securities
3 and Exchange Commission Rule 15c2-12(b)(5). The particular terms of the Undertaking shall be
4 set forth in the Bond Resolution.

5
6 **Section 26. Advance Refunding or Defeasance of Bonds.** The City may issue advance
7 refunding bonds pursuant to the laws of the State or use money available from any other lawful
8 source to pay the principal of and interest on the Bonds, or such portion thereof included in a
9 refunding or defeasance plan, as the same become due and payable and to redeem and retire,
10 release, refund or defease the Bonds (the "Defeased Bonds") and to pay the costs of such
11 refunding or defeasance. In the event that money and/or Government Obligations sufficient in
12 amount, together with known earned income from the investments thereof, to redeem and retire,
13 release, refund or defease the defeased Bonds in accordance with their terms, are set aside
14 irrevocably in a special fund for and pledged irrevocably to such redemption, retirement or
15 defeasance (the "trust account"), then all right and interest of the owners of the defeased Bonds
16 in the covenants of this ordinance and in the Net Revenue and the funds and accounts pledged to
17 the payment of such defeased Bonds, other than the right to receive the funds so set aside and
18 pledged, thereafter shall cease and become void. Such owners thereafter shall have the right to
19 receive payment of the principal of and interest or redemption price on the defeased Bonds from
20 the trust account.
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23
24 After the establishing and full funding of such a trust account, the City then may apply
25 any money in any other fund or account established for the payment or redemption of the
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1 defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the
2 owners of any other Parity Bonds.

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

12 **Section 27. Amendatory and Supplemental Ordinances.**

13 (a) This ordinance shall not be modified or amended in any respect subsequent to the
14 initial issuance of the Bonds, except as provided in and in accordance with and subject to the
15 provisions of this Section 27.
16

17 (b) The City, from time to time, and at any time, without the consent of or notice to
18 the owners of the Bonds, may pass supplemental or amendatory ordinances as follows:
19

20 (1) To cure any formal defect, omission, inconsistency or ambiguity in this
21 ordinance in a manner not adverse to the owner of any Parity Bond;

22 (2) To impose upon the Bond Registrar (with its consent) for the benefit of the
23 owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or
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1 duties which may lawfully be granted, conferred or imposed and which are not contrary to or
2 inconsistent with this ordinance as therefore in effect;

3 (3) To add to the covenants and agreements of, and limitations and restrictions
4 upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be
5 observed by the City which are not contrary or inconsistent with this ordinance as therefore in
6 effect;
7

8 (4) To confirm, as further assurance, any pledge under, and the subjection to
9 any claim, lien or pledge created or to be created by this ordinance of any other money, securities
10 or funds;
11

12 (5) To authorize different denominations of the Bonds and to make correlative
13 amendments and modifications to this ordinance regarding exchangeability of Bonds of different
14 authorized denominations, redemptions of portions of Bonds of particular authorized
15 denominations and similar amendments and modifications of a technical nature;
16

17 (6) To modify, alter, amend or supplement this ordinance in any other respect
18 which is not materially adverse to the owners of the Parity Bonds and which does not involve a
19 change described in Section 27(c);

20 (7) Because of change in federal law or rulings, to maintain the exclusion
21 from gross income of the interest on the Bonds from federal income taxation; and
22

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

3 Before the City shall adopt any such supplemental ordinance pursuant to this
4 Section 27(b), there shall have been delivered to the City and the Bond Registrar an opinion of
5 Bond Counsel, stating that such supplemental ordinance is authorized or permitted by this
6 ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City
7 in accordance with its terms and will not adversely affect the exclusion from gross income for
8 federal income tax purposes of interest on the Bonds.
9

10 (c) (1) Except for any supplemental ordinance entered into pursuant to
11 Section 27(b), subject to the terms and provisions contained in this Section 27(c) and not
12 otherwise, registered owners of not less than sixty percent (60%) in aggregate principal amount
13 of the Parity Bonds shall have the right from time to time to consent to and approve the passage
14 by the City of any supplemental ordinance deemed necessary or desirable by the City for the
15 purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of
16 the terms or provisions contained in this ordinance; except that, unless approved in writing by the
17 registered owners of all Parity Bonds, nothing contained in this Section 27 shall permit, or be
18 construed as permitting:
19
20

21 (i) A change in the times, amounts or currency of payment of
22 the principal of or interest on any outstanding Parity Bond, or a reduction
23 in the principal amount or redemption price of any outstanding Parity
24 Bond or a change in the redemption price of any outstanding Parity Bond
or a change in the method of determining the rate of interest thereon, or

25 (ii) A preference or priority of any Parity Bond or Bonds or any
26 other bond or bonds, or

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1 (iii) A reduction in the aggregate principal amount of Parity
2 Bonds, the consent of the registered owners of which is required for any
3 such supplemental ordinance.

4 (2) If at any time the City shall pass any supplemental ordinance for any of
5 the purposes of this Section 27(c), the Bond Registrar shall cause notice of the proposed
6 supplemental ordinance to be given by first-class United States mail to all registered owners of
7 the Parity Bonds, to any Bond Insurer, and to the Rating Agencies if the Bonds are rated by those
8 agencies. Such notice shall briefly set forth the nature of the proposed supplemental ordinance
9 and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by
10 all registered owners of the Parity Bonds.
11

12 (3) Within two years after the date of the mailing of such notice, the City may
13 adopt such supplemental ordinance in substantially the form described in such notice, but only if
14 there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of
15 the registered owners of the Parity Bonds, and (ii) an opinion of bond counsel stating that such
16 supplemental ordinance is authorized or permitted by this ordinance and, upon the execution and
17 delivery thereof, will be valid and binding upon the City in accordance with its terms and will
18 not adversely affect the exclusion from gross income for federal income tax purposes of interest
19 on the Parity Bonds.
20

21 (4) If registered owners of not less than the percentage of Parity Bonds
22 required by this Section 27(c) shall have consented to and approved the execution and delivery
23 thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the
24 passage of such supplemental ordinance, or to object to any of the terms and provisions
25
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1 contained therein or the operation thereof, or in any manner to question the propriety of the
2 passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or
3 from taking any action pursuant to the provisions thereof.

4 (d) Upon the execution and delivery of any supplemental ordinance pursuant to the
5 provisions of this Section 27, this ordinance shall be, and be deemed to be, modified and
6 amended in accordance therewith, and the respective rights, duties and obligations under this
7 ordinance of the City, the Bond Registrar and all owners of Parity Bonds, shall thereafter be
8 determined, exercised and enforced under this ordinance subject in all respects to such
9 modifications and amendments.
10

11 **Section 28. Defaults and Remedies.**

12 (a) **Events of Default.** The following shall constitute "Events of Default"
13 with respect to the Bonds:
14

15 (1) If a default is made in the payment of the principal of or interest on
16 any of the Bonds when the same shall become due and payable; or
17

18 (2) If the City defaults in the observance and performance of any other
19 of the covenants, conditions and agreements on the part of the City set forth in this ordinance or
20 any covenants, conditions or agreements on the part of the City contained in any Parity Bond
21 Authorizing Ordinance and such default or defaults have continued for a period of six months
22 after the City has received from the Bond Owners' Trustee (as defined below) or from the
23 registered owners of not less than twenty-five percent (25%) in principal amount of the Parity
24 Bonds, a written notice specifying and demanding the cure of such default. However, if the
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1 default in the observance and performance of any other of the covenants, conditions and
2 agreements is one which cannot be completely remedied within the six (6) months after written
3 notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the
4 City has taken active steps within the six (6) months after written notice has been given to
5 remedy the default and is diligently pursuing such remedy.
6

7 (3) If the City files a petition in bankruptcy or is placed in receivership
8 under any state or federal bankruptcy or insolvency law.

9 (b) **Bond Owners' Trustee.** So long as such Event of Default has not been
10 remedied, a trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of
11 twenty-five percent (25%) in principal amount of the Parity Bonds, by an instrument or
12 concurrent instruments in writing signed and acknowledged by such registered owners of the
13 Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bond Owners'
14 Trustee, notification thereof being given to the City. That appointment shall become effective
15 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee
16 appointed under the provisions of this Section 28(b) shall be a bank or trust company organized
17 under the laws of the State of Washington or the State of New York or a national banking
18 association. The bank or trust company acting as Bond Owners' Trustee may be removed at any
19 time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of a
20 majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in
21 writing signed and acknowledged by such registered owners of the Bonds or by their attorneys-
22 in-fact duly authorized. The Bond Owners' Trustee may require such security and indemnity as
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1 may be reasonable against the costs, expenses and liabilities that may be incurred in the
2 performance of its duties.

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

9 The Bond Owners' Trustee appointed in the manner herein provided, and each successor
10 thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is
11 empowered to exercise all the rights and powers herein conferred on the Bond Owners' Trustee.
12

13 (c) **Suits at Law or in Equity.** Upon the happening of an Event of Default
14 and during the continuance thereof, the Bond Owners' Trustee may, and upon the written request
15 of the registered owners of not less than twenty-five percent (25%) in principal amount of the
16 Parity Bonds outstanding shall, take such steps and institute such suits, actions or other
17 proceedings, all as it may deem appropriate for the protection and enforcement of the rights of
18 the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the
19 City, or to obtain other appropriate relief, and may enforce the specific performance of any
20 covenant, agreement or condition contained in this ordinance or in any of the Parity Bonds.
21

22 Nothing contained in this Section 28 shall, in any event or under any circumstance, be
23 deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the
24 remedy of acceleration is expressly denied to the registered owners of the Parity Bonds under any
25
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1 circumstances including, without limitation, upon the occurrence and continuance of an Event of
2 Default.

3 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
4 shall be brought in its name as trustee for the Bond owners and all such rights of action upon or
5 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond
6 Owners' Trustee without the possession of any of those Parity Bonds and without the production
7 of the same at any trial or proceedings relative thereto except where otherwise required by law.
8 Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for
9 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions
10 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding
11 the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true
12 and lawful trustee of the respective registered owners of those Parity Bonds, with authority to
13 institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums
14 becoming distributable on account of those Parity Bonds; to execute any paper or documents for
15 the receipt of money; and to do all acts with respect thereto that the registered owner himself or
16 herself might have done in person. Nothing herein shall be deemed to authorize or empower the
17 Bond Owners' Trustee to consent to accept or adopt, on behalf of any registered owner of the
18 Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of
19 any owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of
20 the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,
21 reorganization or other proceeding to which the City is a party.
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1 (d) Application of Money Collected by Bond Owners' Trustee. Any
2 money collected by the Bond Owners' Trustee at any time pursuant to this Section 28 shall be
3 applied in the following order of priority:
4

5 (i) first, to the payment of the charges, expenses,
6 advances and compensation of the Bond Owners' Trustee and the charges,
7 expenses, counsel fees, disbursements and compensation of its agents and
8 attorneys; and

9 (ii) second, to the payment to the persons entitled
10 thereto of all installments of interest then due on the Parity Bonds in the order of
11 maturity of such installments and, if the amount available shall not be sufficient to
12 pay in full any installment or installments maturing on the same date, then to the
13 payment thereof ratably, according to the amounts due thereon to the persons
14 entitled thereto, without any discrimination or preference; and

15 (iii) third, to the payment to the persons entitled thereto
16 of the unpaid principal amounts of any Parity Bonds which shall have become due
17 (other than Parity Bonds previously called for redemption for the payment of
18 which money is held pursuant to the provisions hereto), whether at maturity or by
19 proceedings for redemption or otherwise, in the order of their due dates and, if the
20 amount available shall not be sufficient to pay in full the principal amounts due on
21 the same date, then to the payment thereof ratably, according to the principal
22 amounts due thereon to the persons entitled thereto, without any discrimination or
23 preference.

24 (e) Duties and Obligations of Bond Owners' Trustee. The Bond Owners'
25 Trustee shall not be liable except for the performance of such duties as are specifically set forth
26 herein. During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights
and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a
prudent person would exercise or use under the circumstances in the conduct of his or her own
affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act
hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure

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1 to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee
2 shall be determined solely by the express provisions of this ordinance, and no implied powers,
3 duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

4 The Bond Owners' Trustee shall not be required to expend or risk its own funds or
5 otherwise incur individual liability in the performance of any of its duties or in the exercise of
6 any of its rights or powers as the Bond Owners' Trustee, except as may result from its own
7 negligent action, its own negligent failure to act or its own willful misconduct.
8

9 The Bond Owners' Trustee shall not be bound to recognize any person as a registered
10 owner of any Bond until his title thereto, if disputed, has been established to its reasonable
11 satisfaction.
12

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

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

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

4 (iv) the registered owners of twenty-five percent (25%)
5 in principal amount of the Parity Bonds, after the occurrence of such Event of
6 Default, has made written request of the Bond Owners' Trustee and have afforded
7 the Bond Owners' Trustee a reasonable opportunity to institute such suit, action or
8 proceeding;

9 (v) there have been offered to the Bond Owners'
10 Trustee security and indemnity satisfactory to it against the costs, expenses and
11 liabilities to be incurred therein or thereby; and

12 (vi) the Bond Owners' Trustee has refused or neglected
13 to comply with such request within a reasonable time.

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

17 (g) **Failure to Comply With Undertaking.** Notwithstanding anything in this
18 Section 28 to the contrary, the failure of the City or any obligated person to comply with the
19 Undertaking adopted by the Bond Resolution pursuant to Section 25 shall not constitute an Event
20 of Default hereunder, and the sole remedy of any holder of a Bond shall be to seek an order of
21 specific performance from an appropriate court to compel the City to comply with the
22 Undertaking.

23 **Section 29. Sale of Bonds.** The Finance Director may provide for the sale of the Bonds
24 by public sale or by a negotiated sale with the underwriters chosen through a selection process
25 determined by the Finance Director. The terms of that sale shall be consistent with this
26 ordinance and confirmed by the Bond Resolution. The Bonds will be delivered, at the City's

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1 expense, to the purchasers as provided in the Bond Resolution immediately upon payment to the
2 City of the purchase price plus accrued interest to the date of closing in immediately available
3 federal funds in Seattle, Washington, or at another time or place upon which the Finance Director
4 and the purchasers may mutually agree at the purchasers' expense.

5 CUSIP numbers will be printed on the Bonds, but neither failure to print CUSIP numbers
6 on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the
7 Purchasers to accept delivery of and pay for the Bonds in accordance with the purchase offer.
8 All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the
9 City, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the
10 responsibility of and shall be paid by the purchasers.
11

12 The City will cause the Bonds to be typed, photocopied, printed or lithographed, sealed
13 and executed and will furnish the approving legal opinion of Bond Counsel, the opinion also
14 being printed on each Bond unless the Bond is typed or photocopied.
15

16 **Section 30. Temporary Bond.** Pending the printing, execution and delivery to the
17 purchasers of the definitive Bonds, the City may cause to be executed and delivered to the
18 purchasers a single temporary Bond in the total principal amount of the Bonds. The temporary
19 Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and
20 covenants as the definitive Bonds, shall be issued as a fully registered Bond in the name of the
21 purchasers, and shall be in such form as acceptable to the purchasers. Such temporary Bond
22 shall be exchanged for the definitive Bonds as soon as the same are printed, executed and
23 available for delivery.
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1 **Section 31. Bonds Negotiable.** The Bonds shall be negotiable instruments to the extent
2 provided by RCW 62A.8-102 and 62A.8-105.

3 **Section 32. General Authorization.** The Mayor and the Finance Director of the City
4 and each of the other appropriate officers of the City are each authorized and directed to do
5 everything as in their judgment may be necessary, appropriate or desirable in order to carry out
6 the terms and provisions of, and complete the transactions contemplated by, this ordinance. In
7 particular, and without limitation, the Finance Director may, in his or her discretion and without
8 further action by the City Council, (i) deem final any preliminary official statement or official
9 statement relating to the Bonds, (ii) comply with any continuing disclosure requirements
10 applicable to the Bonds and (iii) change the Bond Registrar or any securities depository
11 appointed for the Bonds.
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1 **Section 33. Severability.** The provisions of this ordinance are declared to be separate
2 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
3 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as
4 to any person or circumstance, such offending provision shall, if feasible, be deemed to be
5 modified to be within the limits of enforceability or validity. However, if the offending
6 provision cannot be so modified, it shall be null and void with respect to the particular person or
7 circumstance, and all other provisions of this ordinance in all other respects, and the offending
8 provision with respect to all other persons and all other circumstances, shall remain valid and
9 enforceable.
10

11 **Section 34. Ratification of Prior Acts.** Any action taken consistent with the authority
12 but prior to the effective date of this ordinance, including, if applicable, but not limited to giving
13 notices of the sale of Bonds, adopting the Bond Resolution, executing contracts, making fund
14 transfers and paying warrants, is ratified, approved and confirmed.
15

16 **Section 35. Section Headings.** The section headings in this ordinance are used for
17 convenience only and shall not constitute a substantive portion of this ordinance.
18

19 **Section 36. Effective Date.** This ordinance shall take effect and be in force thirty (30)
20 days from and after its approval by the Mayor, but if not approved by the Mayor and returned by
21 the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal
22 Code Section 1.04.020.
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1 Passed by the City Council the 7 day of Sept., 1999, and signed by me in
2 open session in authentication of its passage this 7 day of Sept., 1999.

3
4 [Signature]
President of the City Council

5 Approved by me this 8th day of Sept., 1999.

6
7 [Signature]
Mayor

8 Filed by me this 9th day of September, 1999.

9
10 [Signature]
11 City Clerk

12 (SEAL)

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City of Seattle

Paul Schell, Mayor

Seattle Public Utilities

Diana Gale, Director

August 23 1999

Sue Donaldson, President
Seattle City Council
1100 Municipal Building
Seattle, WA 98104

VIA: Dwight Dively, Executive Services Department

Dear Councilmember Donaldson:

We request adoption by the City Council of the attached Bond Ordinance for the Water Fund. The bond issue, which Debt Management Policy Advisory Committee approved on August 18th, is described below.

The proposed bond issue is for up to \$ 110 million in 30-year revenue bonds. The funds will support projects in 1999-2001 period associated with the 1999-2004 Adopted Water Capital Improvement Program. Projects include Phases II, III, and IV of the Tolt 2 pipeline, the Tolt Filtration Plant, the Lincoln Reservoir, and 1% for Conservation as well as continued infrastructure improvements such as watermain, meter, and hydrant replacements.

The Water Fund now has \$ 477.7 million in outstanding debt including the \$ 100 million issued in June of 1999. With the proposed issue of \$ 110 million, the Water Fund is not expected to require any additional bond issues until 2002. The 1999-2000 rate review, completed last fall, anticipated new debt issues of \$ 180 million in the 1999-2001 period. The proposed issue represents an acceleration of bonds previously planned for 2000 and it increases by \$ 30 million the total amount of debt issuance in the 1999-2001 period in order to fund the HCP and the improved accomplishment rate on the CIP.

We request your favorable consideration of the proposed ordinance.

Sincerely,

Diana Gale
Managing Director, Seattle Public Utilities

CC: Debbie Broughton, SPU
Joan Walters, CBO
Ernie Dunston, SPU
Jeff Davis, CBO
Nick Pealy, SPU
Arlene Ragozin, Law
Michael vanDyck, ESD

Dexter Horton Building, 10th Floor, 710 Second Avenue, Seattle, WA 98104

Tel: (206) 684-5851, TTY/TDD: (206) 233-7241, Fax: (206) 684-4631, Internet Address: <http://www.ci.seattle.wa.us/util/>
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STATE OF WASHINGTON - KING COUNTY

110542

City of Seattle, City Clerk

—ss.

No. ORDINANCE IN

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:119649/ORD FULL

was published on

10/05/99

The amount of the fee charged for the foregoing publication is the sum of \$, which amount has been paid in full.

Subscribed and sworn to before me on

10/05/99

Notary Public for the State of Washington,
residing in Seattle

Affidavit of Publication

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TIME AND DATE STAMP

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY
THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Margaret Pageler _____

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

PRESIDENT'S SIGNATURE

C. S. 20.28

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