

Ordinance No. 123753

Council Bill No. 117319

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

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Jean Golden
Jean Golden

Councilmember

Committee Action:

~~#~~ 11.8.11 Pass 9-0

11.21.11 Passed 8-0 excused ~~absent~~: NL

CF No. _____

Date Introduced: <u>Oct. 24, 2011</u>		
Date 1st Referred:	To: (committee) <u>Special Budget</u>	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
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Date Returned to City Clerk: <u>Nov. 30, 2011</u>	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready for presentation to Full Council. Committee: _____
(initial/date)

Law Dept. Review

OMP Review

City Clerk Review

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Passed [____], 2011

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1 date of calculation, the amount representing the initial public offering price of such Original
2 Issue Discount Bonds plus the amount of the discounted principal which has accreted since the
3 date of issue; in each case the Accreted Value shall be determined in accordance with the
4 provisions of the ordinance authorizing the issuance of such bonds.
5

6 **“Adjusted Annual Debt Service”** for any fiscal year means Annual Debt Service minus
7 (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount
8 equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service
9 provided for by Parity Bond proceeds.

10 **“Adjusted Gross Revenue”** means, for any period, Gross Revenue plus withdrawals
11 from the Rate Stabilization Account made during that period, and less deposits into the Rate
12 Stabilization Account made during that period. *Upon the redemption or defeasance of all then-*
13 *outstanding 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, “Adjusted Gross Revenue”*
14 *shall be defined as follows: “Adjusted Gross Revenue” means, for any period, Gross Revenue*
15 *plus withdrawals from the Rate Stabilization Account made during that period, and minus*
16 *(1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) deposits*
17 *into the Rate Stabilization Account made during that period.*

18 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Operating and
19 Maintenance Expense.

20 **“Alternate Security”** means any insurance policy, collateral, security, letter of credit,
21 standby bond purchase agreement, guaranty, surety bond, line of credit or similar credit
22 enhancement device providing for or securing the payment of the principal of and interest on
23 Parity Bonds, regarding the use of which the City receives (a) the approval of any Bond Insurer,
24 and (b) written confirmation from Moody’s and S&P to the effect that the use of such Alternate
25 Security will not cause a reduction in any then-existing ratings for any of the Parity Bonds.
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1 **“Annual Debt Service”** for any calendar year means the sum of the amounts required in
2 such calendar year to pay:

3 (a) the interest due in such calendar year on all Parity Bonds outstanding,
4 excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and

5 (b) the principal of all outstanding Serial Bonds due in such calendar year;
6 and

7 (c) the Sinking Fund Requirement, if any, for such calendar year.
8

9 For purposes of this definition, the principal and interest portions of the Accreted Value
10 of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund
11 Requirement shall be included in the calculations of accrued and unpaid and accruing interest or
12 principal in such manner and during such period of time as is specified in any Parity Bond
13 Ordinance authorizing such Capital Appreciation Bonds.

14 For purposes of calculating and determining compliance with the Reserve Requirement
15 and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment
16 Agreements the following shall apply:

17 1. Generally. Except as otherwise provided by subparagraph 2 below with respect to
18 Variable Interest Rate Bonds, and by subparagraph 3 below with respect to Parity Bonds with
19 respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall be
20 calculated based on the actual amount of accrued, accreted or otherwise accumulated interest that
21 is payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable
22 Parity Bond Ordinance.

23 2. Interest on Variable Interest Rate Bonds. The amount of interest deemed to be
24 payable on any issue of Variable Interest Rate Bonds shall be calculated on the assumption that
25 the interest rate on those bonds would be equal to the rate that is 90% of the average RBI during
26 the four calendar quarters preceding the quarter in which the calculation is made.

27 3. Interest on Parity Bonds With Respect to Which a Payment Agreement is in
28 Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force



1 shall be based on the net economic effect on the City expected to be produced by the terms of the
2 Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects
3 produced by the following: (a) Parity Bonds that would, but for a Payment Agreement, be
4 treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as
5 obligations bearing interest at a fixed interest rate, and (b) Parity Bonds that would, but for a
6 Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead shall
7 be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the amount of
8 interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement
9 is in force shall be an amount equal to the amount of interest that would be payable at the rate or
10 rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement
11 Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts
12 and Payment Agreement Payments under a Payment Agreement that includes a variable rate
13 component determined by reference to a pricing mechanism or index that is not the same as the
14 pricing mechanism or index used to determine the variable rate interest component on the Parity
15 Bonds to which the Payment Agreement is related, it shall be assumed that the fixed rate used in
16 calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by
17 the Payment Agreement and that the pricing mechanism or index specified by the Payment
18 Agreement is the same as the pricing mechanism or index specified by the Parity Bonds.
19 Notwithstanding the other provisions of this subparagraph 3, the City shall not be required to
20 (but may in its discretion) take into account in determining Annual Debt Service the effects of
21 any Payment Agreement that has a term of ten years or less.

22
23 4. Parity Payment Agreements. No additional debt service shall be taken into
24 account with respect to a Parity Payment Agreement for any period during which Payment
25 Agreement Payments on that Parity Payment Agreement are taken into account in determining
26 Annual Debt Service on related Parity Bonds under subparagraph 3 of this definition. However,
27 for any period during which Payment Agreement Payments are not taken into account in
28 calculating Annual Debt Service on any outstanding Parity Bonds because the Parity Payment



1 Agreement is not then related to any outstanding Parity Bonds, payments on that Parity Payment
2 Agreement shall be taken into account by assuming:

3 (A) City Obligated to Make Payments Based on Fixed Rate. If the City is
4 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified
5 Counterparty is obligated to make payments based on a variable rate index, that payments by the
6 City will be based on the assumed fixed payor rate, and that payments by the Qualified
7 Counterparty will be based on a rate equal to the average rate determined by the variable rate
8 index specified by the Parity Payment Agreement during the four calendar quarters preceding the
9 quarter in which the calculation is made, and

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

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

21 **“Bond Counsel”** means a firm of lawyers nationally recognized and accepted as bond
22 counsel and so employed by the City for any purpose under this ordinance applicable to the use
23 of that term.

24 **“Bond Insurance Policy”** means a municipal bond new issue insurance policy issued by
25 the Bond Insurer and approved by the City Council by the Bond Resolution or by ordinance, and
26 guaranteeing the timely payment of principal of and interest on any issue of Parity Bonds in
27 accordance with the terms of that policy.
28



1 **Bond Insurer** means an insurance company or other financial institution that provides
2 a Bond Insurance Policy.

3 **Bond Register** means the books or records maintained by the Bond Registrar for the
4 purpose of registration of the Bonds.

5 **Bond Registrar** or **Registrar** means the fiscal agent of the State of Washington, or
6 any successor bond registrar selected by the City, whose duties include the registration and
7 authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership
8 of the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

9 **Bond Resolution** means the resolution or resolutions of the City Council adopted
10 pursuant to this ordinance to specify certain additional provisions of each series of the Bonds and
11 their sale.

12 **Bonds** means the bonds issued in one or more series from time to time pursuant to,
13 under the authority of and for the purposes provided in this ordinance.

14 **Capital Appreciation Bonds** means any revenue obligations of the Drainage and
15 Wastewater System all or a portion of the interest on which is compounded and accumulated at
16 the rates and on the dates set forth in the ordinance authorizing those obligations and is payable
17 only upon redemption or on the maturity date of such obligations. Obligations which are issued
18 as Capital Appreciation Bonds, but later convert to obligations on which interest is paid
19 periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall
20 no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal
21 to their Accreted Value on the conversion date.

22 **CIP** means the portion or portions relating to the Drainage and Wastewater System of
23 the "2012-2017 Capital Improvement Program" of the City as adopted by the City in
24 Ordinance _____, together with any previously adopted Capital Improvement Program of
25 the City, as the CIP may be amended, updated, supplemented or replaced from time to time by
26 ordinance.

27 **City** means The City of Seattle, Washington.
28



1 **“City Council”** means the City Council of the City.

2 **“Closing Date”** means the date on which a series of Bonds is delivered to the initial
3 purchaser or purchasers thereof upon payment in full therefor.

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

6 **“Construction Account”** means the “Drainage and Wastewater Construction Account,
7 2012,” created in the Drainage and Wastewater Fund by this ordinance.

8 **“Contract Resource Obligation”** means an obligation of the City, designated as a
9 Contract Resource Obligation and entered into pursuant to Section 24.

10 **“Coverage Requirement”** means, with respect to the Parity Bonds, Net Revenue and
11 money from any other lawful source at least equal to 1.25 times the Average Annual Debt
12 Service. *Upon the redemption or defeasance of all then-outstanding 1999 Bonds, 2001 Bonds,*
13 *2002 Bonds and 2004 Bonds, “Coverage Requirement” shall be defined as follows: “Coverage*
14 *Requirement” means Adjusted Net Revenue at least equal to 1.25 times Adjusted Annual Debt*
15 *Service.*

16 **“Director of Finance”** means the Director of the Finance Division of the Department of
17 Finance and Administrative Services of the City, or any other officer who succeeds to
18 substantially all of the responsibilities of that office specified in this ordinance.

19 **“Drainage and Wastewater Fund”** means the fund created by Ordinance 84390 and
20 later renamed by Ordinance 114155.

21 **“Drainage and Wastewater System”** means the drainage and wastewater system of the
22 City, including the sanitary sewerage and storm drainage systems (except properties, interests,
23 and rights under the jurisdiction of the City’s Parks and Recreation Department, Seattle Center
24 Department, Seattle Public Utilities Water System, City Light Department and Fleets and
25 Facilities Department), as the same may be added to, improved and extended for as long as any
26 Parity Bonds are outstanding. “Drainage and Wastewater System” shall include any utility
27 systems of the City hereinafter combined with the Drainage and Wastewater System, but not any
28



1 separate utility system that may be created, acquired or constructed by the City as provided in
2 Section 23.

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

5 **"Future Parity Bonds"** means any and all revenue bonds and obligations of the
6 Drainage and Wastewater System (other than the Bonds) issued hereafter the payment of the
7 principal of and interest on which constitutes a lien and charge upon the Gross Revenue on a
8 parity with the lien and charge upon such Gross Revenue for the Outstanding Parity Bonds and
9 the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other
10 obligations issued in compliance with Section 17.

11 **"Government Obligations"** means direct obligations of, or obligations the principal of
12 and interest on which are unconditionally guaranteed by, the United States Government.

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

9
10 **“Independent Consulting Engineer”** means the independent person(s) or firm(s)
11 selected by the City having a favorable reputation for skill and experience with drainage and
12 wastewater systems of comparable size and character to the Drainage and Wastewater System in
13 such areas as and relevant to the purposes for which they were retained.

14 **“Letter of Representations”** means the Blanket Issuer Letter of Representations dated
15 October 4, 2006, between the City and DTC, as it may be amended from time to time.

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

19 **“Moody’s”** means Moody’s Investors Service, Inc.

20 **“Net Revenue of the Drainage and Wastewater System”** or **“Net Revenue”** means the
21 Gross Revenue less Operating and Maintenance Expense paid from Gross Revenue.

22 **“Operating and Maintenance Expense”** means all reasonable expenses incurred by the
23 City in causing the Drainage and Wastewater System to be operated and maintained in good
24 repair, working order and condition, including without limitation payments (other than payments
25 out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the
26 Drainage and Wastewater System) into reasonable reserves for items of operating or
27 maintenance expense the payment of which is not immediately required, payments of premiums
28 for insurance, if any, on the Drainage and Wastewater System, any State-imposed taxes, and also



1 including all payments made to another municipal corporation or other agency for treatment or
2 disposal of sewage, and amounts due under any Contract Resource Obligation under the
3 conditions described in Section 24, but excluding depreciation and amortization, and any City
4 taxes imposed or levied on the Drainage and Wastewater System or Gross Revenue or payments
5 in lieu of taxes payable from the Gross Revenue of the Drainage and Wastewater System, and
6 payments of claims or judgments. Accounting for those expenses shall be in accordance with
7 generally accepted accounting principles.
8

9 **“Original Issue Discount Bonds”** means revenue obligations of the Drainage and
10 Wastewater System which are sold at an initial public offering price of less than 95% of their
11 face value and which are specifically designated as Original Issue Discount Bonds by the
12 ordinance or Bond Resolution under which such obligations are issued.

13 **“Outstanding Parity Bonds”** means the then outstanding 1999 Bonds, 2001 Bonds,
14 2002 Bonds, 2004 Bonds, 2006 Bonds, 2008 Bonds and 2009 Bonds, as described in Exhibit A.

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

18 **“Parity Bond Ordinance”** means any ordinance or resolution passed or adopted by the
19 City Council providing for the issuance of Parity Bonds, and any other ordinance or resolution
20 amending or supplementing the provisions of any Parity Bond Ordinance as originally passed or
21 adopted or as theretofore amended or supplemented.

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

24 **“Parity Payment Agreement”** means a Payment Agreement under which the City’s
25 obligations are expressly stated to constitute a charge and lien on the Net Revenue of the
26 Drainage and Wastewater System equal in rank with the charge and lien upon such Net Revenue
27 required to be paid into the Parity Bond Account to pay and secure the payment of the principal
28 of and interest on Parity Bonds.



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

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

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

15 **“Permitted Investments”** means any legal investment permitted for money of the City.

16 **“Plan of Additions”** means the CIP, as it may be modified hereafter as described herein.

17 **“Principal Amount”** means, at the time of calculation, (a) with respect to any Capital
18 Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be
19 paid at maturity and the Accreted Value being deemed unearned interest), and (b) with respect to
20 any Original Issue Discount Bond, the Accreted Value thereof, unless the ordinance or Bond
21 Resolution under which such obligation was issued shall specify a different amount, in which
22 case, the terms of the ordinance or Bond Resolution shall control.

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

26 **“Qualified Counterparty”** means a party (other than the City or a person related to the
27 City) who is the other party to a Payment Agreement and who is qualified to act as the other
28 party to a Payment Agreement under any applicable laws of the State.



1 **“Qualified Insurance”** means any municipal bond insurance policy or surety bond
2 issued by any insurance company licensed to conduct an insurance business in any state of the
3 United States (or by a service corporation acting on behalf of one or more such insurance
4 companies) which insurance company or companies, as of the time of issuance of such policy or
5 surety bond, are rated in one of the two highest rating categories by Moody’s and S&P or their
6 comparably recognized business successors.

7 **“Rate Stabilization Account”** means the account of that name previously established by
8 Section 26 of Ordinance 118974.

9 **“Rating Agencies”** means Moody’s and S&P, and their successors and any other
10 nationally-recognized securities rating agency or agencies rating Parity Bonds at the request of
11 the City.

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

15 **“Registered Owner”** means the person shown on the Bond Register as the owner of one
16 or more Bonds.

17 **“Reserve Requirement”** means an amount equal to the least of the Maximum Annual
18 Debt Service at the time of calculation, 1.25 times Average Annual Debt Service at the time of
19 calculation or 10% of the proceeds of Parity Bonds at the time of the dates of their respective
20 issuances and payments therefor by the initial purchasers. The Reserve Requirement may be
21 satisfied to the extent of the amount payable under an Alternate Security which contains a
22 contract to provide money to pay debt service on Parity Bonds. The Reserve Requirement shall
23 be provided by cash, Permitted Investments or Alternate Security or any combination thereof,
24 and shall be subject to the provisions of Section 14(d). For any issue of Parity Bonds, the
25 Reserve Requirement may be provided within five years after the issuance of such Parity Bonds
26 in accordance with Section 17.
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1 **“Reserve Subaccount”** means the subaccount of that name created in the Parity Bond
2 Account by Ordinance 115098 for the purpose of securing the payment of the principal of and
3 interest on Parity Bonds.

4 **“Securities Depository”** means DTC or such other securities depositories as the City
5 may designate in a certificate of the City delivered to the Bond Registrar.

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

8 **“Sinking Fund Account”** means any account created in the Parity Bond Account to
9 amortize the principal or make mandatory redemptions of Term Bonds.

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

14 **“S&P”** means Standard and Poor’s, a Division of the McGraw-Hill Companies, Inc.

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

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

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

22 **“Tax-Exempt Bonds”** means Bonds of any series, the interest on which is intended on
23 the date of issuance to be excluded from gross income for federal income tax purposes.

24 **“Term Bonds”** means any bonds of any single issue or series designated as Term Bonds
25 in the ordinance or resolution authorizing the issuance of such bonds.

26 **“ULID Assessments”** means all assessments levied and collected in a utility local
27 improvement district of the City created for the acquisition or construction of additions to and
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1 betterments and extensions of the Drainage and Wastewater System if (and only if) those
2 assessments are pledged to be paid into the Parity Bond Account. ULID Assessments shall not
3 include any prepaid assessments paid into a construction fund or account. ULID Assessments
4 shall include installments thereof and any interest or penalties thereon.

5
6 **“Undertaking”** means the City’s undertaking in the Bond Resolution to provide certain
7 continuing disclosure as provided by Section 18.

8 **“Variable Interest Rate”** means any variable interest rate or rates to be borne by any
9 Parity Bonds. The method of computing such a variable interest rate shall be as specified in the
10 Parity Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity
11 Bond Ordinance also shall specify either (1) the particular period or periods of time or manner of
12 determining such period or periods of time for which each value of such variable interest rate
13 shall remain in effect or (2) the time or times upon which any change in such variable interest
14 rate shall become effective.

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

24 **Section 2. Adoption of Plan of Additions.** The CIP constitutes a system or plan of
25 additions and betterments to and extensions of the Drainage and Wastewater System (the “Plan
26 of Additions”). To the extent not previously specified, adopted and ordered to be carried out by
27 ordinance of the City, the City specifies, adopts and orders to be carried out the Plan of
28 Additions as generally provided for in the CIP. The estimated cost of the Plan of Additions, as



1 nearly as may be determined, is declared to be \$575.5 million, of which approximately \$121.1
2 million is expected to be financed from the proceeds of the Bonds.

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

10 The Plan of Additions includes the purchase and installation of all materials, supplies,
11 appliances, equipment and facilities, the acquisition of all permits, franchises, property and
12 property rights, other capital assets and all engineering, consulting and other professional
13 services and studies (whether performed by the City or by other public or private entities)
14 necessary or convenient to carry out the Plan of Additions.

15 **Section 3. Authorization and Description of Bonds.** The City shall issue and sell
16 the Bonds in the aggregate principal amount of not to exceed \$87 million for the purposes of
17 paying all or part of the cost of carrying out the Plan of Additions, providing for the Reserve
18 Requirement for the Parity Bonds, and issuing and selling the Bonds. The Bonds may be issued
19 in one or more series. Each series of the Bonds shall be issued as Parity Bonds and may be
20 combined with other Parity Bonds authorized separately.

21 The Bonds shall be dated and have such title, year and series or other designation as
22 determined by the Director of Finance or as specified by the Bond Resolution; shall be in the
23 denomination of \$5,000 or any integral multiple thereof within a single maturity or such other
24 denomination specified in the Bond Resolution; and shall be numbered separately, in the manner
25 and with any additional designation as the Bond Registrar deems necessary for the purpose of
26 identification. The Bonds shall mature on the dates and in the amounts and bear interest payable
27 on the dates and at the rates specified in the Bond Resolution, except that the net interest cost
28



1 shall not exceed a weighted average rate of ten percent per annum. The final maturity of any
2 series of Bonds shall not exceed 40 years from the issue date for that series.

3
4 The Bonds shall be subject to optional or mandatory redemption, purchase or defeasance
5 on the terms and at the times specified in the Bond Resolution, and all or some of the Bonds may
6 be Term Bonds with mandatory redemption amounts, all as specified by the Bond Resolution.
7 The Director of Finance also may specify in Bond closing documents the respective amounts of
8 each maturity of the Bonds allocated to paying the costs of carrying out the Plan of Additions.

9 **Section 4. Bond Resolution.** With respect to each series of Bonds, the City Council
10 may adopt the Bond Resolution and in that resolution may provide for the matters described in
11 this ordinance, including the manner of sale and delivery of and payment for the Bonds, and such
12 other matters that the City Council deems necessary and appropriate to carry out the purposes of
13 this ordinance. Once adopted, the Bond Resolution shall be deemed a part of this ordinance as if
14 set forth herein.

15 For each series of Bonds, the Bond Resolution may provide for Qualified Insurance or
16 Alternate Security, and conditions or covenants relating thereto, including additional terms,
17 conditions and covenants relating to the Bonds that are required by the provider of Qualified
18 Insurance, Alternate Security, letter of credit or other credit facility and are consistent with the
19 provisions of this ordinance, including but not limited to restrictions on investments and
20 requirements of notice to and consent of the provider of Qualified Insurance, Alternate Security,
21 letter of credit or other credit facility.

22 For each series of Bonds, the Bond Resolution may approve and authorize the execution
23 and delivery on behalf of the City of any contracts consistent with the provisions of this
24 ordinance for which the City's approval is necessary or to which the City is a party and that are
25 related or incidental to the initial issuance and sale of the Bonds, the establishment of the interest
26 rate or rates on the Bonds and any redemption of the Bonds, including but not limited to
27 securities depository agreements, agreements relating to the provision of Qualified Insurance,
28



1 Alternate Security, letter of credit or other credit facility, Payment Agreements and similar
2 contracts for such purposes.

3 The Bond Resolution may specify that a series of Bonds is a series of Tax-Exempt
4 Bonds, or is a series of Tax Credit Subsidy Bonds.

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

9 The City Council may, in the Bond Resolution, authorize the Director of Finance to serve
10 as its designated representative and to accept, on behalf of the City, an offer to purchase the
11 Bonds, which offer must be consistent with the terms of this ordinance and the Bond Resolution.
12 Any such authorization of the Director of Finance to accept an offer to purchase the Bonds must
13 also be consistent with terms for the bonds and/or parameters with respect to the Bonds pursuant
14 to RCW 39.46.040.

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

20 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized
21 denomination of an equal aggregate principal amount and of the same series, interest rate and
22 maturity. Bonds may be transferred only if endorsed in the manner provided thereon and
23 surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the
24 Registered Owner or transferee. The Bond Registrar shall not be obligated to exchange or
25 transfer any Bond after notice of redemption of such Bond has been prepared.

26 The City appoints DTC as initial Securities Depository for the Bonds. For so long as
27 DTC is the Securities Depository for the Bonds, DTC or its nominee shall be deemed to be the
28



1 Registered Owner of the Bonds for all purposes hereunder, and all references in this ordinance or
2 the Bond Resolution to the Registered Owners of the Bonds shall mean DTC or its nominee and
3 shall not mean the owners of any beneficial interests in the Bonds. The Bonds so registered shall
4 be held in fully immobilized form by DTC as depository in accordance with the provisions of the
5 Letter of Representations.

6
7 Bonds executed and delivered in fully immobilized form shall be executed and delivered
8 in the form of one fully-registered immobilized certificate for each maturity of each series of the
9 Bonds representing the aggregate principal amount of the Bonds of that maturity, which Bonds
10 shall (except as provided below for the discontinuation or substitution of Securities Depository)
11 be registered in the name of the Securities Depository or its nominee. For so long as DTC serves
12 as Securities Depository for the Bonds, the Bonds shall be registered in the name of Cede & Co.,
13 as nominee of DTC; however, if DTC shall request that the Bonds be registered in the name of a
14 different nominee, the Bond Registrar shall exchange all or any portion of the Bonds for an equal
15 aggregate principal amount of Bonds registered in the name of such other nominee or nominees
16 of DTC. No person other than DTC or its nominee shall be entitled to receive from the City or
17 the Bond Registrar any Bond or any other evidence of ownership of the Bonds, or any right to
18 receive any payment in respect thereof, unless DTC or its nominee shall transfer record
19 ownership of all or any portion of the Bonds on the Bond Register, in connection with
20 discontinuing the book entry system as provided below or otherwise.

21 For so long as the Bonds are registered in the name of DTC or any nominee thereof, all
22 payments of the principal of, or premium, if any, or interest with respect to the Bonds shall be
23 made to DTC or its nominee in immediately available funds on the dates provided for such
24 payments under this ordinance and the Bond Resolution and at such times and in the manner
25 provided in the Letter of Representations. Each such payment to DTC or its nominee shall be
26 valid and effective to fully discharge all liability of the City or the Bond Registrar with respect to
27 the principal of, premium, if any, or interest with respect to the Bonds to the extent of the sum or
28 sums so paid. In the event of the redemption of less than all of the Bonds of any maturity of a



1 series, the Bond Registrar shall not require surrender by DTC or its nominee of the Bonds so
2 redeemed, and DTC or its nominee may retain such Bonds and make an appropriate notation
3 thereon as to the amount of such partial redemption. DTC shall deliver to the Bond Registrar,
4 upon request, a written confirmation of such partial redemption. The records maintained by the
5 Bond Registrar shall be conclusive as to the amount of the Bonds of such maturity that have been
6 redeemed.

7
8 All transfers of beneficial ownership interests in Bonds registered in the name of DTC or
9 its nominee shall be effected by the procedures of DTC's participants and/or indirect participants
10 for recording and transferring the ownership of beneficial interests in bonds.

11 The City and the Bond Registrar may treat DTC (or its nominee) as the sole and
12 exclusive Registered Owner of the Bonds registered in its name for the purposes of payment of
13 the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or
14 portions thereof to be redeemed, giving any notice permitted or required to be given to
15 Registered Owners under this ordinance or the Bond Resolution, registering the transfer of
16 Bonds, obtaining any consent or other action to be taken by Registered Owners of Bonds and for
17 all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any
18 notice to the contrary. The City and the Bond Registrar shall not have any responsibility or
19 obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership
20 interest in the Bonds under or through DTC or any such participant, or any other person which is
21 not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the
22 Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or
23 any such direct or indirect participant of any amount in respect of the principal of, premium, if
24 any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be
25 given to Registered Owners of Bonds under this ordinance or the Bond Resolution; (v) the
26 selection by DTC or any such direct or indirect participant of any person to receive payment in
27 the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by
28 DTC as Registered Owner of the Bonds.



1
2 For so long as the Bonds are registered in the name of DTC or any nominee thereof, all
3 notices required or permitted to be given to the Registered Owners of such Bonds under this
4 ordinance or the Bond Resolution shall be given to DTC as provided in the Letter of
5 Representations.

6 In connection with any notice or other communication to be provided to Registered
7 Owners pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar with
8 respect to any consent or other action to be taken by Registered Owners of the Bonds, DTC shall
9 consider the date of receipt of notice requesting such consent or other action as the record date
10 for such consent or other action; however, the City or the Bond Registrar may establish a special
11 record date for such consent or other action and shall give DTC notice of such special record
12 date not less than 15 calendar days in advance of such special record date to the extent practical.

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

16 The book-entry system for registration of the ownership of the Bonds delivered in fully
17 immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond
18 Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) after notice to
19 DTC and the Bond Registrar, the City determines that a continuation of the system of book-entry
20 transfers through DTC (or through a successor Securities Depository) is not in the best interests
21 of the City. In each of such events (unless, in the case described in clause (i) above, the City
22 appoints a successor Securities Depository), the Bonds shall be delivered in registered certificate
23 form to such persons, and in such maturities and principal amounts, as may be designated by
24 DTC, but without any liability on the part of the City or the Bond Registrar for the accuracy of
25 such designation. Whenever DTC requests the City and the Bond Registrar to do so, or
26 whenever the City requests DTC and the Bond Registrar to do so after the determination by the
27 City to replace DTC with a successor Securities Depository, the City and the Bond Registrar
28



1 shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for
2 another Securities Depository to maintain custody of certificates evidencing the Bonds.
3

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

19 **Section 7. Payment of Bond Principal and Interest.** Principal of, premium, if any,
20 and interest on the Bonds shall be payable in lawful money of the United States of America.
21 Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the
22 interest payment date to the Registered Owners at the addresses appearing on the Bond Register
23 on the 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
25 of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in
26 the United States designated in writing by such Registered Owner prior to the Record Date.
27 Principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender
28 of the Bonds by the Registered Owners to the Bond Registrar. Notwithstanding the foregoing,



1 payment of any Bonds registered in the name of DTC or its nominee shall be made in accordance
2 with the Letter of Representations.

3 The Bonds shall be payable solely out of the Parity Bond Account. The Bonds shall not
4 be general obligations of the City.

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

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

8 **(b) Mandatory Redemption.** The City shall redeem any Term Bonds, if not
9 redeemed under the optional redemption provisions set forth in the Bond Resolution or
10 purchased under the provisions set forth below, randomly (or in such other manner as the Bond
11 Registrar shall determine) at par plus accrued interest on the dates and in the years and principal
12 amounts as set forth in the Bond Resolution.

13 If the City redeems Term Bonds under the optional redemption provisions set forth in the
14 Bond Resolution, purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased or
15 defeased (irrespective of their actual redemption or purchase price) shall be credited at the par
16 amount thereof against one or more scheduled mandatory redemption amounts for those Term
17 Bonds. The Director of Finance shall determine the manner in which the credit is to be allocated
18 and shall notify the Bond Registrar in writing of such allocation at least 60 days prior to the
19 earliest mandatory redemption date for that maturity of Term Bonds for which notice of
20 redemption has not already been given. If no such determination is made, such allocation shall
21 be on a pro rata basis unless otherwise provided in the Bond Resolution.

22 **(c) Partial Redemption.** Unless otherwise provided in the Bond Resolution,
23 whenever less than all of the Bonds of a maturity of a series are to be redeemed, the Bond
24 Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that
25 maturity randomly, or in such other manner as the Bond Registrar shall determine, except that, so
26 long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the Bonds
27 or portions thereof to be redeemed in accordance with the Letter of Representations.
28



1
2 Portions of the principal amount of any Bond, in integral multiples of \$5,000, may be
3 redeemed unless otherwise provided in the Bond Resolution. If less than all of the principal
4 amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of
5 the Bond Registrar, there shall be issued to the Registered Owner, without charge therefor, a new
6 Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and interest
7 rate in any of the denominations authorized by the Bond Resolution in the aggregate total
8 principal amount remaining unredeemed.

9 (d) **Purchase.** The City reserves the right and option to purchase any or all of the
10 Bonds at any time at any price acceptable to the City plus accrued interest to the date of
11 purchase. The principal amount of Term Bonds purchased pursuant to this Section shall be
12 credited at the par amount thereof against the next mandatory redemption requirement that is at
13 least 60 days after the date of purchase, or as otherwise directed by the Director of Finance.

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

16 **Section 9. Notice of Redemption.** The City shall cause notice of any intended
17 redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed
18 for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be
19 redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares
20 the notice, and the requirements of this sentence shall be deemed to have been fulfilled when
21 notice has been mailed as so provided, whether or not it is actually received by the Registered
22 Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date
23 fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant
24 to the call. In addition, the redemption notice shall be mailed by the Bond Registrar within the
25 same period, postage prepaid, to the Rating Agencies, at their offices in New York, New York,
26 or their successors, to any provider of Qualified Insurance or Alternate Security for the Bonds,
27 and to such other persons and with such additional information as the Director of Finance shall
28



1 determine or as specified in the Bond Resolution, but none of these additional mailings shall be a
2 condition precedent to the redemption of Bonds.

3
4 Notwithstanding the provisions of the foregoing paragraph, in the case of an optional
5 redemption, the notice may state that the City retains the right to rescind the redemption notice
6 and the related optional redemption of Bonds by giving a notice of rescission to the affected
7 Registered Owners at any time on or prior to the scheduled optional redemption date. Any
8 notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which
9 the notice of optional redemption has been rescinded shall remain outstanding.

10 **Section 10. Failure to Redeem Bonds.** If any Bond is not redeemed when properly
11 presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at
12 the same rate provided in the Bond from and after its maturity or call date until that Bond,
13 principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in
14 full is on deposit in the Parity Bond Account and the Bond has been called for payment by giving
15 notice of that call to the Registered Owner of each of those unpaid Bonds.

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

21 Only Bonds bearing a Certificate of Authentication in substantially the following form
22 (with the designation, year, and series of the Bonds completed consistent with this ordinance),
23 manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to
24 the benefits of this ordinance:
25
26
27
28



CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The City of Seattle, Washington, Drainage and Wastewater Revenue Bonds, [Year], [Series], described in the Bond Ordinance.

Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

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

Section 12. Bond Registrar; Appointment of Other Agents. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and SMC Chapter 5.10 establishing a system of registration for the City's bonds and obligations, as that chapter now exists or may be amended.

The City reserves the right in its discretion to appoint special paying agents, registrars or trustees in connection with the payment of some or all of the principal of or interest on the



1 Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the
2 new Bond Registrar shall be mailed to the Registered Owners of the Bonds. The notice may be
3 mailed together with the next interest payment due on the Bonds, but, to the extent practicable,
4 shall be mailed not less than 15 days prior to a maturity date of the principal 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 Registered Owner of Bonds with the same rights it would have if it were not the Bond Registrar
9 and, to the extent permitted by law, may act as depository for and permit any of its officers or
10 directors to act as members of, or in any other capacity with respect to, any committee formed to
11 protect the rights of the Registered Owners of the Bonds.

12 **Section 13. Finding of Sufficiency of Revenues.** A series of Bonds will be issued
13 only if the City finds and determines in the Bond Resolution that (a) the issuance and sale of the
14 Bonds is in the best interest of the City and in the public interest, and (b) the Gross Revenues, at
15 the rates established from time to time consistent with Section 15(a), will be sufficient, in the
16 judgment of the City, to meet all expenses of operation and maintenance of the Drainage and
17 Wastewater System and to provide the amounts previously pledged for the payment of all
18 outstanding obligations payable out of the Gross Revenue (including Outstanding Parity Bonds)
19 and pledged herein for the payment of the Bonds. In making such findings and determinations,
20 the City shall have had due regard to the cost of operation and maintenance of the Drainage and
21 Wastewater System and to any portion of the Gross Revenues pledged for the payment of any
22 bonds, warrants or other indebtedness.

23 **Section 14. Security for Parity Bonds; Flow of Funds.**

24 (a) **Pledge; Lien and Charge of Parity Bonds.** The Net Revenue and all ULID
25 Assessments are pledged for the payment of the Parity Bonds. This pledge shall constitute a lien
26 and charge upon such Net Revenue and ULID Assessments prior and superior to any other liens
27 and charges whatsoever.
28



1
2 **(b) Priority Expenditure of Gross Revenue.** So long as any Parity Bonds are
3 outstanding, all Gross Revenue, except for earnings on investments in the Parity Bond Account
4 or other bond redemption fund, arbitrage rebate account, refunding escrow account or other trust
5 account, unless those earnings are transferred from those accounts or funds to the Drainage and
6 Wastewater Fund, shall be deposited as received in the Drainage and Wastewater Fund and shall
7 be used, paid out and distributed in the following order of priority (by paragraphs):

8 (i) To pay, together with any other money made available for such purpose,
9 the Operating and Maintenance Expense;

10 (ii) To make the required payments into the Principal and Interest Subaccount
11 for all Parity Bonds;

12 (iii) To make the required payments into the Reserve Subaccount for all Parity
13 Bonds;

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

19 (v) To redeem and retire any sewer revenue bonds of the City then
20 outstanding or to purchase any or all of those bonds at a price not in excess of the price at
21 which those bonds could be redeemed at the next call date; to make necessary additions,
22 betterments, repairs, extensions and replacements of the Drainage and Wastewater
23 System or other purposes proper to its maintenance and operation, including the payment
24 of any City taxes or payments in lieu of taxes payable from Gross Revenue of the
25 Drainage and Wastewater System, deposits to the Rate Stabilization Account, or for any
26 other lawful Drainage and Wastewater System purpose.



1 The City may transfer from any funds or accounts of the City legally available therefor,
2 except bond redemption funds, any money therein to meet the required payments to be made into
3 the Parity Bond Account.
4

5 (c) **Parity Bond Account; Deposit of Net Revenue.** The Parity Bond Account has
6 been created in the Drainage and Wastewater Fund as a special fund of the City, which account
7 is divided into two subaccounts, a Principal and Interest Subaccount and a Reserve Subaccount.
8 So long as any Parity Bonds are outstanding against the Parity Bond Account, the City obligates
9 and binds itself to set aside and pay into the Parity Bond Account from the Drainage and
10 Wastewater Fund out of the Net Revenue and all ULID Assessments, certain fixed amounts
11 without regard to any fixed proportion, namely:

12 (i) Into the Principal and Interest Subaccount, on or before each interest or
13 principal and interest payment date, money which, together with the money already
14 deposited in that account, is sufficient to pay the interest or principal and interest (as the
15 case may be) due that date (including any mandatory redemption, mandatory sinking
16 fund or optional redemption payments) on the Parity Bonds; and

17 (ii) Into the Reserve Subaccount an amount necessary to provide for the
18 Reserve Requirement for the Parity Bonds within the time and in the manner required by
19 this ordinance. The amount necessary to satisfy the Reserve Requirement upon the
20 issuance of the Bonds may be funded (i) on the date of issue of the Bonds, by a deposit
21 from the proceeds of the Bonds or by an Alternate Security or (ii) in annual installments
22 from Net Revenue so that the Reserve Requirement is fully funded by the fifth
23 anniversary of the date of issue of the Bonds. The manner of funding the Reserve
24 Requirement for the Bonds shall be specified in the Bond Resolution.

25 (d) **Reserve Subaccount.** The City covenants and agrees that it will at all times
26 maintain in the Reserve Subaccount an amount equal to the Reserve Requirement for all Parity
27 Bonds, except for withdrawals therefrom as authorized herein, until there is a sufficient amount
28 in the Principal and Interest Subaccount and Reserve Subaccount to pay the principal of and



1 interest on all outstanding Parity Bonds, at which time the money in the Reserve Subaccount
2 may be used to pay any such principal and interest so long as the money remaining on deposit in
3 the Reserve Subaccount is not less than the Reserve Requirement of the remaining outstanding
4 Parity Bonds.

5
6 If there shall be a deficiency in the Principal and Interest Subaccount to meet maturing
7 installments of either principal of or interest on any of the Parity Bonds, such deficiency shall be
8 made up from the Reserve Subaccount by the withdrawal of cash therefrom. Any deficiency
9 created in the Reserve Subaccount by reason of any such withdrawal will then be made up from
10 the Net Revenue of the Drainage and Wastewater System which shall be first available after
11 making necessary provisions for the required payments into the Principal and Interest
12 Subaccount.

13 (e) **Investment of Money in Parity Bond Account.** All money in the Parity Bond
14 Account may be kept in cash or invested in Permitted Investments maturing not later than the
15 date when needed (for investments in the Principal and Interest Subaccount) or the last maturity
16 of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall
17 any money in the Parity Bond Account or any other money reasonably expected to be used to
18 pay principal and/or interest on the Parity Bonds be invested at a yield which would cause the
19 Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from
20 investments in the Principal and Interest Subaccount shall be deposited in that subaccount.
21 Income from investments in the Reserve Subaccount shall be deposited in that subaccount until
22 the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall
23 be deposited in the Principal and Interest Subaccount.

24 The City may create sinking fund subaccounts or other subaccounts in the Parity Bond
25 Account for the payment or securing the payment of Parity Bonds as long as the maintenance of
26 such subaccounts does not conflict with the rights of the registered owners of Parity Bonds.

27 Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond
28 Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn

1 from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no
2 longer required for such rebate, money in that separate fund or account shall be returned to the
3 Parity Bond Account.
4

5 (f) **Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside
6 and pay into the Parity Bond Account, including the Reserve Subaccount, the amounts set forth
7 above, the registered owner of any of the outstanding Parity Bonds may bring action against the
8 City for failure to make the required deposits to the Parity Bond Account only in accordance
9 with Section 26.

10 (g) **Provision for Maintenance and Operation Expense.** It is declared that in
11 creating the Parity Bond Account and in fixing the amounts to be paid into it as provided in
12 subsections (c) and (d) of this Section, the City Council has had due regard for Operating and
13 Maintenance Expense (and cost of maintenance and operation as contemplated by RCW
14 35.67.130), and is not setting aside into the Parity Bond Account a greater amount than in the
15 judgment of the City Council, based on the rates to be established from time to time consistent
16 with Section 15(a), will be available over and above such Operating and Maintenance Expense
17 (and such cost of maintenance and operation).

18 **Section 15. Parity Bond Covenants.** The City covenants and agrees with the
19 registered owner of each of the Parity Bonds as follows:

20 (a) **Rates and Charges; Coverage Requirement.** It will establish, maintain, revise
21 as necessary and collect such rates and charges for drainage and wastewater service furnished
22 which will produce Adjusted Net Revenue available for debt service each calendar year at least
23 equal to the Coverage Requirement. It will not change any rate or charge for drainage and
24 wastewater service as now established by the existing rate ordinance or ordinances of the City
25 that will substantially reduce the annual Gross Revenue of the Drainage and Wastewater System
26 below that which would have been obtained before such change unless the City shall have on file
27 a certificate from an Independent Consulting Engineer or a certified public accountant
28 experienced in drainage and wastewater system rates and charges, stating the rates and charges



1 as so changed will provide Gross Revenue of the Drainage and Wastewater System sufficient to
2 comply with all the covenants and requirements of this ordinance, including the Coverage
3 Requirement.
4

5 *Upon the redemption or defeasance of all then-outstanding 1999 Bonds, 2001 Bonds,*
6 *2002 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in its entirety with the*
7 *following:*

8 (a) **Rates and Charges; Coverage Requirement.** *It will establish, maintain,*
9 *revise as necessary and collect such rates and charges for services and facilities*
10 *provided by the Drainage and Wastewater System so that Adjusted Net Revenue in each*
11 *fiscal year will be at least equal to the Coverage Requirement. The failure of the City to*
12 *comply with this paragraph (a) shall not be an Event of Default under this ordinance if*
13 *the City promptly retains an Independent Consulting Engineer to recommend to the City*
14 *Council adjustments in the rates of the Drainage and Wastewater System necessary to*
15 *meet the requirements of this paragraph (a) and if the City Council adopts the*
16 *recommended modifications within 180 days of the date the failure became known to the*
17 *City Council.*

18 (b) **Maintenance of Drainage and Wastewater System.** *It will at all times maintain*
19 *and keep the Drainage and Wastewater System in good repair, working order and condition,*
20 *including, from time to time, making or causing to be made all necessary and proper repairs,*
21 *renewals and replacements so that at all times the operation of such system shall be properly and*
22 *advantageously conducted, and will at all times operate the Drainage and Wastewater System*
23 *and the business in connection therewith in an efficient manner and at a reasonable cost.*

24 (c) **Sale of Drainage and Wastewater System.** *It will not sell, lease, mortgage, or*
25 *in any manner encumber or dispose of all of the property of the Drainage and Wastewater*
26 *System unless provision is made for the payment into the Parity Bond Account of an amount*
27 *sufficient to pay the principal of and interest on Parity Bonds then outstanding; and it will not*
28 *sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the*

1 Drainage and Wastewater System that is used, useful and material to the operation thereof,
2 except consistent with one or more of the following:

3 (i) if provision is made for replacement thereof, or for payment into the Parity
4 Bond Account of the total amount of Gross Revenue received from the portion of the
5 Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of
6 which shall not be less than an amount which shall bear the same ratio to the amount of
7 Parity Bonds then outstanding as the Gross Revenue available for debt service for such
8 outstanding bonds for the 12 months preceding such sale, lease, mortgage, encumbrance
9 or disposal from the portion of the Drainage and Wastewater System sold, leased,
10 mortgaged, encumbered or disposed of bears to the Gross Revenue available for debt
11 service for the then outstanding Parity Bonds from the entire Drainage and Wastewater
12 System of the City for the same period. Any such money so paid into the Parity Bond
13 Account shall be used to retire such Parity Bonds at the earliest possible date; or

14 (ii) if the aggregate depreciated cost value of the property being encumbered
15 or disposed of under this subparagraph (ii) in any fiscal year comprises no more than 5%
16 of the total assets of the Drainage and Wastewater System; or

17 (iii) *upon the redemption or defeasance of all then outstanding 1999 Bonds,*
18 *2001 Bonds, 2002 Bonds and 2004 Bonds, and then only if the proceeds from such*
19 *transfer are used to acquire new useful operating facilities or properties of the Drainage*
20 *and Wastewater System, or are used to retire outstanding Parity Bonds or other revenue*
21 *obligations of the Drainage and Wastewater System, and if, at the time of such transfer,*
22 *the City has on file a certificate of both the Director of Finance and the Director of*
23 *Seattle Public Utilities (or any officer who succeeds to substantially all of the*
24 *responsibilities of either office) demonstrating that in their opinion, upon such transfer*
25 *and the use of proceeds of the transfer as proposed by the City, the remaining facilities of*
26 *the Drainage and Wastewater System will retain their operational integrity and, based on*
27 *the financial statements for the most recent fiscal year available, the proposed transfer*
28



1 *would not prevent the Drainage and Wastewater System from complying with the*
2 *Coverage Requirement during the five fiscal years following the fiscal year in which the*
3 *transfer is to occur. The certificate shall take into account, (A) the reduction in revenue*
4 *and expenses, if any, resulting from the transfer; (B) the use of any proceeds of the*
5 *transfer for the redemption of Parity Bonds, (C) the estimate of revenue from customers*
6 *anticipated to be served by any additions to and betterments and extensions of the*
7 *Drainage and Wastewater System financed in part by the proposed portion of the*
8 *proceeds of the transfer, and (D) any other adjustment permitted in the preparation of a*
9 *certificate under Section 17(d). Before such a transfer, the City also must obtain*
10 *confirmation from each of the Rating Agencies to the effect that the rating then in effect*
11 *will not be reduced or withdrawn upon such transfer.*

12
13 **(d) Books and Records.** It will, while any of the Bonds remain outstanding, keep
14 proper and separate accounts and records in which complete and separate entries shall be made
15 of all transactions relating to the Drainage and Wastewater System, and it will furnish the
16 Registered Owner(s) of the Bonds or any subsequent Registered Owner(s) thereof, at the written
17 request of such Registered Owner(s), complete operating and income statements of the Drainage
18 and Wastewater System in reasonable detail covering any fiscal year not more than six months
19 after the close of such fiscal year and it will grant any Registered Owner(s) of at least 25% of the
20 outstanding Bonds the right at all reasonable times to inspect the entire Drainage and Wastewater
21 System and all records, accounts and data of the City relating thereto. Upon request of any
22 Registered Owner of any of the Bonds, it also will furnish to such Registered Owner a copy of
23 the most recently completed audit of the City's accounts by the State Auditor of Washington.

24 **(e) Operating and Maintenance Expense.** It will pay all Operating and
25 Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

26 **Section 16. Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.**
27 The City covenants that it will take all actions consistent with the terms of the Bonds issued on a
28 tax-exempt basis (the "Tax-Exempt Bonds"), this ordinance and the Bond Resolution reasonably



1 within its power and necessary to prevent interest on the Tax-Exempt Bonds from being included
2 in gross income for federal income tax purposes, and the City will neither take any action nor
3 make or permit any use of the proceeds of the Tax-Exempt Bonds or other funds of the City
4 treated as gross proceeds of the Tax-Exempt Bonds at any time during the term of the Bonds
5 which will cause interest on the Tax-Exempt Bonds to be included in gross income for federal
6 income tax purposes.

7
8 **Section 17. Future Parity Bond Conditions.** The City further covenants with the
9 Registered Owner of each of the Bonds for as long as any of the Bonds are outstanding that it
10 will not create any special account or fund or accounts or funds for the payment of the principal
11 of and interest on any other revenue obligations or issue any other revenue obligations which
12 will have any priority over or which will rank on a parity with the payments required by this
13 ordinance to be made out of the Net Revenue of the Drainage and Wastewater System nor will it
14 issue Future Parity Bonds, except that it reserves the right for

15 **First**, the purpose of acquiring, constructing and installing additions to, and
16 betterments and improvements and extensions of, acquiring necessary equipment for, or
17 making necessary replacements of or repairs or capital improvements to the Drainage and
18 Wastewater System pursuant to an adopted system or plan of additions thereto and
19 betterments and improvements thereof, or

20 **Second**, the purpose of refunding by exchange or purchasing and retiring or
21 advance refunding by call and payment at or prior to their maturity any part or all of the
22 outstanding Parity Bonds, or

23 **Third**, other purposes then permitted by law,
24 to issue Future Parity Bonds therefor, and to make payments into the Parity Bond Account from
25 the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and
26 to maintain a reserve therefor as hereinafter required, which payments may rank equally with the
27 payments out of the Net Revenue required to be made into the Parity Bond Account by this
28



1 ordinance, if the following conditions and requirements are met and complied with at the time of
2 the issuance of such Future Parity Bonds:

3 (a) At the time of issuance of such Future Parity Bonds, there shall not be a
4 deficiency in either the Principal and Interest Subaccount or the Reserve Subaccount in the Parity
5 Bond Account.

6 (b) The Parity Bond Ordinance authorizing Future Parity Bonds shall provide for the
7 creation of a sinking fund account in the Parity Bond Account for any Term Bonds to be issued
8 and for regular payments to be made into such account for the payment of the principal of such
9 Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of such
10 Term Bonds prior to their maturity date (except for a portion of such Term Bonds scheduled for
11 redemption on their maturity date) from money in the Principal and Interest Account.

12 (c) The Parity Bond Ordinance authorizing such Future Parity Bonds shall provide
13 for the payment of the principal thereof and interest thereon out of the Parity Bond Account and
14 shall further provide for the payment from the Net Revenue, from ULID Assessments or from
15 proceeds of those Future Parity Bonds or from an Alternate Security, or by more than one, the
16 Reserve Requirement of such Future Parity Bonds, except if such Future Parity Bonds are issued
17 for the purpose of refunding any outstanding Parity Bonds, the amount of such reserve allocated
18 to such bonds being so refunded shall be retained or used as a reserve for such refunding Future
19 Parity Bonds or used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to
20 the refunding plan, which reserve amount shall be replaced in the same manner and within the
21 same time as required for additional Future Parity Bonds, or such reserve may remain in the
22 Reserve Subaccount to be used as the reserve for remaining Parity Bonds. To the extent that the
23 Reserve Requirement is not funded with proceeds of such Future Parity Bonds or by an Alternate
24 Security, it shall be funded by equal annual deposits from Net Revenue and from ULID
25 Assessments so that it is fully deposited in the Reserve Subaccount by the fifth anniversary date
26 of the date of the Future Parity Bonds.
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2 Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the
3 Reserve Subaccount shall be valued as determined on the most recent annual financial report of
4 the City applicable to the Drainage and Wastewater System, and the additional amounts, if any,
5 needed to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be
6 based on that valuation.

7 (d) At the time of the issuance of such Future Parity Bonds, the City shall have on file
8 a certificate of the Director of Seattle Public Utilities or a certificate from an Independent
9 Consulting Engineer or a certified public accountant experienced in Drainage and Wastewater
10 System rates and charges showing that in his or her professional opinion the Adjusted Net
11 Revenue will be equal to the Coverage Requirement. However, if Future Parity Bonds proposed
12 to be so issued are for the sole purpose of refunding outstanding Parity Bonds, such certification
13 of coverage shall not be required if the Annual Debt Service in each year for the refunding bonds
14 is not increased over the amount required for the bonds to be refunded thereby and the maturities
15 of those refunding bonds are not extended beyond the maturities of the bonds to be refunded
16 thereby.

17 The certificate, in estimating the Adjusted Net Revenue shall use the historical Gross
18 Revenue for any 12 consecutive months out of the 24 months immediately preceding the month
19 of delivery of the Future Parity Bonds. The Gross Revenue may be adjusted to reflect any
20 changes in rates in effect and being charged or expressly committed by ordinance of the City
21 Council to be made in the future; may include income derived from customers of the Drainage
22 and Wastewater System that have become customers during the 12 consecutive month period or
23 thereafter adjusted to reflect one year's net revenue from such customers; may include revenues
24 from any customers to be connected to the Drainage and Wastewater System who have paid the
25 required connection charges; may include the revenue to be derived from any person, firm,
26 corporation or municipal corporation under any executed contract for Drainage or Wastewater
27 service which revenue was not included in the historical Gross Revenue; and may include an
28 estimate of the Gross Revenue to be derived by the City from customers with improved property



1 available to connect to any additions to and improvements and extensions of the Drainage and
2 Wastewater System to be paid for out of the proceeds of the sale of the additional Future Parity
3 Bonds or other additions to and improvements and extensions of the Drainage and Wastewater
4 System then under construction and not fully connected to the facilities of the Drainage and
5 Wastewater System when such additions, improvements and extensions are completed.

6
7 Actual or reasonably anticipated changes in the Operating and Maintenance Expense
8 subsequent to such 12 month period shall be added or deducted, as is applicable. The use of
9 money other than Gross Revenue for the payment of Operating and Maintenance Expense shall
10 not exceed per year an amount used for that purpose during the 12 months immediately
11 preceding the date of issuance of the Future Parity Bonds.

12 Nothing contained in the provisions for Future Parity Bonds shall prevent the City from
13 issuing revenue bonds or other obligations having a lien on the Gross Revenue subordinate to the
14 lien of the Bonds and any Future Parity Bonds.

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

21 *Upon the redemption or defeasance of all then-outstanding 1999 Bonds, 2001 Bonds, 2002*
22 *Bonds and 2004 Bonds, this subsection (d) shall be replaced in its entirety with the following:*

23 (d) *There shall be on file with the City either:*

24 (1) *a certificate of the Director of Finance demonstrating that*
25 *during any 12 consecutive calendar months out of the immediately*
26 *preceding 24 calendar months Adjusted Net Revenue was at least equal to*
27 *the Coverage Requirement for all Parity Bonds plus the Future Parity*
28 *Bonds proposed to be issued (and assuming that the debt service of the*



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proposed Future Parity Bonds for that 12 month period was the Average Annual Debt Service for those proposed bonds); or

(2) *a certificate of both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the 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:*

(i) *Any changes in rates in effect and being charged, or 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 Drainage and Wastewater System who have become customers during the 12 consecutive month period or thereafter, and their estimate of net revenue from any customers to be connected to the Drainage and Wastewater 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*

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2 *substantial part by those Future Parity Bonds (or additional Parity*
3 *Bonds expected to be issued during the five-year period); and*

4 (iv) *Net revenue from any person, firm, corporation or*
5 *municipal corporation under any executed contract for drainage*
6 *and wastewater or other utility service, which revenue was not*
7 *included in the historical Net Revenue of the Drainage and*
8 *Wastewater System.*

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

15 *Nothing contained herein shall prevent the City from issuing Future Parity Bonds to*
16 *refund maturing Parity Bonds, money for the payment of which is not otherwise available, or*
17 *revenue bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or*
18 *lien of the Parity Bonds, or from pledging the payment of ULID assessments into a bond*
19 *redemption fund created for the payment of the principal of and interest on those junior lien*
20 *bonds as long as such ULID assessments are levied for improvements constructed from the*
21 *proceeds of those junior lien bonds.*

22 (e) The Parity Bond Ordinance authorizing the Future Parity Bonds shall provide that
23 all ULID Assessments shall be paid directly into the Parity Bond Account.

24 **Section 18. Continuing Disclosure.** The City shall undertake to provide for the
25 benefit of holders of the Bonds disclosure of certain financial information and operating data of
26 the type included in the final official statement for the Bonds, as well as disclosure of certain
27 material events respecting the Bonds, in the manner and to the extent required by United States
28

1 Securities and Exchange Commission Rule 15c2-12(b)(5). The particular terms of any such
2 Undertaking shall be set forth in the Bond Resolution.

3 **Section 19. Refunding and Defeasance.** The Bonds are hereby designated
4 “Refundable Bonds” for purposes of Ordinance 121938, as amended. The City may issue
5 refunding bonds pursuant to the laws of the State or use money available from any other lawful
6 source to pay when due the principal of, premium, if any, and interest on the Bonds, or portion
7 thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or
8 defease those Bonds (the “defeased Bonds”) and to pay the costs of such refunding or
9 defeasance. If money and/or Government Obligations sufficient in amount, together with known
10 earned income from the investments thereof, to redeem and retire, release, refund or defease the
11 defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow
12 account irrevocably pledged to such redemption, retirement or defeasance (the “trust account”),
13 then all right and interest of the Registered Owners of the defeased Bonds in the covenants of
14 this ordinance and in the Net Revenue and the funds and accounts pledged to the payment of
15 such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter
16 shall cease and become void. Such Registered Owners thereafter shall have the right to receive
17 payment of the principal of and interest or redemption price on the defeased Bonds from the trust
18 account. The City shall include in the refunding or defeasance plan such provisions as the City
19 deems necessary for the random selection of any defeased Bonds that constitute less than all of a
20 particular maturity of the Bonds, for notice of the defeasance to be given to the Registered
21 Owners of the defeased Bonds and to such other persons as the City shall determine, and for any
22 required replacement of Bond certificates for defeased Bonds.

23 After the establishing and full funding of such a trust account, the defeased Bonds shall
24 be deemed no longer outstanding and the City then may apply any money in any other fund or
25 account established for the payment or redemption of the defeased Bonds to any lawful purposes
26 as it shall determine, subject only to the rights of the registered owners of any other Parity
27 Bonds.
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2 If the refunding or defeasance plan provides that the defeased Bonds or the refunding
3 bonds to be issued be secured by money and/or Government Obligations pending the prior
4 redemption of the defeased Bonds and if such refunding or defeasance plan also provides that
5 certain money and/or Government Obligations are pledged irrevocably for the prior redemption
6 of the defeased Bonds included in the refunding or defeasance plan, then only the debt service on
7 the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so
8 secured by the refunding plan, shall be included in the computation of the Coverage Requirement
9 for issuance of Future Parity Bonds, and the annual computation of the Coverage Requirement
10 for determining compliance with the rate covenants.

11 **Section 20. Sale of Bonds.** The Director of Finance may provide for the sale of each
12 series of Bonds (or any portion thereof) by public sale or by a negotiated sale with an
13 underwriter or other financial institution chosen through a selection process acceptable to the
14 Director of Finance. The Director of Finance is authorized to specify a date and time of sale of
15 the Bonds, to give notice of that sale, to determine any bid requirements and criteria for
16 determining the award of the bid, to provide for the use of an electronic bidding mechanism, and
17 to specify other matters in his or her determination necessary, appropriate, or desirable to carry
18 out the sale of the Bonds. The terms of that sale shall be consistent with this ordinance and the
19 Bond Resolution and shall be confirmed by the Bond Resolution. The Bonds shall be delivered
20 to the purchasers as provided in the Bond Resolution immediately upon payment to the City of
21 the purchase price plus accrued interest, if any, to the Closing Date in immediately available
22 federal funds in Seattle, Washington, at the City's expense or at another time or place upon
23 which the Director of Finance and the purchaser may mutually agree at the purchaser's expense.

24 If one or more series of Bonds are sold and issued as Tax Credit Subsidy Bonds, the
25 Director of Finance is hereby authorized on behalf of the City to take such actions and enter into
26 such agreements as are necessary or appropriate for the City to receive from the United States
27 Treasury the applicable Tax Credit Subsidy Payments.
28



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

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

11 **Section 21. Supplemental or Amendatory Ordinances.**

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

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

18 (1) To cure any formal defect, omission, inconsistency or ambiguity in this
19 ordinance in a manner not adverse to the registered owner of any Parity Bonds;

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

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

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

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

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

15 (7) To modify, alter, amend or supplement this ordinance in any other respect
16 which is not materially adverse to the registered owners of the Parity Bonds and which
17 does not involve a change described in subsection (c) of this Section.

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

24 (c) (1) Except for any supplemental or amendatory ordinance passed pursuant to
25 subsection (b) of this Section, subject to the terms and provisions contained in this subsection (c)
26 and not otherwise, registered owners of not less than 60% in aggregate principal amount of the
27 Parity Bonds then outstanding shall have the right from time to time to consent to and approve
28 the passage by the City Council of any supplemental or amendatory ordinance deemed necessary

1 or desirable by the City for the purpose of modifying, altering, amending, supplementing or
2 rescinding, in any particular, any of the terms or provisions contained in this ordinance; except
3 that, unless approved in writing by the registered owners of all Parity Bonds then outstanding,
4 nothing contained in this Section shall permit, or be construed as permitting:

5 (i) A change in the times, amounts or currency of payment of the principal of
6 or interest on any outstanding Parity Bond, or a reduction in the principal amount or
7 redemption price of any outstanding Parity Bond or a change in the method of
8 redemption or redemption price of any outstanding Parity Bond or a change in the
9 method of determining the rate of interest thereon, or

10 (ii) A preference or priority of any Parity Bond or Bonds over any other Parity
11 Bond or Bonds, or

12 (iii) A reduction in the aggregate principal amount of Parity Bonds, the consent
13 of the Registered Owners of Bonds of which is required for any such supplemental or
14 amendatory ordinance.

15 (2) If at any time the City shall pass any supplemental or amendatory
16 ordinance for any of the purposes of this subsection (c), the Bond Registrar shall cause
17 notice of the proposed supplemental or amendatory ordinance to be given by first class
18 United States Mail to all registered owners of the then outstanding Parity Bonds, to any
19 Bond Insurer and to the Rating Agencies. Such notice shall briefly set forth the nature of
20 the proposed supplemental or amendatory ordinance and shall state that a copy thereof is
21 on file at the office of the Bond Registrar for inspection by all registered owners of the
22 outstanding Parity Bonds.

23 (3) Within two years after the date of the mailing of such notice, the
24 City may pass such supplemental or amendatory ordinance in substantially the form
25 described in such notice, but only if there shall have first been delivered to the Bond
26 Registrar (i) the required consents, in writing, of the registered owners of the Parity
27 Bonds, and (ii) an opinion of Bond Counsel, stating that such supplemental or
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1 amendatory ordinance is authorized or permitted by this ordinance and, upon the
2 execution and delivery thereof, will be valid and binding upon the City in accordance
3 with its terms, will not adversely affect the exclusion from gross income for federal
4 income tax purposes of interest on any Tax-Exempt Bonds.

5 (4) If registered owners of not less than the percentage of Parity Bonds
6 required by this subsection (c) shall have consented to and approved the execution and
7 delivery thereof as herein provided, no registered owner of the Parity Bonds shall have
8 any right to object to the passage of such supplemental or amendatory ordinance, or to
9 object to any of the terms and provisions contained therein or the operation thereof, or in
10 any manner to question the propriety of the passage thereof, or to enjoin or restrain the
11 City or the Bond Registrar from passing the same or from taking any action pursuant to
12 the provisions thereof.

13 (d) The Registered Owners from time to time of the outstanding Bonds, by taking and
14 holding the same, shall be deemed to have consented to the adoption by the City of any
15 supplemental resolution or ordinance passed pursuant to the provisions of this Section for any
16 one or more of the following purposes:

17 (1) When calculating "Annual Debt Service," to permit or require Tax
18 Credit Subsidy Payments expected to be received by the City in any period to be credited
19 against amounts required to be paid in respect of interest on the Parity Bonds in that
20 period; and

21 (2) To permit or require Tax Credit Subsidy Payments to be deposited
22 into the Principal and Interest Subaccount and credited against the Net Revenue
23 otherwise required to be deposited into the Principal and Interest Subaccount.

24 (e) Upon the execution and delivery of any supplemental or amendatory ordinance
25 pursuant to the provisions of this Section, this ordinance shall be, and be deemed to be, modified
26 and amended in accordance therewith, and the respective rights, duties and obligations under this
27 ordinance of the City, the Bond Registrar and all registered owners of Parity Bonds then
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1 outstanding shall thereafter be determined, exercised and enforced under this ordinance subject
2 in all respects to such modifications and amendments.

3 **Section 22. Construction Account; Deposit of Proceeds.** An account to be known as
4 the Drainage and Wastewater Construction Account, 2012 (the "Construction Account") is
5 created in the Drainage and Wastewater Fund. The principal proceeds of the sale of the Bonds
6 remaining after the deposit of accrued interest on the Bonds, if any, into the Principal and
7 Interest Subaccount and the deposit of any proceeds as determined by the Bond Resolution into
8 the Reserve Subaccount, shall be deposited into the Construction Account, unless otherwise
9 specified in the Bond Resolution or directed by the Director of Finance, to be used for the
10 purpose of paying part of the costs of carrying out the Plan of Additions and to pay for the costs
11 of issuance of the Bonds. Until needed to pay such costs, the City may invest principal proceeds
12 and interest thereon temporarily in any legal investment, and the investment earnings may, as
13 determined by the Director of Finance, be retained in the Construction Account and be spent for
14 the purposes of that fund or deposited in the Parity Bond Account.

15 **Section 23. Separate Utility Systems.** The City may create, acquire, construct,
16 finance, own and operate one or more additional systems for drainage and wastewater or other
17 commodity or service relating to the Drainage and Wastewater System. The revenue of that
18 separate utility system shall not be included in the Gross Revenue and may be pledged to the
19 payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or
20 expand the separate utility system. Neither the Gross Revenue nor the Net Revenue of the
21 Drainage and Wastewater System shall be pledged by the City to the payment of any obligations
22 of a separate utility system except (1) as a Contract Resource Obligation upon compliance with
23 Section 24 and/or (2), with respect to the Net Revenue, on a basis subordinate to the lien of the
24 Parity Bonds on that Net Revenue.

25 **Section 24. Contract Resource Obligations.** The City may at any time enter into one
26 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
27 drainage and wastewater or other commodity or service relating to the Drainage and Wastewater
28

1 System. The City may determine that, and may agree under a Contract Resource Obligation to
2 provide that all payments under that Contract Resource Obligation (including payments prior to
3 the time that drainage and wastewater or other commodity or service is being provided, or during
4 a suspension or after termination of supply or service) shall be an Operating and Maintenance
5 Expense if the following requirements are met at the time such a Contract Resource Obligation is
6 entered into:

7 (a) No Event of Default as defined in Section 26 has occurred and is
8 continuing.

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

24 Payments required to be made under Contract Resource Obligations shall not be subject
25 to acceleration.

26 Nothing in this Section shall be deemed to prevent the City from entering into other
27 agreements for the acquisition of drainage and wastewater services or other commodity or
28 service from existing facilities and from treating those payments as Operating and Maintenance
Expenses. Nothing in this Section shall be deemed to prevent the City from entering into other
agreements for the acquisition of drainage and wastewater services or other commodity or
service from facilities to be constructed and from agreeing to make payments with respect
thereto, such payments constituting a lien and charge on Net Revenue subordinate to the Parity
Bonds.

1 **Section 25. Rate Stabilization Account.** The Rate Stabilization Account has been
2 created as a separate account in the Drainage and Wastewater Fund. The City may at any time,
3 as determined by the City and as consistent with Section 15(b), deposit in the Rate Stabilization
4 Account Gross Revenue and any other money received by the Drainage and Wastewater System
5 and available to be used therefor. The City may withdraw any or all of the money from the Rate
6 Stabilization Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the
7 Drainage and Wastewater System. Such deposits or withdrawals may be made up to and
8 including the date 90 days after the end of the fiscal year for which the deposit or withdrawal
9 will be included as Adjusted Gross Revenue.

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

13 **Section 26. Defaults and Remedies.**

14 **(a) Events of Default.** The following shall constitute “Events of Default” with
15 respect to the Bonds:

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

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
20 ordinance or in any Parity Bond Ordinance (except as otherwise provided herein or in
21 such Parity Bond Ordinance) and such default or defaults have continued for a period of
22 six months after they have received from the Bondowners’ Trustee (as defined below) or
23 from the registered owners of not less than 25% in principal amount of the Parity Bonds,
24 a written notice specifying and demanding the cure of such default. However, if the
25 default in the observance and performance of any other of the covenants, conditions and
26 agreements is one which cannot be completely remedied within the six months after
27 written notice has been given, it shall not be an Event of Default with respect to the
28



1 Bonds as long as the City has taken active steps within the six months after written notice
2 has been given to remedy the default and is diligently pursuing such remedy.

3
4 **(b) Bondowners' Trustee.** So long as such Event of Default has not been remedied,
5 a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the registered owners
6 of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in
7 writing signed and acknowledged by such registered owners of the Parity Bonds or by their
8 attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof
9 being given to the City. That appointment shall become effective immediately upon acceptance
10 thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions
11 of this Section shall be a bank or trust company organized under the laws of the State of
12 Washington or the State of New York or a national banking association. The bank or trust
13 company acting as Bondowners' Trustee may be removed at any time, and a successor
14 Bondowners' Trustee may be appointed, by the registered owners of a majority in principal
15 amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and
16 acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly
17 authorized. The Bondowners' Trustee may require such security and indemnity as may be
18 reasonable against the costs, expenses and liabilities that may be incurred in the performance of
19 its duties.

20 In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is
21 cured and the Bondowners' Trustee furnishes to the City a certificate so stating, that Event of
22 Default shall be conclusively deemed to be cured and the City, the Bondowners' Trustee and the
23 registered owners of the Parity Bonds shall be restored to the same rights and position which
24 they would have held if no Event of Default had occurred.

25 The Bondowners' Trustee appointed in the manner herein provided, and each successor
26 thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is
27 empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

1
2 (c) Suits at Law or in Equity. Upon the happening of an Event of Default and
3 during the continuance thereof, the Bondowners' Trustee may, and upon the written request of
4 the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding
5 shall, take such steps and institute such suits, actions or other proceedings, all as it may deem
6 appropriate for the protection and enforcement of the rights of the registered owners of the Parity
7 Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate
8 relief, and may enforce the specific performance of any covenant, agreement or condition
9 contained in this ordinance or in any of the Parity Bonds.

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

15 Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder
16 shall be brought in its name as Bondowners' Trustee and all such rights of action upon or under
17 any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bondowners'
18 Trustee without the possession of any of those Parity Bonds and without the production of the
19 same at any trial or proceedings relative thereto except where otherwise required by law. Any
20 such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought for the
21 ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions of
22 this ordinance. The respective registered owners of the Parity Bonds, by taking and holding the
23 same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and
24 lawful trustee of the respective registered owners of those Parity Bonds, with authority to
25 institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums
26 becoming distributable on account of those Parity Bonds; to execute any paper or documents for
27 the receipt of money; and to do all acts with respect thereto that the registered owner himself or
28 herself might have done in person. Nothing herein shall be deemed to authorize or empower the

1 Bondowners' Trustee to consent to accept or adopt, on behalf of any registered owner of the
2 Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of
3 any registered owner thereof, or to authorize or empower the Bondowners' Trustee to vote the
4 claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,
5 reorganization or other proceeding to which the City is a party.

6
7 **(d) Application of Money Collected by Bondowners' Trustee.** Any money
8 collected by the Bondowners' Trustee at any time pursuant to this Section shall be applied in the
9 following order of priority:

10 (i) first, to the payment of the charges, expenses, advances and compensation
11 of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and
12 compensation of its agents and attorneys; and

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

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

25 **(e) Duties and Obligations of Bondowners' Trustee.** The Bondowners' Trustee
26 shall not be liable except for the performance of such duties as are specifically set forth herein.
27 During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and
28 powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a



1 prudent person would exercise or use under the circumstances in the conduct of his or her own
2 affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder
3 except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its
4 own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be
5 determined solely by the express provisions of this ordinance, and no implied powers, duties or
6 obligations of the Bondowners' Trustee shall be read into this ordinance.

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

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

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

20 (f) **Suits by Individual Parity Bond Owners Restricted.** Neither the registered
21 owner nor the beneficial owner of any one or more Parity Bonds shall have any right to institute
22 any action, suit or proceeding at law or in equity for the enforcement of same unless:

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



1 (iv) the registered owners of 25% in principal amount of the Parity Bonds,
2 after the occurrence of such Event of Default, have made written request of the
3 Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable
4 opportunity to institute such suit, action or proceeding; and

5 (v) there have been offered to the Bondowners' Trustee security and
6 indemnity satisfactory to it against the costs, expenses and liabilities to be incurred
7 therein or thereby; and

8 (vi) the Bondowners' Trustee has refused or neglected to comply with such
9 request within a reasonable time.

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

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

20 **Section 27. General Authorization.** The Mayor of the City and the Director of
21 Finance and each of the other appropriate officers of the City are each authorized and directed to
22 do everything as in their judgment may be necessary, appropriate or desirable in order to carry
23 out the terms and provisions of, and complete the transactions contemplated by, this ordinance.
24 In particular, and without limitation, the Director of Finance may, in his or her discretion and
25 without further action by the City Council, (i) issue requests for proposals for underwriting or
26 financing facilities and execute engagement letters with underwriters, bond insurers or other
27 financial institutions based on responses to such requests, (ii) deem final and approve the
28



1 distribution of any preliminary official statement or official statement relating to the Bonds, (iii)
2 comply with any continuing disclosure requirements applicable to the Bonds and (iv) change the
3 Bond Registrar or any securities depository appointed for the Bonds.
4

5 **Section 28. Severability.** The provisions of this ordinance are declared to be separate
6 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
7 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as
8 to any person or circumstance, such offending provision shall, if feasible, be deemed to be
9 modified to be within the limits of enforceability or validity. However, if the offending provision
10 cannot be so modified, it shall be null and void with respect to the particular person or
11 circumstance, and all other provisions of this ordinance in all other respects, and the offending
12 provision with respect to all other persons and all other circumstances, shall remain valid and
13 enforceable.

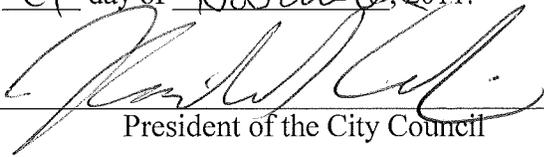
14 **Section 29. Ratification of Prior Acts.** Any action taken consistent with the authority
15 of this ordinance, after its passage but prior to the effective date, is ratified, approved and
16 confirmed.

17 **Section 30. Headings.** Section headings in this ordinance are used for convenience
18 only and shall not constitute a substantive portion of this ordinance.

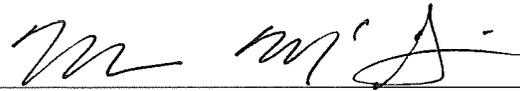
19 **Section 31. Effective Date.** This ordinance shall take effect and be in force 30 days
20 from and after its approval by the Mayor, but if not approved and returned by the Mayor within
21 ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.
22
23
24
25
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1 Passed by the City Council the 21 day of November, 2011, and signed by me in
2 open session in authentication of its passage this 21 day of November, 2011.

3
4 
5 _____
6 President of the City Council

7 Approved by me this 30th day of November, 2011.

8 
9 _____
10 Michael McGinn, Mayor

11 Filed by me this 30th day of November, 2011.

12 
13 _____
14 *Fw* Monica Martinez Simmons, City Clerk

15 (SEAL)

16 Attachment: Exhibit A – List of Outstanding Parity Bonds
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EXHIBIT A

Outstanding Drainage and Wastewater Parity Bonds

Issue Name	Dated Date	Original Par Amount	Parity Bond Authorizing Legislation
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 1999 ("1999 Bonds")	10/1/1999	\$55,000,000	Ordinance 119620 and Resolution 30039
Drainage and Wastewater Revenue Bonds, 2001 ("2001 Bonds")	7/1/2001	\$60,080,000	Ordinance 120386 and Resolution 30347
Drainage and Wastewater Revenue and Refunding Bonds, 2002 ("2002 Bonds")	12/1/2002	\$78,550,000	Ordinance 120386, Ordinance 120965 and Resolution 30548
Drainage and Wastewater Revenue Bonds, 2004 ("2004 Bonds")	10/28/2004	\$62,010,000	Ordinance 121551 and Resolution 30716
Drainage and Wastewater Revenue and Refunding Bonds, 2006 ("2006 Bonds")	11/1/2006	\$121,765,000	Ordinance 121938, as amended by Ordinance 122209, Ordinance 122209 and Resolution 30927
Drainage and Wastewater Revenue Bonds, 2008 ("2008 Bonds")	4/16/2008	\$84,645,000	Ordinance 122637 and Resolution 31050
Drainage and Wastewater Revenue Bonds, Series 2009A (Taxable Build America Bonds-Direct Payment) ("2009A Bonds")	12/17/2009	\$102,535,000	Ordinance 123055 and Resolution 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, Series 2009B ("2009B Bonds")	12/17/2009	\$36,680,000	Ordinance 121938, as amended by Ordinance 122209 and Ordinance 122637; Ordinance 123055, and Resolution 31177



2012 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Department of Finance and Administrative Services / Seattle Public Utilities	Michael Van Dyck/684-8347 Maria Coe/233-7905	Karen Grove/684-5805

Legislation Title:

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

Summary of the Legislation:

This legislation provides the legal authorization to issue up to \$132 million of Drainage and Wastewater revenue bonds, as is assumed in the 2012 Proposed Budget and the 2012-2017 Proposed Capital Improvement Program (CIP).

Background:

Although the 2012 Budget, the 2012-2017 CIP and the 2011-2012 adopted drainage and wastewater rates (Ordinance 123468) make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The Drainage and Wastewater bond sale is anticipated to occur early-mid in 2012. The bond proceeds, combined with internally generated funds, will support Seattle Public Utilities' capital program for about 18 months.

The bond sizing will be based on the 2012 Adopted Budget and 2012-2017 Adopted CIP, 2011-2012 adopted rates, and planned cash flow and cash contribution targets. The bond proceeds will be used to make a \$121.1 million deposit to the construction fund to support approximately \$46.8 million in 2012 spending and \$74.3 million in 2013 spending. The remaining proceeds will fund the debt service reserve (approximately \$9.5 million) and costs of issuance (\$1.2 million).

The proposed issue is for 30-year, fixed-rate bonds. Total annual debt service is expected to be about \$8.8 million, beginning in 2013. The biennial budget proposed for 2013-2014 will include



appropriations for expected annual debt service. While the 2011-2012 drainage and wastewater rate study (Clerk File 310962) anticipated the sale of the bonds in 2012, there will not be an interest or principal payment until 2013. Thus, the proposed 2013-2014 drainage and wastewater rates will be set to include this spending.

Major projects supported by the bond issue include combined sewer overflow, long-term control plan, localized flood control, sanitary sewer overflow capacity, sewer pipe rehabilitation, inflow/infiltration control, Alaska Way Viaduct & Seawall replacement, and technology improvements. For further information about SPU's capital projects, please see the CIP.

X This legislation has financial implications

Other Implications:

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

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

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

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

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

This legislation affects SPU, which will issue drainage and wastewater bonds..

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

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

- e) Is the legislation subject to public hearing requirements? No.

- f) Other Issues: None.

Please list attachments to the fiscal note below:





City of Seattle
Office of the Mayor

September 26, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill for consideration with the 2012 Proposed Budget. This legislation authorizes the issuance of up to \$132 million of Seattle Public Utility Drainage and Wastewater revenue bonds.

The Drainage and Wastewater revenue bonds will be used for a variety of Capital Improvement projects and will include work relating to the Combined Sewer Overflows, Long-Term Control Plan, and Localized Flood Control.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck at 684-8347 or Maria Coe at 233-7905.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



STATE OF WASHINGTON – KING COUNTY

--SS.

279019
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

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:123742-123764

was published on

12/09/11

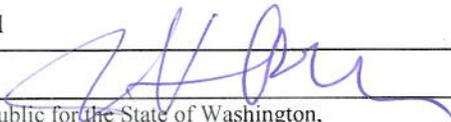
The amount of the fee charged for the foregoing publication is the sum of \$ 293.48, which amount has been paid in full.



Affidavit of Publication


Subscribed and sworn to before me on

12/09/11


Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

The full text of the following legislation, passed by the City Council on November 21, 2011, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>. Contact: Office of the City Clerk at (206) 684-8344.

ORDINANCE NO. 123742

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges and amending Seattle Municipal Code Chapter 21.04 in connection therewith; removing Water District 61 and Richmond Beach Area meter surcharges and amending Seattle Municipal Code 21.12 in connection therewith; and revising credits to low-income customers and amending Seattle Municipal Code Chapter 21.76 in connection therewith.

ORDINANCE NO. 123743

AN ORDINANCE relating to the Revenue Stabilization Account of the Cumulative Reserve Subfund; revising policies regarding deposits into the Subfund; amending Seattle Municipal Code Subsection 5.80.020 B in connection therewith; and superseding a portion of Resolution 31083.

ORDINANCE NO. 123744

AN ORDINANCE relating to civil service; combining the staff of the Civil Service Commission and Public Safety Civil Service Commission and amending sections 4.04.250, 4.08.050, and 4.08.070 of the Seattle Municipal Code.

ORDINANCE NO. 123745

AN ORDINANCE relating to City employment; establishing a 2012 furlough program for certain employees not covered by collective bargaining agreements.

ORDINANCE NO. 123746

AN ORDINANCE amending Chapter 20.48 of the Seattle Municipal Code in order to modify City policies pertaining to capital appropriations.

ORDINANCE NO. 123747

AN ORDINANCE relating to solid waste taxation; amending Section 5.48.055 of the Seattle Municipal Code; and increasing the transfer tax rate effective January 1, 2012.

ORDINANCE NO. 123748

AN ORDINANCE relating to the financing of the South Lake Union Streetcar project; amending Ordinance 122603, last amended by Ordinance 123164, to extend the term of an interfund loan.

ORDINANCE NO. 123749

AN ORDINANCE relating to emergency assistance for low-income Seattle Public Utilities customers and amending Section 21.76.065 of the Seattle Municipal Code.

ORDINANCE NO. 123750

AN ORDINANCE relating to the 2008 Parks and Green Spaces Levy; accepting the recommendations of the 2008 Parks and Green Spaces Levy Oversight Committee concerning the Development Category Inflation Adjustment and the Opportunity Fund category; reallocating funds from the Development Category to the Opportunity Fund Category; and creating new major maintenance projects in the Opportunity Fund Category; all by a three-fourths vote of the City Council.

ORDINANCE NO. 123751

AN ORDINANCE relating to contracting indebtedness; authorizing and providing for the issuance and sale of limited tax general obligation bonds to pay all or part of the cost of financing elements of the City's capital improvement program, issuing and selling the bonds, and other City purposes approved by ordinance; providing for terms and sale of the bonds; creating a bond fund; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123752

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuing and selling those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123753

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

ORDINANCE NO. 123754

AN ORDINANCE relating to the Seattle Department of Transportation; amending Section 11.23.120 of the Seattle Municipal Code establishing fees related to Commercial Vehicle Load Zone permits pursuant to the trucking and parking regulations of the Traffic Code.

ORDINANCE NO. 123755

AN ORDINANCE related to fees and charges for permits and activities of the Department of Planning and Development and related fees by other departments; amending a section of Ordinance 123453; and amending Seattle Municipal Code Chapter 22.900A, Administration and Enforcement; Chapter 22.900B, General Provisions; Chapter 22.900C, Fees for Land Use Review; Chapter 22.900D, Fees for New and Altered Buildings and Equipment; Chapter 22.900E, Fees for Certificates and Registrations; Chapter 22.900F, Compliance and Other Inspections; and Chapter 22.900G, Fees Collected for Other Departments.

ORDINANCE NO. 123756

AN ORDINANCE relating to a reorganization of the Human Services Department; amending Section 3.20.040 of the Seattle Municipal Code to restructure, rename and create various divisions in the Human Services Department.

ORDINANCE NO. 123757

AN ORDINANCE relating to the City Light Department, directing the transfer of certain funds in the Light Fund into the Rate Stabilization Account in 2011, and amending SMC 21.49.086 (G) relating to the operation of said Account.

ORDINANCE NO. 123758

AN ORDINANCE adopting a budget, including a capital improvement program and position modifications, for The City of Seattle for 2012; creating positions exempt from civil service, all by a two-thirds vote of the City Council.

ORDINANCE NO. 123759

AN ORDINANCE relating to the Department of Parks and Recreation; establishing the 2012 fee schedule for the use of park properties and other park and recreation facilities and services; superseding previous park and recreation fee schedules; and amending Section 18.28.010 of the Seattle Municipal Code.

ORDINANCE NO. 123760

AN ORDINANCE amending the 2011 Budget, including the 2011-2016 Capital Improvement Program (CIP); changing appropriations to various departments and budget control levels; and from various funds in the Budget; revising project descriptions; revising project allocations for certain projects in the 2011-2016 CIP; making cash transfers between various city funds; creating new appropriations, amending ordinances 123442 and 123664; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

ORDINANCE NO. 123761

AN ORDINANCE relating to the Alaskan Way Viaduct and Seawall Replacement Program; authorizing the creation of a City fund; and authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the new fund.

ORDINANCE NO. 123762

AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all

taxable property, both real and personal, in The City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2012; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123763

AN ORDINANCE authorizing the levy of regular property taxes by The City of Seattle for collection in 2012, representing an increase above the regular property taxes levied for collection in 2011; and ratifying and confirming certain prior acts

ORDINANCE NO. 123764

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

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