

Ordinance No. 122797

Council Bill No. 116284

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

CF No. \_\_\_\_\_

Date Introduced: <u>7.28.08</u>		
Date 1st Referred:	To: (c) Environment, Emergency Mgmt & Utilities (EEMU)	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>9-22-08</u>	Full Council Vote: <u>9-0</u>	
Date Presented to Mayor: <u>9-23-08</u>	Date Approved: <u>9-29-08</u>	
Date Returned to City Clerk: <u>10-2-08</u>	Date Published: <u>SS</u>	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

# The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Richard Conlin  
Councilmember

## Committee Action:

9/12/08 - passed 2-0 ye, Conlin, McIver

9-22-08 Passed 9-0

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

Committee: RC 9/12/08  
(initial/date)

## LAW DEPARTMENT

Law Dept. Review	OMP Review	City Clerk Review	Electronic Copy Loaded	Indexed
------------------	------------	-------------------	------------------------	---------



# City of Seattle

Gregory J. Nickels, Mayor

## Office of the Mayor

July 15, 2008

Honorable Richard Conlin  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that provides authorization for the issuance of up to \$117.6 million of Seattle Public Utility Water System revenue bonds. This bond issue is assumed in the current rates proposal. The bonds will be used for a variety of Capital Improvement Projects, including the Reservoir Covering Program, Morse Lake Pump Plant, Conservation Programs and the Cedar Sockeye Hatchery.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck (DOF) at 4-8347 or Regina Carpenter (SPU) at 4-0836.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels", written over a large, faint circular stamp or watermark.

GREG NICKELS  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

---

600 Fourth Avenue, 7<sup>th</sup> Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 615-0476 Fax: (206) 684-5360, Email: [mayors.office@seattle.gov](mailto:mayors.office@seattle.gov)

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**ORDINANCE [122797]**

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

Passed [ 9/22/08 ]



TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3		
4	Section 1. Definitions.....	1
5	Section 2. Adoption of Plan of Additions.....	15
6	Section 3. Authorization and Description of Bonds .....	16
7	Section 4. Bond Resolution.....	17
8	Section 5. Registration and Transfer or Exchange of Bonds.....	18
9	Section 6. Mutilated, Lost, Stolen and Destroyed Bonds .....	21
10	Section 7. Payment of Bond Principal and Interest .....	22
11	Section 8. Redemption and Purchase of Bonds .....	23
12	Section 9. Notice of Redemption .....	24
13	Section 10. Failure to Redeem Bonds.....	25
14	Section 11. Form and Execution of Bonds .....	25
15	Section 12. Bond Registrar; Appointment of Other Agents .....	26
16	Section 13. Bond Account .....	27
17	Section 14. Construction Account; Deposit of Proceeds .....	29
18	Section 15. Rate Stabilization Account .....	30
19	Section 16. Finding as to Sufficiency of Gross Revenue.....	30
20	Section 17. Pledge of Net Revenue and Lien Position .....	31
21	Section 18. Parity Bond Covenants .....	31
22	Section 19. Flow of Funds .....	37
23	Section 20. Provisions for Future Parity Bonds.....	38
24	Section 21. Reimbursement Obligations.....	40
25	Section 22. Separate Utility Systems .....	41
26	Section 23. Contract Resource Obligations .....	41
27	Section 24. Preservation of Tax Exemption for Interest on Bonds.....	42
28	Section 25. Continuing Disclosure .....	43
	Section 26. Refunding or Defeasance of Bonds .....	43
	Section 27. Amendatory and Supplemental Ordinances.....	44
	Section 28. Defaults and Remedies .....	47
	Section 29. Sale of Bonds .....	53
	Section 30. General Authorization.....	54
	Section 31. Severability .....	54



1	Section 32. Ratification of Prior Acts .....	54
2	Section 33. Section Headings .....	55
3	Section 34. Effective Date .....	55

4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**ORDINANCE [\_\_\_\_\_]**

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

WHEREAS, The City of Seattle (the "City") owns and operates a municipal water system (the "Municipal Water System"), which Municipal Water System has from time to time required various additions, improvements and extensions; and

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

WHEREAS, the City has previously issued water system revenue bonds pursuant to the ordinances and resolutions set forth in Exhibit A to this ordinance (the "Outstanding Parity Bonds"); and

WHEREAS, the City has determined that it is in the best interest of the City to authorize the issuance and sale, subject to the provisions of this ordinance, of water system revenue bonds (the "Bonds") as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

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

**"Accreted Value"** means:

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

or

1  
2 (2) with respect to original issue discount bonds under the Code, as of the  
3 time of calculation, the amount representing the initial public offering price of such original  
4 issue discount bonds plus the amount of the discounted principal which has accreted since the  
5 date of issue, determined in accordance with the provisions of the applicable Parity Bond  
6 Authorizing Ordinance.

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

11 **“Adjusted Gross Revenue of the Municipal Water System”** or **“Adjusted Gross**  
12 **Revenue”** means Gross Revenue of the Municipal Water System plus withdrawals from the  
13 Rate Stabilization Account and minus (1) ULID Assessments, (2) earnings from investments in  
14 the Reserve Subaccount and (3) deposits into the Rate Stabilization Account.

15 **“Adjusted Net Revenue of the Municipal Water System”** or **“Adjusted Net**  
16 **Revenue”** means Adjusted Gross Revenue less Operation and Maintenance Expenses.

17 **“Annual Debt Service”** means, for any fiscal year of the City, all amounts required to  
18 be paid in respect of interest on and principal of Parity Bonds and Payment Agreement  
19 Payments in respect of Parity Payment Agreements, subject to the following:

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

1  
2 (ii) Interest on Parity Bonds. For purposes of determining compliance with  
3 the Coverage Requirement, the Reserve Requirement and conditions for the issuance of Future  
4 Parity Bonds,

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

11 (B) Interest on Variable Interest Rate Bonds. The amount of interest  
12 deemed to be payable on any issue of Variable Interest Rate Bonds shall be calculated on the  
13 assumption that the interest rate on those bonds would be equal to the rate (the “assumed  
14 RBI-based rate”) that is 90% of the average RBI during the fiscal quarter preceding the quarter  
15 in which the calculation is made;

16 (C) Interest on Parity Bonds With Respect to Which a Payment  
17 Agreement is in Force. Debt service on Parity Bonds with respect to which a Payment  
18 Agreement is in force shall be based on the net economic effect on the City expected to be  
19 produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including  
20 but not limited to the effects that (i) Parity Bonds that would, but for a Payment Agreement, be  
21 treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as  
22 obligations bearing interest at a fixed interest rate, and (ii) Parity Bonds that would, but for a  
23 Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead  
24 shall be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the  
25 amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment  
26 Agreement is in force shall be an amount equal to the amount of interest that would be payable  
27 at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus

1 Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment  
2 Agreement Receipts and Payment Agreement Payments under a Payment Agreement, the  
3 following assumptions shall be made:

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

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

24 (3) Variable Interest Rate Bonds and Payment Agreements  
25 Having Different Variable Rate Interest Components. If a Payment Agreement obligates either  
26 the City or the Qualified Counterparty to make payments of a variable rate interest component  
27



1 on a basis that is different (including, without limitation, on a different variable rate index)  
2 from the basis that is required to be used to calculate interest on the Parity Bonds that would,  
3 but for the Payment Agreement, be treated as Variable Interest Rate Bonds, it shall be assumed:

4 (a) City Obligated to Make Payments Based on  
5 Variable Rate Index. If payments by the City under the Payment Agreement are to be based on  
6 a variable rate index and payments by the Qualified Counterparty are to be based on a fixed  
7 rate, that payments by the City to the Qualified Counterparty will be based upon an interest rate  
8 equal to the assumed RBI-based rate, and that payments by the Qualified Counterparty to the  
9 City will be based on the fixed rate specified by the Payment Agreement; and

10 (b) City Obligated to Make Payments Based on Fixed  
11 Rate. If payments by the City under the Payment Agreement are to be based on a fixed rate and  
12 payments by the Qualified Counterparty are to be based on a variable rate index, that payments  
13 by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the  
14 “assumed fixed payor rate”) that is 105% of the fixed rate specified by the Payment Agreement,  
15 and that payments by the Qualified Counterparty to the City will be based on a rate equal to the  
16 actual Variable Interest Rate on the Variable Interest Rate Bonds;

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

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

1  
2 outstanding Parity Bonds because the Parity Payment Agreement is not then related to any  
3 outstanding Parity Bonds, debt service on that Parity Payment Agreement shall be taken into  
4 account by assuming:

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

6 If the City is obligated to make Payment Agreement Payments based on a fixed rate and the  
7 Qualified Counterparty is obligated to make payments based on a variable rate index, that  
8 payments by the City will be based on the assumed fixed payor rate, and that payments by the  
9 Qualified Counterparty will be based on a rate equal to the average rate determined by the  
10 variable rate index specified by the Parity Payment Agreement during the fiscal quarter  
11 preceding the quarter in which the calculation is made, and

12 (2) City Obligated to Make Payments Based on Variable Rate

13 Index. If the City is obligated to make Payment Agreement Payments based on a variable rate  
14 index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that  
15 payments by the City will be based on a rate equal to the average rate determined by the  
16 variable rate index specified by the Parity Payment Agreement during the fiscal quarter  
17 preceding the quarter in which the calculation is made, and that the Qualified Counterparty will  
18 make payments based on the fixed rate specified by the Parity Payment Agreement; and

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

23 **“Average Annual Debt Service”** means the sum of the Annual Debt Service for the  
24 remaining years to the last scheduled maturity of the applicable issue or issues of Parity Bonds  
25 divided by the number of those years.

26 **“Balloon Bonds”** means any series of Parity Bonds designated as Balloon Bonds in the  
27 applicable Parity Bond Authorizing Ordinance.

1  
2        **Bond Account** means that special account of the City known as the Water Revenue  
3 Bond Account created by Ordinance 116705 in the Water Fund of the City for the payment of  
4 the principal of, mandatory sinking fund payments, Payment Agreement Payments, premiums,  
5 (if any), and interest on the Parity Bonds.

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

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

12       **Bond Insurer** means any provider of Bond Insurance approved by the City Council  
13 by ordinance or resolution.

14       **Bond Register** means the books or records maintained by the Bond Registrar on  
15 which are recorded the names and addresses of the Registered Owners of each of the Bonds.

16       **Bond Registrar** or **Registrar** means the Fiscal Agency of the State of  
17 Washington, or any successor bond registrar selected by the City, whose duties include the  
18 registration and authentication of the Bonds, maintenance of the Bond Register, effecting  
19 transfer of ownership of the Bonds, and paying the principal of and premium, if any, and  
20 interest on the Bonds.

21       **Bond Resolution** means one or more resolutions of the City Council adopted  
22 pursuant to this ordinance to specify certain additional provisions of each series of Bonds and  
23 their sale.

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

26       **Capital Appreciation Bonds** means any Parity Bonds, all or a portion of the interest  
27 on which is compounded and accumulated at the rates or in the manner, and on the dates, set  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

forth in the applicable Parity Bond Authorizing Ordinance and is payable only upon redemption or on the maturity date of such Parity Bonds. Parity Bonds that are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

“**CIP**” means the portion or portions relating to the Municipal Water System of the “2008-2013 Capital Improvement Program” of the City as adopted by the City in Ordinance 122560, together with any previously adopted Capital Improvement Program of the City, as that Capital Improvement Program may be amended, updated, supplemented or replaced from time to time.

“**City**” means The City of Seattle, Washington.

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

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

“**Code**” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“**Construction Account**” means the Water System Construction Subaccount, 2008, created by this ordinance in the Water System Construction Account, which account was previously created in the Water Fund.

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



1 not include earnings of a separate utility system that may be acquired or constructed by the City  
2 pursuant to Section 22 of this ordinance; principal proceeds of Parity Bonds or other  
3 borrowings; or earnings or proceeds from any investments in a trust, defeasance or escrow fund  
4 created to defease or refund Municipal Water System obligations (until commingled with other  
5 earnings and revenues of the Municipal Water System defined as Gross Revenue) or held in a  
6 special account for the purpose of paying a rebate to the United States Government under the  
7 Code.

8  
9 **“Independent Consulting Engineer”** means either (1) an independent licensed  
10 professional engineer experienced in the design, construction or operation of municipal utilities  
11 of comparable size and character to the Municipal Water System, or (2) an independent  
12 certified public accountant or other professional consultant experienced in the development of  
13 rates and charges for municipal utilities of comparable size and character to the Municipal  
14 Water System.

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

17 **“Maximum Annual Debt Service”** means at the time of calculation, the maximum  
18 amount of Annual Debt Service that will mature or come due in the current year or any future  
19 year on the Parity Bonds.

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

26 **“Net Revenue of the Municipal Water System”** or **“Net Revenue”** means the Gross  
27 Revenue less Operation and Maintenance Expenses.

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

14           **“Outstanding Parity Bonds”** means the then outstanding 1997 Bonds, 1998 Bonds,  
15 1999B Bonds, 2001 Bonds, 2003 Bonds, 2004 Bonds, 2005 Bonds and 2006 Bonds, as  
16 described in Exhibit A.

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

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

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

26           **“Payment Agreement”** means a written agreement, for the purpose of managing or  
27 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,  
28

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

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

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

12 **“Plan of Additions”** means, collectively, the CIP and the Water System Plan, as they  
13 may be modified hereafter as described herein.

14 **“Principal and Interest Subaccount”** means the account of that name created in the  
15 Bond Account for the payment of the principal of and interest and mandatory redemption  
16 requirements, if any, on the Parity Bonds.

17 **“Qualified Counterparty”** means a party (other than the City or a party related to the  
18 City) who is the other party to a Payment Agreement and (1)(a) whose senior debt obligations  
19 are rated in one of the three highest rating categories of each of the Rating Agencies (without  
20 regard to any gradations within a rating category) or (b) whose obligations under the Payment  
21 Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or  
22 other institution which has been assigned a credit rating in one of the two highest rating  
23 categories of each of the Rating Agencies, and (2) who is otherwise qualified to act as the other  
24 party to a Payment Agreement under any applicable laws of the State.

1  
2           **“Rate Stabilization Account”** means the account of that name created in the Water  
3 Fund pursuant to Ordinance 116705 and redesignated for accounting purposes as the Revenue  
4 Stabilization Subfund of the Water Fund pursuant to Ordinance 120875.

5           **“Rating Agencies”** means Moody’s Investors Service, Inc., and Standard & Poor’s  
6 Ratings Services, a Division of The McGraw-Hill Companies, Inc., and their successors, and  
7 any other nationally-recognized securities rating agency or agencies rating Parity Bonds at the  
8 request of the City.

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

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

14           **“Reserve Insurance”** means any bond insurance, letter of credit, guaranty, surety bond  
15 or similar credit enhancement device obtained by the City equal to part or all of the Reserve  
16 Requirement for any Parity Bonds which is issued by an institution which has been assigned a  
17 credit rating at the time of issuance of the device in one of the two highest rating categories of  
18 each of the Rating Agencies.

19           **“Reserve Requirement”** means as of any date the lesser of Maximum Annual Debt  
20 Service or 125% of Average Annual Debt Service on the Parity Bonds.

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

23           **“Securities Depository”** means any one of the following registered securities  
24 depositories which has been designated by the City: (i) DTC; (ii) Midwest Securities Trust  
25 Company, Chicago, Illinois; (iii) Philadelphia Depository Trust Company, Philadelphia,  
26 Pennsylvania; or (iv) such other securities depositories as the City may designate in a certificate  
27 of the City delivered to the Bond Registrar.



1  
2 Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity  
3 Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the  
4 applicable Parity Bond Authorizing Ordinance, or the net economic effect of a Payment  
5 Agreement with respect to particular Parity Bonds, in either case is to produce obligations that  
6 bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment  
7 Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect  
8 of the Payment Agreement is to produce obligations that bear interest at a Variable Interest  
9 Rate.

10 **“Water Fund”** means the fund of that name into which is paid the Gross Revenue of  
11 the Municipal Water System.

12 **“Water System Plan”** means the long range water system plan known as the 2007  
13 Water System Plan adopted by the City in Ordinance 122309, as that Water System Plan may  
14 be amended, updated, supplemented or replaced from time to time.

15 **Section 2. Adoption of Plan of Additions.** The CIP and the Water System Plan  
16 constitute a system or plan of additions to or betterments or extensions of the Municipal Water  
17 System (the “Plan of Additions” and each element thereof an “Addition”). To the extent not  
18 previously specified, adopted and ordered to be carried out by the City by ordinance, the City  
19 specifies, adopts and orders to be carried out the Plan of Additions as generally provided for in  
20 the Water System Plan and the CIP. The estimated cost of the Plan of Additions, as near as  
21 may be determined, is declared to be \$479,877,000, of which \$368,449,000 is expected to be  
22 financed from the proceeds of the Bonds and investment earnings thereon.

23 The Plan of Additions shall include any amendments, updates, supplements or  
24 replacements to the CIP or the Water System Plan, all of which automatically shall constitute  
25 amendments to the Plan of Additions. The Plan of Additions also may be modified, without  
26 amending the CIP or the Water System Plan, to include other improvements if the City  
27

1 determines by ordinance that those amendments or other improvements constitute a system or  
2 plan of additions to or betterments or extensions of the Municipal Water System.

3  
4 The Plan of Additions includes the purchase and installation of all materials, supplies,  
5 appliances, equipment (including but not limited to data processing hardware and software and  
6 conservation equipment) and facilities, the acquisition of all permits, franchises, property and  
7 property rights, other capital assets and all engineering, consulting and other professional  
8 services and studies (whether performed by the City or by other public or private entities)  
9 necessary or convenient to carry out the Plan of Additions.

10 **Section 3. Authorization and Description of Bonds.** The City shall issue and sell  
11 Bonds in the aggregate principal amount of not to exceed \$117,635,000 for the purposes of  
12 paying all or part of the cost of carrying out the Plan of Additions, providing a bond reserve  
13 and issuing and selling the Bonds. The Bonds shall be issued as Parity Bonds, may be issued in  
14 one or more series, and may be combined with other Parity Bonds authorized separately.

15 The Bonds shall be dated and have such title, year and series or other designation as  
16 determined by the Director of Finance or as specified by the Bond Resolution; shall be in the  
17 denomination of \$5,000 or any integral multiple thereof within a single maturity or such other  
18 denomination specified in the Bond Resolution; and shall be numbered separately, in the  
19 manner and with any additional designation as the Bond Registrar deems necessary for the  
20 purpose of identification. The Bonds shall mature on the dates and in the amounts and bear  
21 interest payable on the dates and at the rates specified in the Bond Resolution, except that the  
22 net interest cost shall not exceed a weighted average rate of 10.0% per annum. The final  
23 maturity of any series of Bonds shall not extend beyond the reasonable life expectancy of the  
24 improvements, and in no event beyond 40 years from the issue date for that series.

25 The Bonds shall be subject to optional or mandatory redemption, purchase or  
26 defeasance on the terms and at the times specified in the Bond Resolution, and all or some of  
27 the Bonds may be Term Bonds with mandatory redemption amounts, all as specified by the

1  
2 Bond Resolution. The Director of Finance also may specify in Bond closing documents the  
3 respective amounts of each maturity of the Bonds allocated to paying the costs of carrying out  
4 the Plan of Additions.

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

11 For each series of Bonds, the Bond Resolution may provide for Bond Insurance or  
12 Reserve Insurance, and conditions or covenants relating thereto, including additional terms,  
13 conditions and covenants relating to the Bonds that are required by the bond insurer or letter of  
14 credit provider and are consistent with the provisions of this ordinance, including but not  
15 limited to restrictions on investments and requirements of notice to and consent of the bond  
16 insurer or letter of credit provider.

17 For each series of Bonds, the Bond Resolution may approve and authorize the execution  
18 and delivery on behalf of the City of any contracts consistent with the provisions of this  
19 ordinance for which the City's approval is necessary or to which the City is a party and that are  
20 related or incidental to the initial issuance and sale of the Bonds, the initial establishment of the  
21 interest rate or rates on the Bonds, and any redemption of the Bonds, including but not limited  
22 to Payment Agreements and similar contracts for such purposes.

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

1  
2           **Section 5.    Registration and Transfer or Exchange of Bonds.** The Bonds shall be  
3 issued only in registered form as to both principal and interest and recorded on the Bond  
4 Register. The Bond Register shall contain the name and mailing address of the Registered  
5 Owner of each Bond and the principal amount and number of each of the Bonds held by each  
6 Registered Owner.

7           Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any  
8 authorized denomination of an equal aggregate principal amount and of the same series, interest  
9 rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon  
10 and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the  
11 Registered Owner or transferee. The Bond Registrar shall not be obligated to exchange or  
12 transfer any Bond during the 15 days preceding any principal or interest payment or redemption  
13 date (or other record date established by the Bond Resolution).

14           The City appoints DTC as initial Securities Depository for the Bonds. For so long as  
15 DTC is the Securities Depository for the Bonds, DTC or its nominee shall be deemed to be the  
16 Registered Owner of the Bonds for all purposes hereunder, and all references in this ordinance  
17 or the Bond Resolution to the Registered Owners of the Bonds shall mean DTC or its nominee  
18 and shall not mean the owners of any beneficial interests in the Bonds. Payments of principal  
19 of, premium, if any, and interest on all outstanding Bonds registered in the name of the  
20 nominee of DTC, or its registered assign, shall be made as provided in the Letter of  
21 Representations.

22           Bonds executed and delivered in fully immobilized form shall be executed and  
23 delivered in the form of one fully-registered immobilized certificate for each series and  
24 maturity of the Bonds representing the aggregate principal amount of the Bonds of that series  
25 and maturity, which Bonds shall (except as provided below for the discontinuation or  
26 substitution of Securities Depository) be registered in the name of the Securities Depository or  
27 its nominee. For so long as DTC serves as Securities Depository for the Bonds, the Bonds shall  
28

1  
2 be registered in the name of Cede & Co., as nominee of DTC; however, if DTC shall request  
3 that the Bonds be registered in the name of a different nominee, the Bond Registrar shall  
4 exchange all or any portion of the Bonds for an equal aggregate principal amount of Bonds  
5 registered in the name of such other nominee or nominees of DTC. No person other than DTC  
6 or its nominee shall be entitled to receive from the City or the Bond Registrar any Bond or any  
7 other evidence of ownership of the Bonds, or any right to receive any payment in respect  
8 thereof, unless DTC or its nominee shall transfer record ownership of all or any portion of the  
9 Bonds on the Bond Register, in connection with discontinuing the book entry system as  
10 provided below or otherwise.

11 For so long as the Bonds are registered in the name of DTC or any nominee thereof, all  
12 payments of the principal of, or premium, if any, or interest with respect to the Bonds shall be  
13 made to DTC or its nominee in immediately available funds on the dates provided for such  
14 payments under this ordinance and the Bond Resolution and at such times and in the manner  
15 provided in the Letter of Representations. Each such payment to DTC or its nominee shall be  
16 valid and effective to fully discharge all liability of the City or the Bond Registrar with respect  
17 to the principal of, premium, if any, or interest with respect to the Bonds to the extent of the  
18 sum or sums so paid. In the event of the redemption of less than all of the Bonds of any series  
19 and maturity, the Bond Registrar shall not require surrender by DTC or its nominee of the  
20 Bonds so redeemed, and DTC or its nominee may retain such Bonds and make an appropriate  
21 notation thereon as to the amount of such partial redemption. DTC shall deliver to the Bond  
22 Registrar, upon request, a written confirmation of such partial redemption. The records  
23 maintained by the Bond Registrar shall be conclusive as to the amount of the Bonds of such  
24 series and maturity that have been redeemed.

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



1 record date for such consent or other action; however, the City or the Bond Registrar may  
2 establish a special record date for such consent or other action and shall give DTC notice of  
3 such special record date not less than 15 calendar days in advance of such special record date to  
4 the extent practical.

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

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

23 **Section 6. Mutilated, Lost, Stolen and Destroyed Bonds.** In case any Bonds  
24 issued hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not  
25 then prohibited or otherwise required by law, cause to be executed and delivered a new Bond of  
26 like amount, interest rate, maturity date, series and tenor in exchange and substitution for and  
27

1 upon cancellation of such mutilated Bonds, or in lieu of and in substitution for such destroyed,  
2 stolen or lost Bonds, upon payment by the Registered Owner thereof of the reasonable  
3 expenses and charges of the City and the Bond Registrar in connection therewith, and in the  
4 case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence  
5 satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and  
6 furnishing the City and the Bond Registrar with indemnity satisfactory to each of them. If the  
7 mutilated, destroyed, stolen or lost Bond already has matured or been called for redemption in  
8 accordance with its terms it shall not be necessary to issue a new Bond prior to payment. If the  
9 provisions of State law at any time differ from the provisions of this Section with respect to the  
10 requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or  
11 destroyed Bonds, then the provisions of State law shall prevail.

12           **Section 7. Payment of Bond Principal and Interest.** Principal of, premium, if  
13 any, and interest on the Bonds shall be payable in lawful money of the United States of  
14 America. Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar  
15 on the interest payment date to the Registered Owners at the addresses appearing on the Bond  
16 Register on the 15th day of the month preceding the interest payment date (or other record date  
17 established by the Bond Resolution) (the "Record Date") or, at the request of a Registered  
18 Owner of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an  
19 account in the United States designated in writing by such Registered Owner prior to the  
20 Record Date. Principal of and premium, if any, on the Bonds shall be payable upon  
21 presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar.  
22 Notwithstanding the foregoing, payment of any Bonds registered in the name of DTC or its  
23 nominee shall be made in accordance with the Letter of Representations.

24           The Bonds shall be payable solely out of the Bond Account and shall not be general  
25 obligations of the City.  
26



1  
2 Portions of the principal amount of any Bond, in integral amounts 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 the principal office of the  
5 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  
7 interest rate in any of the denominations authorized by the Bond Resolution in the aggregate  
8 total principal amount remaining unredeemed.

9 (d) **Purchase.** The City reserves the right and option to purchase any or all  
10 of the 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 8 shall be  
12 credited at the par amount thereof against the next mandatory redemption requirement, or as  
13 otherwise directed by the Director of Finance.

14 (e) **Bonds to be Canceled.** All Bonds purchased or redeemed under this  
15 Section 8 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 30 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  
20 prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled  
21 when notice has been mailed as so provided, whether or not it is actually received by the  
22 Registered Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue  
23 on the date fixed for redemption unless the Bond or Bonds called are not redeemed when  
24 presented pursuant to the call. In addition, the redemption notice shall be mailed by the Bond  
25 Registrar within the same period, postage prepaid, to each of the Rating Agencies at their  
26 offices in New York, New York, to any Bond Insurer for the Bonds, and to such other persons  
27 and with such additional information as the Director of Finance shall determine or as specified

1  
2 in the Bond Resolution, but these additional mailings shall not be a condition precedent to the  
3 redemption of Bonds.

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

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

15 Only Bonds bearing a Certificate of Authentication in substantially the following form  
16 (with the title or designation, year and series completed, consistent with the Bond Resolution)  
17 manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled  
18 to the benefits of this ordinance:

19 **CERTIFICATE OF AUTHENTICATION**

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

22 Bond Registrar

23 By: \_\_\_\_\_  
24 Authorized Signer

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

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

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

19 The City reserves the right in its discretion to appoint special paying agents, registrars  
20 or trustees in connection with the payment of some or all of the principal of or interest on the  
21 Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the  
22 new Bond Registrar shall be mailed to the Registered Owners of the Bonds. The notice may be  
23 mailed together with the next interest payment due on the Bonds, but, to the extent practicable,  
24 shall be mailed not less than 15 days prior to a maturity date of the principal or a mandatory  
25 redemption date of any Bond.

26 The Bond Registrar shall be responsible for its representations contained in the Bond  
27 Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the  
28

1 Registered Owner of Bonds with the same rights it would have if it were not the Bond Registrar  
2 and, to the extent permitted by law, may act as depository for and permit any of its officers or  
3 directors to act as members of, or in any other capacity with respect to, any committee formed  
4 to protect the rights of the Registered Owners of the Bonds.  
5

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

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

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

28 The Reserve Insurance shall not be cancelable on less than three years'  
notice. On receipt of a notice of cancellation of any Reserve Insurance or upon  
notice that the entity providing the Reserve Insurance no longer meets the  
requirements specified herein, the City shall substitute Reserve Insurance in the  
amount required to make up the deficiency created in the Reserve Subaccount or  
in the alternative shall create a special account in the Water Fund and deposit  
therein, on or before the 25th day of each of the 36 succeeding calendar months

1 (commencing with the 25th day of the calendar month next following the date of  
2 the notice) 1/36th of the amount sufficient, together with other money and  
3 investments on deposit in the Reserve Subaccount, to equal the Reserve  
4 Requirement in effect as of the date the cancellation or disqualification of the  
5 entity becomes effective. The required amounts shall be deposited in that  
6 special account from money in the Water Fund after making provision for  
7 payment of Operation and Maintenance Expenses and for required payments  
8 into the Bond Account. Amounts on deposit in that special account shall not be  
9 available to pay debt service on Parity Bonds or for any other purpose of the  
10 City, and shall be transferred to the Reserve Subaccount on the effective date of  
11 any cancellation of a Reserve Insurance to make up all or part of the deficiency  
12 caused thereby. Amounts in that special account or in the Reserve Subaccount  
13 may be transferred back to the Water Fund and used for any purpose if and  
14 when qualifying Reserve Insurance is obtained.

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

20 In the event that there shall be a deficiency in the Principal and Interest Subaccount to  
21 meet maturing installments of either principal or interest or mandatory redemption  
22 requirements, as the case may be, that deficiency shall be made up from the Reserve  
23 Subaccount by the withdrawal of cash therefrom for that purpose. Any deficiency created in  
24 the Reserve Subaccount by reason of any such withdrawal shall within 12 months be made up  
25 from ULID Assessments and Net Revenue available after making necessary provisions for the  
26 required payments into the Principal and Interest Subaccount.

27 The money in the Reserve Subaccount may be applied to the payment of the last  
28 outstanding bonds payable out of the Bond Account, except that any money in the Reserve  
Subaccount (including investment earnings) in excess of the Reserve Requirement may be  
withdrawn and deposited in the Principal and Interest Subaccount and spent for the purpose of  
retiring Parity Bonds or may be deposited in any other fund or account and spent for any other

1 lawful Municipal Water System purpose. When the total amount in the Bond Account  
2 (including investment earnings) shall equal the total amount of principal and interest for all  
3 Parity Bonds to the last maturity thereof, no further payment need be made into the Bond  
4 Account.

5  
6 The City may provide for the purchase, redemption or defeasance of any Parity Bonds  
7 by the use of money on deposit in any subaccount in the Bond Account as long as the money  
8 remaining in those subaccounts is sufficient to satisfy the required deposits in those  
9 subaccounts for the remaining Parity Bonds.

10 All money in the Bond Account may be kept in cash or invested in legal investments  
11 maturing, for investments in the Principal and Interest Subaccount, not later than the dates  
12 when the funds are required for the payment of principal of or interest on the Parity Bonds and,  
13 for investments in the Reserve Subaccount, maturing (or subject to redemption, or repurchase  
14 and redemption, at the option of the City) on a date not later than 15 years from the date of  
15 investment.

16 Earnings from investments in the Principal and Interest Subaccount shall be deposited  
17 in that account. Earnings from investments in the Reserve Subaccount shall be deposited in  
18 that account. Notwithstanding the provisions for the deposit of earnings, any earnings that are  
19 subject to federal arbitrage rebate requirements may be withdrawn from the Bond Account for  
20 deposit into a separate fund or account created for the purpose of compliance with those rebate  
21 requirements.

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

25 **Section 14. Construction Account; Deposit of Proceeds.** There has been created in  
26 the Water Fund an account known as the Water System Construction Account, within which  
27 account is created a subaccount to be known as the Water System Construction Subaccount,

1  
2 2008 (the "Construction Account"). The principal proceeds of the sale of the Bonds remaining  
3 after (1) the deposit of accrued interest on the Bonds, if any, into the Principal and Interest  
4 Subaccount, and (2) the deposit of any proceeds as determined by the Bond Resolution into the  
5 Reserve Subaccount, shall be deposited into the Construction Account to be used for the  
6 purpose of paying part of the costs of carrying out the Plan of Additions and to pay for the costs  
7 of issuance of the Bonds. Until needed to pay such costs, the City may invest principal  
8 proceeds and interest thereon temporarily in any legal investment, and the investment earnings  
9 may, as determined by the Director of Finance, be retained in the Construction Account and be  
10 spent for the purposes of that fund or deposited in the Bond Account.

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

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

22 **Section 16. Finding as to Sufficiency of Gross Revenue.** A series of Bonds will be  
23 issued only if the City Council finds and determines by the Bond Resolution (i) that the Gross  
24 Revenue and benefits to be derived from the operation and maintenance of the Municipal Water  
25 System of the City at the rates to be charged from time to time for water and other services and  
26 commodities from the Municipal Water System consistent with Section 18(b) hereof, will be  
27 sufficient to meet all Operation and Maintenance Expenses and to permit the setting aside into  
28

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

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

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

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

26 (b) **Establishment and Collection of Rates and Charges.** It will establish,  
27 maintain and collect rates and charges for services and facilities provided by the Municipal  
28

1 Water System which will be fair and equitable, and will adjust those rates and charges from  
2 time to time so that:

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

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

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

15 The failure of the City to comply with subparagraphs (1) and (2) of this paragraph (b)  
16 shall not be an Event of Default if the City promptly retains an Independent Consulting  
17 Engineer to recommend to the City Council adjustments in the rates of the Municipal Water  
18 System necessary to meet the requirements of those subparagraphs and if the City Council  
19 adopts the recommended modifications within 180 days of the date the failure became known  
20 to the City Council.

21 (c) **Sale, Transfer or Disposition of the Municipal Water System.** It will  
22 sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part  
23 of the Municipal Water System or any real or personal property comprising a part of the  
24 Municipal Water System only upon approval by ordinance and only consistent with one or  
25 more of the following:  
26

1  
2 (1) The City in its discretion may carry out such a sale, transfer or  
3 disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property  
4 transferred are not material to the operation of the Municipal Water System, or shall have  
5 become unserviceable, inadequate, obsolete or unfit to be used in the operation of the  
6 Municipal Water System or are no longer necessary, material or useful to the operation of the  
7 Municipal Water System; or

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

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

1  
2 (y) the Independent Consulting Engineer's estimate of revenue from customers anticipated to  
3 be served by any additions to and betterments and extensions of the Municipal Water System  
4 financed in part by the proposed portion of the proceeds of the transfer, and (z) any other  
5 adjustment permitted in the preparation of a certificate under Section 20(f)(2) of this ordinance.  
6 Before such a transfer, the City also must obtain confirmation from each of the Rating  
7 Agencies to the effect that the rating then in effect will not be reduced or withdrawn upon such  
8 transfer.

9 The amount required to be paid to the City may be reduced by any "equity credits" or  
10 similar amounts based on prior capital contributions or other payments to the City which, under  
11 any contract between the City and the transferee, are allowed as a setoff against the transfer  
12 price that would otherwise be payable to the City.

13 *Upon the redemption or defeasance of all then outstanding 1997 Bonds, 1998 Bonds,*  
14 *1999B Bonds, 2001 Bonds, 2003 Bonds, and 2004 Bonds, the City may sell, transfer or*  
15 *otherwise dispose of any of the works, plant, properties, facilities or other part of the Municipal*  
16 *Water System or any real or personal property comprising a part of the Municipal Water*  
17 *System only consistent with one or more of the following:*

18 (1) *The City in its discretion may carry out such a sale, transfer or disposition*  
19 *(each, a "transfer") if the facilities or property transferred are not material to the operation of*  
20 *the Municipal Water System, or shall have become unserviceable, inadequate, obsolete or unfit*  
21 *to be used in the operation of the Municipal Water System or are no longer necessary, material*  
22 *or useful to the operation of the Municipal Water System; or*

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

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

21 (d) **Liens Upon the Municipal Water System.** Except as otherwise  
22 provided in this ordinance, it will not at any time create or permit to accrue or to exist any lien  
23 or other encumbrance or indebtedness upon the Gross Revenue or any part thereof, prior or  
24 superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or  
25 cause to be paid and discharged, any and all lawful claims for labor, materials or supplies  
26 which, if unpaid, might become a lien or charge upon the Gross Revenue or any part thereof,  
27  
28

1  
2 prior or superior to, or on a parity with, the lien of the Parity Bonds, or which might impair the  
3 security of the Parity Bonds.

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

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

23           (g)     **Maintenance of Insurance.** It at all times will carry fire and extended  
24 coverage, public liability and property damage and such other forms of insurance with  
25 responsible insurers and with policies payable to the City on such of the buildings, equipment,  
26 works, plants, facilities and properties of the Municipal Water System as are ordinarily carried  
27 by municipal or privately owned utilities engaged in the operation of like systems, and against

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

5  
6 (h) **Condemnation Awards and Insurance Proceeds.** If the City receives  
7 any condemnation awards or proceeds of an insurance policy in connection with any loss of or  
8 damage to any property of the Municipal Water System, it shall apply the condemnation award  
9 or insurance proceeds, in the City's sole discretion, either (i) to the cost of replacing or  
10 repairing the lost or damaged properties, (ii) to the payment, purchase or redemption of Parity  
11 Bonds, or (iii) to the cost of improvements to the Municipal Water System.

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

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

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

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

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

1 (e) To make all payments required to be made into any revenue  
2 bond, note, warrant or other revenue obligation redemption fund, debt service  
3 account or reserve account created to pay or secure the payment of the principal  
4 of and interest on any revenue bonds, notes, warrants or other obligations of the  
5 City having a lien upon the revenue of the Municipal Water System junior and  
inferior to the lien thereon for the payment of the principal of and interest on the  
Parity Bonds; and

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

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

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

18 (a) There shall be no deficiency in the Bond Account and no Event  
19 of Default with respect to any Parity Bonds shall have occurred and be  
continuing.

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

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

27 (d) The Parity Bond Authorizing Ordinance shall provide for the  
28 payment of amounts into the Bond Account to meet mandatory redemption

1 requirements applicable to any Term Bonds to be issued and for regular  
2 payments to be made for the payment of the principal of such Term Bonds on or  
3 before their maturity, or, as an alternative, the mandatory redemption of those  
4 Term Bonds prior to their maturity date from money in the Principal and Interest  
Subaccount.

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

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

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

17 (2) a certificate of both the Director of Finance and the  
18 Director of Seattle Public Utilities, or any officer who succeeds to  
19 substantially all of the responsibilities of either office, that in their  
20 opinion the Adjusted Net Revenue for the five fiscal years next  
21 following the earlier of (A) the end of the period during which interest  
22 on those Future Parity Bonds is to be capitalized or, if no interest is  
23 capitalized, the fiscal year in which the Future Parity Bonds are issued,  
24 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:

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

1  
2 (ii) Net revenue from customers of the Municipal  
3 Water System who have become customers during the 12  
4 consecutive month period or thereafter, and their estimate of net  
5 revenue from any customers to be connected to the Municipal  
6 Water System who have paid the required connection charges,  
7 adjusted to reflect one year's net revenue from those customers;

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

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

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

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

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

1  
2 If provided by the Bond Resolution, if the principal of, interest or mandatory  
3 redemption requirements due on the Bonds is paid by a Bond Insurer pursuant to a Bond  
4 Insurance policy, the Bonds shall not be considered paid by the City, and the covenants,  
5 agreements and other obligations of the City to the Registered Owners shall continue to exist  
6 and the Bond Insurer shall be subrogated to the rights of the Registered Owners.

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

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

- 26 (a) No Event of Default has occurred and is continuing.

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

17 Payments required to be made under Contract Resource Obligations shall not be subject  
18 to acceleration.

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

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

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

8       **Section 26. Refunding or Defeasance of Bonds.** The Bonds are hereby designated  
9 “Refundable Bonds” for purposes of Ordinance 121939. The City may issue refunding bonds  
10 pursuant to the laws of the State or use money available from any other lawful source to pay  
11 when due the principal of, premium, if any, and interest on the Bonds, or portion thereof  
12 included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease  
13 the Bonds (the “defeased Bonds”) and to pay the costs of such refunding or defeasance. If  
14 money and/or Government Obligations sufficient in amount, together with known earned  
15 income from the investments thereof, to redeem and retire, release, refund or defease the  
16 defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow  
17 account irrevocably pledged to such redemption, retirement or defeasance (the “trust account”),  
18 then all right and interest of the owners of the defeased Bonds in the covenants of this  
19 ordinance and in the Net Revenue and the funds and accounts pledged to the payment of such  
20 defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter  
21 shall cease and become void. Such owners thereafter shall have the right to receive payment of  
22 the principal of and interest or redemption price on the defeased Bonds from the trust account.  
23 The City shall include in the refunding or defeasance plan such provisions as the City deems  
24 necessary for the random selection of any defeased Bonds that constitute less than all of a  
25 particular maturity of the Bonds, for notice of the defeasance to be given to the registered  
26 owners of the defeased Bonds and to such other persons as the City shall determine, and for any  
27 required replacement of Bond certificates for defeased Bonds.

1  
2 After the establishing and full funding of such a trust account, the defeased Bonds shall  
3 be deemed as no longer outstanding, and the City then may apply any money in any other fund  
4 or account established for the payment or redemption of the defeased Bonds to any lawful  
5 purposes as it shall determine, subject only to the rights of the owners of any other Parity  
6 Bonds.

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

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

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

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

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

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

1  
2 (3) To add to the covenants and agreements of, and limitations and  
3 restrictions upon, the City in this ordinance, other covenants, agreements, limitations and  
4 restrictions to be observed by the City which are not contrary or inconsistent with this  
5 ordinance as therefore in effect;

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

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

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

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

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

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

1  
2 (c) (1) Except for any supplemental ordinance entered into pursuant to  
3 subsection (b) of this Section, subject to the terms and provisions contained in this  
4 subsection (c) and not otherwise, Registered Owners of not less than 60% in aggregate  
5 principal amount of the Parity Bonds shall have the right from time to time to consent to and  
6 approve the passage by the City of any supplemental ordinance deemed necessary or desirable  
7 by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in  
8 any particular, any of the terms or provisions contained in this ordinance; except that, unless  
9 approved in writing by the Registered Owners of all Parity Bonds, nothing contained in this  
10 Section shall permit, or be construed as permitting:

11 (i) A change in the times, amounts or currency of payment of  
12 the principal of or interest on any outstanding Parity Bond, or a reduction  
13 in the principal amount or redemption price of any outstanding Parity  
14 Bond or a change in the redemption price of any outstanding Parity Bond  
15 or a change in the method of determining the rate of interest thereon, or

16 (ii) A preference or priority of any Parity Bond or Bonds or  
17 any other Parity Bond or Bonds, or

18 (iii) A reduction in the aggregate principal amount of Parity  
19 Bonds, the consent of the Registered Owners of which is required for  
20 any such supplemental ordinance.

21 (2) If at any time the City shall pass any supplemental ordinance for any of  
22 the purposes of this subsection (c), the Bond Registrar shall cause notice of the proposed  
23 supplemental ordinance to be given by first-class United States mail to all Registered Owners  
24 of the Parity Bonds, to any Bond Insurer, and to the Rating Agencies if the Bonds are rated by  
25 those agencies. Such notice shall briefly set forth the nature of the proposed supplemental  
26 ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for  
27 inspection by all Registered Owners of the Parity Bonds.

28 (3) Within two years after the date of the mailing of such notice, the City  
may adopt such supplemental ordinance in substantially the form described in such notice, but

1 only if there shall have first been delivered to the Bond Registrar (i) the required consents, in  
2 writing, of the Registered Owners of the Parity Bonds, and (ii) an opinion of bond counsel  
3 stating that such supplemental ordinance is authorized or permitted by this ordinance and, upon  
4 the execution and delivery thereof, will be valid and binding upon the City in accordance with  
5 its terms and will not adversely affect the exclusion from gross income for federal income tax  
6 purposes of interest on the Parity Bonds.

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

15 (d) Upon the execution and delivery of any supplemental ordinance pursuant to the  
16 provisions of this Section, this ordinance shall be, and be deemed to be, modified and amended  
17 in accordance therewith, and the respective rights, duties and obligations under this ordinance  
18 of the City, the Bond Registrar and all owners of Parity Bonds, shall thereafter be determined,  
19 exercised and enforced under this ordinance subject in all respects to such modifications and  
20 amendments.

21 **Section 28. Defaults and Remedies.**

22 (a) **Events of Default.** The following shall constitute "Events of Default"  
23 with respect to the Bonds:

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

26 (2) If the City defaults in the observance and performance of any  
27 other of the covenants, conditions and agreements on the part of the City set forth in this

1 ordinance or any covenants, conditions or agreements on the part of the City contained in any  
2 Parity Bond Authorizing Ordinance and such default or defaults have continued for a period of  
3 six months after the City has received from the Bond Owners' Trustee (as defined below) or  
4 from the Registered Owners of not less than 25% in principal amount of the Parity Bonds, a  
5 written notice specifying and demanding the cure of such default. However, if the default in  
6 the observance and performance of any other of the covenants, conditions and agreements is  
7 one which cannot be completely remedied within the six months after written notice has been  
8 given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken  
9 active steps within the six months after written notice has been given to remedy the default and  
10 is diligently pursuing such remedy; or

11  
12 (3) If the City files a petition in bankruptcy or is placed in  
13 receivership under any state or federal bankruptcy or insolvency law.

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

1  
2 be reasonable against the costs, expenses and liabilities that may be incurred in the performance  
3 of its duties.

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

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

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

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

26 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder  
27 shall be brought in its name as trustee for the Bond owners and all such rights of action upon or  
28

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

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

23 (i) first, to the payment of the charges, expenses,  
24 advances and compensation of the Bond Owners' Trustee and the charges,  
25 expenses, counsel fees, disbursements and compensation of its agents and  
attorneys; and

26 (ii) second, to the payment to the persons entitled  
27 thereto of all installments of interest then due on the Parity Bonds in the order of  
28 maturity of such installments and, if the amount available shall not be sufficient

1 to pay in full any installment or installments maturing on the same date, then to  
2 the payment thereof ratably, according to the amounts due thereon to the persons  
3 entitled thereto, without any discrimination or preference; and

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

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

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

27 The Bond Owners' Trustee shall not be bound to recognize any person as a Registered  
28 Owner of any Bond until his title thereto, if disputed, has been established to its reasonable  
satisfaction.



1  
2 (g) **Failure to Comply With Undertaking.** Notwithstanding anything in  
3 this Section to the contrary, the failure of the City or any obligated person to comply with the  
4 Undertaking adopted by the Bond Resolution pursuant to Section 25 shall not constitute an  
5 Event of Default hereunder, and the sole remedy of any holder of a Bond shall be to seek an  
6 order of specific performance from an appropriate court to compel the City to comply with the  
7 Undertaking.

8 **Section 29. Sale of Bonds.** The Director of Finance may provide for the sale of each  
9 series of Bonds (or any portion of the Bonds authorized hereunder) by public sale or by a  
10 negotiated sale with an underwriter or other financial institution chosen through a selection  
11 process acceptable to the Director of Finance. The Director of Finance is authorized to specify  
12 a date and time of sale of the Bonds, to give notice of that sale, to determine any bid  
13 requirements and criteria for determining the award of the bid, to provide for the use of an  
14 electronic bidding mechanism, and to specify other matters in his or her determination  
15 necessary, appropriate, or desirable to carry out the sale of the Bonds. The terms of that sale  
16 shall be consistent with this ordinance and the Bond Resolution and shall be confirmed by the  
17 Bond Resolution. The Bonds shall be delivered to the purchasers as provided in the Bond  
18 Resolution immediately upon payment to the City of the purchase price plus accrued interest, if  
19 any, to the Closing Date in immediately available federal funds in Seattle, Washington, at the  
20 City's expense or at another time or place upon which the Director of Finance and the  
21 purchaser may mutually agree at the purchaser's expense.

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



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Section 33. Section Headings.** The Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

**Section 34. Effective Date.** This ordinance shall take effect and be in force 30 days from and after its approval by the Mayor, but if not approved by the Mayor and returned by the Mayor within ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

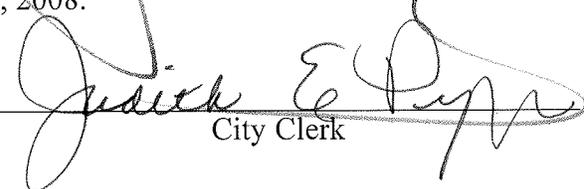
Passed by the City Council the 22<sup>nd</sup> day of September, 2008, and signed by me in open session in authentication of its passage this 22<sup>nd</sup> day of September, 2008.

  
\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved by me this 29<sup>th</sup> day of September, 2008.

  
\_\_\_\_\_  
Gregory J. Nickels, Mayor

Filed by me this 2nd day of October, 2008.

  
\_\_\_\_\_  
Judith E. Papp  
City Clerk

(SEAL)

**EXHIBIT A**

**Outstanding Water Parity Bonds**

<b>Issue Name</b>	<b>Dated Date</b>	<b>Original Par Amount</b>	<b>Parity Bond Authorizing Legislation</b>
Water System Revenue Bonds, 1997 ("1997 Bonds")	3/15/1997	\$53,000,000	Ordinance 118512 and Resolution 29553
Water System Revenue Bonds, 1998 ("1998 Bonds")	6/1/1998	\$80,000,000	Ordinance 118973 and Resolution 29785
Water System Revenue Bonds, 1999, Series B ("1999B Bonds")	10/1/1999	\$110,000,000	Ordinance 119649 and Resolution 30057
Water System Revenue Bonds, 2001 ("2001 Bonds")	11/1/2001	\$52,525,000	Ordinance 120547 and Resolution 30419
Water System and Refunding Revenue Bonds, 2003 ("2003 Bonds")	4/29/2003	\$271,320,000	Ordinance 121094 and Resolution 30598
Water System Revenue Bonds, 2004 ("2004 Bonds")	10/25/2004	\$84,750,000	Ordinance 121587 and Resolution 30710
Water System Revenue Refunding Bonds, 2005 ("2005 Bonds")	12/28/2005	\$138,040,000	Ordinance 121939 and Resolution 30832
Water System Revenue and Refunding Bonds, 2006 ("2006 Bonds")	10/23/2006	\$189,970,000	Ordinance 122210 and Resolution 30919

## 2008 FISCAL NOTE

Department:	Contact Person/Phone:	DOF Analyst/Phone:
SPU	Regina Carpenter 4-0836	Michael van Dyck 4-8347

Legislation Title:

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

- Summary of the Legislation:

This legislation provides the legal authorization to issue up to \$117.6 million of new money bonds for the Water System, as it is assumed by Seattle Public Utility's CIP and upcoming 2009-2011 rates proposal.

The bond proceeds, combined with internally generated funds, will support the capital program over the next 2 years. The bond proceeds will support approximately \$25.4 million in 2008 spending, \$58.0 million in 2009 spending, and \$34.2 million in 2011 spending, cost of issuance, and for a debt service reserve if the City is unable to procure a reserve policy from a private insurer. The bond sizing is based on the adopted budget, planned cash flow and cash contribution targets. Major projects supported by the bond issue include:

- Reservoir Covering Program
- Morse Lake Pump Plant
- Conservation Programs
- Service Renewals
- Cedar Sockeye Hatchery

- Background:

Debt financing of the water system's capital program is the routine administration of Council's budget direction. For further information please see the Capital Improvement Program and the utility's rates proposal.

- *Please check one of the following:*

This legislation does not have any financial implications.

This legislation has financial implications.

- *Estimated Debt Service (in \$1,000s):*

Annual debt service on these bonds is expected to be \$7.5 million annually from 2009 through 2038. The impact will be included in the upcoming 2009-2011 rate proposal. For more information, please see SPU's CIP.

- 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. In addition, the Water Fund would likely fail to meet its cash balance financial policy target. Since the capital improvements financed with this debt have a very 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. The upcoming 2009-2011 rate proposal assumes this bond issue in November 2008.

- Is the legislation subject to public hearing requirements? (If yes, what public hearings have been held to date)

No

- Other Issues (including long-term implications of the legislation):

None



---

**STATE OF WASHINGTON – KING COUNTY**

--ss.

---

229958  
CITY OF SEATTLE, CLERKS OFFICE

No. 122788-122812

**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 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

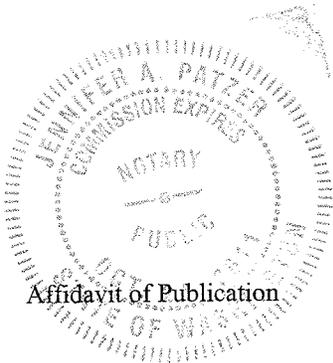
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:TITLEDONLY ORDINANCE

was published on

10/07/08

The amount of the fee charged for the foregoing publication is the sum of \$ 196.70, which amount has been paid in full.



Affidavit of Publication

*[Signature]*  
\_\_\_\_\_  
Subscribed and sworn to before me on  
10/07/08 *[Signature]*  
\_\_\_\_\_  
Notary public for the State of Washington,  
residing in Seattle

# State of Washington, King County

## City of Seattle

### TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council

on September 22, 2008, and published here by title only, will be

mailed, at no cost, on request for two months after this publication.

For further information, contact the Seattle City Clerk at 684-8344.

#### ORDINANCE NO. 122788

AN ORDINANCE approving and confirming the plat of "Bitterlake Townhomes Addition to the City of Seattle" in a portion of Section 19, Township 26 North, Range 4 East, W.M. in King County, Washington.

#### ORDINANCE NO. 122797

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

#### ORDINANCE NO. 122799

AN ORDINANCE relating to reviewing the status of Neighborhood Plans and updating Neighborhood Plans where transit stations are or will be located and removing a budget proviso that restricted spending of a 2008 budget appropriation.

#### ORDINANCE NO. 122801

AN ORDINANCE relating to the City Light Department; authorizing an amendment to the Power Purchase and Sale Contract for the Lucky Peak Power Plant Project, which simplifies the calculation of the Royalty Payment made by City Light.

#### ORDINANCE NO. 122803

AN ORDINANCE related to the City of Seattle's 2007 LTGO bonds; amending the 2008 Adopted Budget by changing appropriations to various funds, departments, and budget control levels; and ratifying and confirming certain prior acts.

#### ORDINANCE NO. 122804

AN ORDINANCE relating to the City Light Department; authorizing the acquisition of real property located in the North Downtown area of Seattle and legally described as Lots 17, 18 and 19, all in Block 13, Pontius Fourth Addition to the City of Seattle, according to the plat thereof recorded in Volume 7 of Plats, Page 8, Records of King County, Washington, for electric system purposes.

#### ORDINANCE NO. 122805

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent or his designee to enter into a seventeen-year power purchase agreement with the Bonneville Power Administration and related agreements.

#### ORDINANCE NO. 122806

AN ORDINANCE relating to the City Light Department, accepting various easements for overhead and underground electrical rights in King County, Washington; and placing said easements under the jurisdiction of the City Light Department.

#### ORDINANCE NO. 122807

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; and describing the lien of those bonds.

#### ORDINANCE NO. 122808

AN ORDINANCE relating to the City Light Department; authorizing execution of a 15-year agreement with Redding Electric Utility for the exchange of renewable energy and environmental attributes.

#### ORDINANCE NO. 122810

AN ORDINANCE relating to economic and community development; authorizing a loan of federal Section 108 loan proceeds to finance acquisition and development of 9800 40th Avenue South and refinance existing debt; appropriating and authorizing the disbursement of Brownfields Economic Development Initiative grant ("BEDI Grant") funds to provide loan loss reserves on the loan and to finance project costs; authorizing loan documents, amendments, replacements and related documents and actions; appropriating and authorizing the collection of loan origination fees associated with the loan; and authorizing amendments to the City's 2005-2008 Consolidated Plan to reflect the transactions contemplated by this ordinance; all by a three-fourths vote of the City Council.

#### ORDINANCE NO. 122811

AN ORDINANCE relating to economic and community development; authorizing a loan of federal Section 108 loan proceeds to finance a portion of the costs of a community economic development project at 3333 Rainier Avenue South; appropriating and authorizing the disbursement of Brownfields Economic Development Initiative grant ("BEDI Grant") funds to provide loan loss reserves on the loan and to finance project costs; authorizing loan documents, amendments, replacements and related documents and actions; and authorizing amendments to the City's 2005-2008 Consolidated Plan to reflect the transactions contemplated by this ordinance.

#### ORDINANCE NO. 122812

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

Date of publication in the Seattle Daily Journal of Commerce, October 7, 2008.

10/7(229958)