

Ordinance No. 123055

Council Bill No. 116590

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

CF No. _____

Date Introduced:	<u>7-20-09</u>	Environment Emergency Management Utilities
Date 1st Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date of Final Passage:	<u>8-3-09</u>	Full Council Vote: <u>8-0</u>
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Date Veto Published:		
Date Passed Over Veto:		Veto Sustained:

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: K. J. Conlin
Councilmember

K. J. Conlin

Committee Action:

7/28/09 passed 3-0 yes, Conlin, Burgess, Meyer

8-3-09 Passed 8-0 (Excused: Clark)

This file is complete and ready for presentation to Full Council. Committee: R.C. 7/28/09
(initial/date)

LAW DEPARTMENT

Law Dept. Review	OMP Review	City Clerk Review	Electronic Copy Loaded	Indexed
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Passed [8/3], 2009

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1 **“Accreted Value”** means (a) with respect to any Capital Appreciation Bonds, as of the
2 time of calculation, the sum of the amount set forth in the ordinance authorizing the Capital
3 Appreciation Bonds as the amount representing the initial principal amount of such Capital
4 Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the
5 most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the
6 date of calculation, the amount representing the initial public offering price of such Original
7 Issue Discount Bonds plus the amount of the discounted principal which has accreted since the
8 date of issue; in each case the Accreted Value shall be determined in accordance with the
9 provisions of the ordinance authorizing the issuance of such bonds.

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

14 **“Adjusted Gross Revenue”** means, for any period, Gross Revenue plus withdrawals
15 from the Rate Stabilization Account made during that period, and less deposits into the Rate
16 Stabilization Account made during that period. *Upon the redemption or defeasance of all then-*
17 *outstanding 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, “Adjusted*
18 *Gross Revenue” shall be defined as follows: “Adjusted Gross Revenue” means, for any period,*
19 *Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period,*
20 *and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and*
21 *(3) deposits into the Rate Stabilization Account made during that period.*

22 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Operating and
23 Maintenance Expense.

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

3 **"Annual Debt Service"** for any calendar year means the sum of the amounts required in
4 such calendar year to pay:

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

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

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

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

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

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

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



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

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

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

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

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

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

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

3 “**Bond Insurer**” means an insurance company or other financial institution that provides
4 a Bond Insurance Policy.

5 “**Bond Register**” means the books or records maintained by the Bond Registrar for the
6 purpose of registration of the Bonds.

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

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

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

16 “**Build America Bonds**” means the Bonds of any series to which the City irrevocably
17 elects to have Section 54AA of the Code apply.

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

26 “**CIP**” means the portion or portions relating to the Drainage and Wastewater System of
27 the “2009-2014 Capital Improvement Program” of the City as adopted by the City in Ordinance
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1 122961, together with any previously adopted Capital Improvement Program of the City, as the
2 CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

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

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

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

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

9 **“Construction Account”** means the “Drainage and Wastewater Construction Account,
10 2009,” created in the Drainage and Wastewater Fund by this ordinance.

11 **“Contract Resource Obligation”** means an obligation of the City, designated as a
12 Contract Resource Obligation and entered into pursuant to Section 25.

13 **“Coverage Requirement”** means, with respect to the Parity Bonds, Net Revenue and
14 money from any other lawful source at least equal to 1.25 times the Average Annual Debt
15 Service. *Upon the redemption or defeasance of all then-outstanding 1998 Bonds, 1999 Bonds,*
16 *2001 Bonds, 2002 Bonds and 2004 Bonds, “Coverage Requirement” shall be defined as follows:*
17 *“Coverage Requirement” means Adjusted Net Revenue at least equal to 1.25 times Adjusted*
18 *Annual Debt Service.*

19 **“Director of Finance”** means the Director of the Department of Finance of the City, or
20 any other officer who succeeds to substantially all of the responsibilities of that office specified
21 in this ordinance.

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

24 **“Drainage and Wastewater System”** means the drainage and wastewater system of the
25 City, including the sanitary sewerage and storm drainage systems (except properties, interests,
26 and rights under the jurisdiction of the City’s Parks and Recreation Department, Seattle Center
27 Department, Seattle Public Utilities Water System, City Light Department and Fleets and
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1 Facilities Department), as the same may be added to, improved and extended for as long as any
2 Parity Bonds are outstanding. "Drainage and Wastewater System" shall include any utility
3 systems of the City hereinafter combined with the Drainage and Wastewater System, but not any
4 separate utility system that may be created, acquired or constructed by the City as provided in
5 Section 24.

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

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

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

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

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

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 which shall become due in the current calendar year or in any
19 future calendar year on any outstanding Parity Bonds.

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

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

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

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

14 **“Outstanding Parity Bonds”** means the then outstanding 1998 Bonds, 1999 Bonds,
15 2001 Bonds, 2002 Bonds, 2004 Bonds, 2006 Bonds and 2008 Bonds, as described in Exhibit A.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

20 **“Reserve Requirement”** means an amount equal to the least of the Maximum Annual
21 Debt Service at the time of calculation, 1.25 times Average Annual Debt Service at the time of
22 calculation or 10% of the proceeds of Parity Bonds at the time of the dates of their respective
23 issuances and payments therefor by the initial purchasers. The Reserve Requirement may be
24 satisfied to the extent of the amount payable under an Alternate Security which contains a
25 contract to provide money to pay debt service on Parity Bonds. The Reserve Requirement shall
26 be provided by cash, Permitted Investments or Alternate Security or any combination thereof,
27 and shall be subject to the provisions of Section 15(d). For any issue of Parity Bonds, the
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1 Reserve Requirement may be provided within five years after the issuance of such Parity Bonds
2 in accordance with Section 18.

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

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

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

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

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

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

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

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

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

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

4 **“Undertaking”** means the City’s undertaking in the Bond Resolution to provide certain
5 continuing disclosure as provided by Section 19.

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

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

22 **Section 2. Adoption of Plan of Additions.** The CIP constitutes a system or plan of
23 additions and betterments to and extensions of the Drainage and Wastewater System (the “Plan
24 of Additions”). To the extent not previously specified, adopted and ordered to be carried out by
25 ordinance of the City, the City specifies, adopts and orders to be carried out the Plan of Additions
26 as generally provided for in the CIP. The estimated cost of the Plan of Additions, as nearly as
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1 may be determined, is declared to be \$596.6 million, of which approximately \$121 million is
2 expected to be financed from the proceeds of the Bonds.

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

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

14 **Section 3. Authorization and Description of Bonds.** The City shall issue and sell the
15 Bonds in the aggregate principal amount of not to exceed \$121 million for the purposes of paying
16 all or part of the cost of carrying out the Plan of Additions, providing for the Reserve
17 Requirement for the Bonds, and issuing and selling the Bonds. The Bonds may be issued in one
18 or more series. Each series of the Bonds shall be issued as Parity Bonds and may be combined
19 with other Parity Bonds authorized separately.

20 The Bonds shall be dated and have such title, year and series or other designation as
21 determined by the Director of Finance or as specified by the Bond Resolution; shall be in the
22 denomination of \$5,000 or any integral multiple thereof within a single maturity or such other
23 denomination specified in the Bond Resolution; and shall be numbered separately, in the manner
24 and with any additional designation as the Bond Registrar deems necessary for the purpose of
25 identification. The Bonds shall mature on the dates and in the amounts and bear interest payable
26 on the dates and at the rates specified in the Bond Resolution, except that the net interest cost
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1 shall not exceed a weighted average rate of ten percent per annum. The final maturity of any
2 series of Bonds shall not exceed 40 years from the issue date for that series.

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

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

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

21 For each series of Bonds, the Bond Resolution may approve and authorize the execution
22 and delivery on behalf of the City of any contracts consistent with the provisions of this
23 ordinance for which the City's approval is necessary or to which the City is a party and that are
24 related or incidental to the initial issuance and sale of the Bonds, the establishment of the interest
25 rate or rates on the Bonds and any redemption of the Bonds, including but not limited to
26 securities depository agreements, agreements relating to the provision of Qualified Insurance,
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1 Alternate Security, letter of credit or other credit facility, Payment Agreements and similar
2 contracts for such purposes.

3 The Bond Resolution may specify that a series of Bonds is Build America Bonds.

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

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

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

19 The City appoints DTC as initial Securities Depository for the Bonds. For so long as
20 DTC is the Securities Depository for the Bonds, DTC or its nominee shall be deemed to be the
21 Registered Owner of the Bonds for all purposes hereunder, and all references in this ordinance or
22 the Bond Resolution to the Registered Owners of the Bonds shall mean DTC or its nominee and
23 shall not mean the owners of any beneficial interests in the Bonds. The Bonds so registered shall
24 be held in fully immobilized form by DTC as depository in accordance with the provisions of the
25 Letter of Representations.

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

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



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

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

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

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

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

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

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

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

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

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

26 (a) **Optional Redemption.** All or some of the Bonds may be subject to redemption at
27 the option of the City at the times and on the terms set forth in the Bond Resolution.
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1 **(b) Mandatory Redemption.** The City shall redeem any Term Bonds, if not redeemed
2 under the optional redemption provisions set forth in the Bond Resolution or purchased under the
3 provisions set forth below, by lot (or in such other manner as the Bond Registrar shall determine)
4 at par plus accrued interest on the dates and in the years and principal amounts as set forth in the
5 Bond Resolution.

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

15 **(c) Partial Redemption.** Unless otherwise provided in the Bond Resolution, whenever
16 less than all of the Bonds of a single series and maturity are to be redeemed, the Bond Registrar
17 shall select the Bonds or portions thereof to be redeemed from the Bonds of that series and
18 maturity by lot, or in such other manner as the Bond Registrar shall determine, except that, so
19 long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the Bonds
20 or portions thereof to be redeemed in accordance with the Letter of Representations.

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

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

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

8 **Section 9. Notice of Redemption.** The City shall cause notice of any intended
9 redemption of Bonds to be given not less than 30 nor more than 60 days prior to the date fixed
10 for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be
11 redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares
12 the notice, and the requirements of this sentence shall be deemed to have been fulfilled when
13 notice has been mailed as so provided, whether or not it is actually received by the Registered
14 Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date
15 fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant
16 to the call. In addition, the redemption notice shall be mailed by the Bond Registrar within the
17 same period, postage prepaid, to the Rating Agencies, at their offices in New York, New York, or
18 their successors, to any provider of Qualified Insurance or Alternate Security for the Bonds, and
19 to such other persons and with such additional information as the Director of Finance shall
20 determine or as specified in the Bond Resolution, but none of these additional mailings shall be a
21 condition precedent to the redemption of Bonds.

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

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

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

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

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

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

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

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

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

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

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

22 (iv) To make all required payments into any revenue bond redemption fund
23 created to pay and secure the payment of the principal of and interest on any revenue
24 bonds or short-term obligations of the City having a lien and charge upon the Net
25 Revenue of the Drainage and Wastewater System subordinate to the lien thereon for the
26 payment of the principal of and interest on Parity Bonds; and
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1 (v) To redeem and retire any sewer revenue bonds of the City then
2 outstanding or to purchase any or all of those bonds at a price not in excess of the price at
3 which those bonds could be redeemed at the next call date; to make necessary additions,
4 betterments, repairs, extensions and replacements of the Drainage and Wastewater
5 System or other purposes proper to its maintenance and operation, including the payment
6 of any City taxes or payments in lieu of taxes payable from Gross Revenue of the
7 Drainage and Wastewater System, deposits to the Rate Stabilization Account, or for any
8 other lawful Drainage and Wastewater System purpose.

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

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

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

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

5 **(d) Reserve Subaccount.** The City covenants and agrees that it will at all times maintain
6 in the Reserve Subaccount an amount equal to the Reserve Requirement for all Parity Bonds,
7 except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the
8 Principal and Interest Subaccount and Reserve Subaccount to pay the principal of and interest on
9 all outstanding Parity Bonds, at which time the money in the Reserve Subaccount may be used to
10 pay any such principal and interest so long as the money remaining on deposit in the Reserve
11 Subaccount is no less than the Reserve Requirement of the remaining outstanding Parity Bonds.

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

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

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

6 Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond
7 Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn
8 from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no
9 longer required for such rebate, money in that separate fund or account shall be returned to the
10 Parity Bond Account.

11 **(f) Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside and
12 pay into the Parity Bond Account, including the Reserve Subaccount, the amounts set forth
13 above, the Registered Owner of any of the outstanding Parity Bonds may bring action against the
14 City for failure to make the required deposits to the Parity Bond Account only in accordance with
15 Section 26.

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

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

26 **(a) Rates and Charges; Coverage Requirement.** It will establish, maintain, revise as
27 necessary and collect such rates and charges for drainage and wastewater service furnished which
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1 will produce Adjusted Net Revenue available for debt service each calendar year at least equal to
2 the Coverage Requirement. It will not change any rate or charge for drainage and wastewater
3 service as now established by the existing rate ordinance or ordinances of the City that will
4 substantially reduce the annual Gross Revenue of the Drainage and Wastewater System below
5 that which would have been obtained before such change unless the City shall have on file a
6 certificate from an Independent Consulting Engineer or a certified public accountant experienced
7 in drainage and wastewater system rates and charges, stating the rates and charges as so changed
8 will provide Gross Revenue of the Drainage and Wastewater System sufficient to comply with all
9 the covenants and requirements of this ordinance, including the Coverage Requirement.

10 *Upon the redemption or defeasance of all then-outstanding 1998 Bonds, 1999 Bonds,*
11 *2001 Bonds, 2002 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in its entirety*
12 *with the following:*

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

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



1 **(c) Sale of Drainage and Wastewater System.** It will not sell, lease, mortgage, or in
2 any manner encumber or dispose of all of the property of the Drainage and Wastewater System
3 unless provision is made for the payment into the Parity Bond Account of an amount sufficient to
4 pay the principal of and interest on Parity Bonds then outstanding; and it will not sell, lease,
5 mortgage, or in any manner encumber or dispose of any part of the property of the Drainage and
6 Wastewater System that is used, useful and material to the operation thereof, except consistent
7 with one or more of the following:

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

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

22 (iii) *upon the redemption or defeasance of all then outstanding 1998 Bonds,*
23 *1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, and then only if the proceeds from such*
24 *transfer are used to acquire new useful operating facilities or properties of the Drainage and*
25 *Wastewater System, or are used to retire outstanding Parity Bonds or other revenue obligations*
26 *of the Drainage and Wastewater System, and if, at the time of such transfer, the City has on file a*
27 *certificate of both the Director of Finance and the Director of Seattle Public Utilities (or any*
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1 *officer who succeeds to substantially all of the responsibilities of either office) demonstrating*
2 *that in their opinion, upon such transfer and the use of proceeds of the transfer as proposed by*
3 *the City, the remaining facilities of the Drainage and Wastewater System will retain their*
4 *operational integrity and, based on the financial statements for the most recent fiscal year*
5 *available, the proposed transfer would not prevent the Drainage and Wastewater System from*
6 *complying with the Coverage Requirement during the five fiscal years following the fiscal year in*
7 *which the transfer is to occur. The certificate shall take into account, (A) the reduction in*
8 *revenue and expenses, if any, resulting from the transfer; (B) the use of any proceeds of the*
9 *transfer for the redemption of Parity Bonds, (C) the estimate of revenue from customers*
10 *anticipated to be served by any additions to and betterments and extensions of the Drainage and*
11 *Wastewater System financed in part by the proposed portion of the proceeds of the transfer, and*
12 *(D) any other adjustment permitted in the preparation of a certificate under Section 18(d).*
13 *Before such a transfer, the City also must obtain confirmation from each of the Rating Agencies*
14 *to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer.*

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

26 **(e) Operating and Maintenance Expense.** It will pay all Operating and Maintenance
27 Expense and otherwise meet the obligations of the City as herein set forth.
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1 **Section 16. Preservation of Tax Exemption for Interest on Tax-Exempt Bonds.**

2 The City covenants that it will take all actions consistent with the terms of the Bonds, this
3 ordinance and the Bond Resolution reasonably within its power and necessary to prevent interest
4 on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes
5 and it will neither take any action nor make or permit any use of the proceeds of the Bonds or
6 other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds
7 which will cause interest on the Tax-Exempt Bonds to be included in gross income for federal
8 income tax purposes.

9 The City also covenants that it will not take or permit to be taken on its behalf any action
10 that would adversely affect the entitlement of the City to receive from the United States Treasury
11 the applicable federal credit payments in respect of any series of Bonds sold and issued as Build
12 America Bonds. Without limiting the generality of the foregoing, the City will comply with the
13 provisions of the Code compliance with which would result in the interest on Build America
14 Bonds being excluded from gross income for federal tax purposes but for the City's irrevocable
15 election to have Section 54AA of the Code apply to such Bonds.

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

23 First, the purpose of acquiring, constructing and installing additions to, and
24 betterments and improvements and extensions of, acquiring necessary equipment for, or
25 making necessary replacements of or repairs or capital improvements to the Drainage and
26 Wastewater System pursuant to an adopted system or plan of additions thereto and
27 betterments and improvements thereof, or
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1 **Second**, the purpose of refunding by exchange or purchasing and retiring or
2 advance refunding by call and payment at or prior to their maturity any part or all of the
3 outstanding Parity Bonds, or

4 **Third**, other purposes then permitted by law,
5 to issue Future Parity Bonds therefor, and to make payments into the Parity Bond Account from
6 the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and to
7 maintain a reserve therefor as hereinafter required, which payments may rank equally with the
8 payments out of the Net Revenue required to be made into the Parity Bond Account by this
9 ordinance, if the following conditions and requirements are met and complied with at the time of
10 the issuance of such Future Parity Bonds:

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

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

20 (c) The Parity Bond Ordinance authorizing such Future Parity Bonds shall provide for the
21 payment of the principal thereof and interest thereon out of the Parity Bond Account and shall
22 further provide for the payment from the Net Revenue, from ULID Assessments or from
23 proceeds of those Future Parity Bonds or from an Alternate Security, or by more than one, the
24 Reserve Requirement of such Future Parity Bonds, except if such Future Parity Bonds are issued
25 for the purpose of refunding any outstanding Parity Bonds, the amount of such reserve allocated
26 to such bonds being so refunded shall be retained or used as a reserve for such refunding Future
27 Parity Bonds or used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to
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1 the refunding plan, which reserve amount shall be replaced in the same manner and within the
2 same time as required for additional Future Parity Bonds, or such reserve may remain in the
3 Reserve Subaccount to be used as the reserve for remaining Parity Bonds. To the extent that the
4 Reserve Requirement is not funded with proceeds of such Future Parity Bonds or by an Alternate
5 Security, it shall be funded by equal annual deposits from Net Revenue and from ULID
6 Assessments so that it is fully deposited in the Reserve Subaccount by the fifth anniversary date
7 of the date of the Future Parity Bonds.

8 Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the
9 Reserve Subaccount shall be valued as determined on the most recent annual financial report of
10 the City applicable to the Drainage and Wastewater System, and the additional amounts, if any,
11 needed to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be
12 based on that valuation.

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

23 The certificate, in estimating the Adjusted Net Revenue shall use the historical Gross
24 Revenue for any 12 consecutive months out of the 24 months immediately preceding the month
25 of delivery of the Future Parity Bonds. The Gross Revenue may be adjusted to reflect any
26 changes in rates in effect and being charged or expressly committed by ordinance of the City
27 Council to be made in the future; may include income derived from customers of the Drainage
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1 and Wastewater System that have become customers during the 12 consecutive month period or
2 thereafter adjusted to reflect one year's net revenue from such customers; may include revenues
3 from any customers to be connected to the Drainage and Wastewater System who have paid the
4 required connection charges; may include the revenue to be derived from any person, firm,
5 corporation or municipal corporation under any executed contract for Drainage or Wastewater
6 service which revenue was not included in the historical Gross Revenue; and may include an
7 estimate of the Gross Revenue to be derived by the City from customers with improved property
8 available to connect to any additions to and improvements and extensions of the Drainage and
9 Wastewater System to be paid for out of the proceeds of the sale of the additional Future Parity
10 Bonds or other additions to and improvements and extensions of the Drainage and Wastewater
11 System then under construction and not fully connected to the facilities of the Drainage and
12 Wastewater System when such additions, improvements and extensions are completed.

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

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

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

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1 *Upon the redemption or defeasance of all then-outstanding 1998 Bonds, 1999 Bonds, 2001*
2 *Bonds, 2002 Bonds and 2004 Bonds, this subsection (d) shall be replaced in its entirety with the*
3 *following:*

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

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

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

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



1 (ii) *Net revenue from customers of the Drainage and*
2 *Wastewater System who have become customers during the*
3 *12 consecutive month period or thereafter, and their estimate of*
4 *net revenue from any customers to be connected to the Drainage*
5 *and Wastewater System who have paid the required connection*
6 *charges, adjusted to reflect one year's net revenue from those*
7 *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 Drainage and Wastewater 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 Future*
19 *Parity Bonds is not, for any year in which the Parity Bonds being refunded were*
20 *outstanding, more than \$5,000 over the Adjusted Annual Debt Service on the*
21 *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*
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1 *bonds as long as such ULID assessments are levied for improvements constructed from the*
2 *proceeds of those junior lien bonds.*

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

5 **Section 18. Continuing Disclosure.** The City shall undertake to provide for the
6 benefit of holders of the Bonds disclosure of certain financial information and operating data of
7 the type included in the final official statement for the Bonds, as well as disclosure of certain
8 material events respecting the Bonds, in the manner and to the extent required by United States
9 Securities and Exchange Commission Rule 15c2-12(b)(5). The particular terms of any such
10 Undertaking shall be set forth in the Bond Resolution.

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

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

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

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

3 If a series of Bonds is sold and issued as Build America Bonds, the Director of Finance is
4 hereby authorized on behalf of the City to take such actions as are necessary or appropriate for
5 the City to receive from the United States Treasury the applicable federal credit payments in
6 respect of such Bonds.

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

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

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

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

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

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

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

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

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

10 (5) To comply with any future federal law or interpretation to preserve the
11 exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax
12 purposes and the entitlement of the City to receive from the United States Treasury the applicable
13 federal credit payments in respect of any series of Bonds sold and issued as Build America
14 Bonds;

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

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

22 Before the City shall pass any such supplemental or amendatory ordinance pursuant to
23 this subsection, there shall have been delivered to the City and the Bond Registrar an opinion of
24 Bond Counsel, stating that such supplemental or amendatory ordinance is authorized or permitted
25 by this ordinance and will, upon the execution and delivery thereof, be valid and binding upon
26 the City in accordance with its terms, will not adversely affect the exclusion from gross income
27 for federal income tax purposes of interest on any Tax-Exempt Bonds and will not adversely
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1 affect the entitlement of the City to receive from the United States Treasury the applicable federal
2 credit payments in respect of any series of Bonds sold and issued as Build America Bonds.

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

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

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

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

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

3 (3) Within two years after the date of the mailing of such notice, the
4 City may pass such supplemental or amendatory ordinance in substantially the form described in
5 such notice, but only if there shall have first been delivered to the Bond Registrar (i) the required
6 consents, in writing, of the Registered Owners of the Parity Bonds, and (ii) an opinion of Bond
7 Counsel, stating that such supplemental or amendatory ordinance is authorized or permitted by
8 this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the
9 City in accordance with its terms, will not adversely affect the exclusion from gross income for
10 federal income tax purposes of interest on any Tax-Exempt Bonds and will not adversely affect
11 the entitlement of the City to receive from the United States Treasury the applicable federal credit
12 payments in respect of any series of Bonds sold and issued as Build America Bonds.

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

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



1 **Section 22. Construction Account; Deposit of Proceeds.** An account to be known as
2 the Drainage and Wastewater Construction Account, 2009 (the “Construction Account”) is
3 created in the Drainage and Wastewater Fund. The principal proceeds of the sale of the Bonds
4 remaining after the deposit of accrued interest on the Bonds, if any, into the Principal and Interest
5 Subaccount and the deposit of any proceeds as determined by the Bond Resolution into the
6 Reserve Subaccount, shall be deposited into the Construction Account, unless otherwise
7 specified in the Bond Resolution or directed by the Director of Finance, to be used for the
8 purpose of paying part of the costs of carrying out the Plan of Additions and to pay for the costs
9 of issuance of the Bonds. Until needed to pay such costs, the City may invest principal proceeds
10 and interest thereon temporarily in any legal investment, and the investment earnings may, as
11 determined by the Director of Finance, be retained in the Construction Account and be spent for
12 the purposes of that fund or deposited in the Parity Bond Account.

13 **Section 23. Separate Utility Systems.** The City may create, acquire, construct,
14 finance, own and operate one or more additional systems for drainage and wastewater or other
15 commodity or service relating to the Drainage and Wastewater System. The revenue of that
16 separate utility system shall not be included in the Gross Revenue and may be pledged to the
17 payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or
18 expand the separate utility system. Neither the Gross Revenue nor the Net Revenue of the
19 Drainage and Wastewater System shall be pledged by the City to the payment of any obligations
20 of a separate utility system except (1) as a Contract Resource Obligation upon compliance with
21 Section 25 and/or (2), with respect to the Net Revenue, on a basis subordinate to the lien of the
22 Parity Bonds on that Net Revenue.

23 **Section 24. Contract Resource Obligations.** The City may at any time enter into one
24 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
25 drainage and wastewater or other commodity or service relating to the Drainage and Wastewater
26 System. The City may determine that, and may agree under a Contract Resource Obligation to
27 provide that all payments under that Contract Resource Obligation (including payments prior to
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1 the time that drainage and wastewater or other commodity or service is being provided, or during
2 a suspension or after termination of supply or service) shall be an Operating and Maintenance
3 Expense if the following requirements are met at the time such a Contract Resource Obligation is
4 entered into:

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

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

22 Payments required to be made under Contract Resource Obligations shall not be subject
23 to acceleration.

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

Section 25. Rate Stabilization Account. The Rate Stabilization Account has been
created as a separate account in the Drainage and Wastewater Fund. The City may at any time,



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

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

11 **Section 26. Defaults and Remedies.**

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

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

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



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

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

22 The Bondowners' Trustee appointed in the manner herein provided, and each successor
23 thereto, is declared to be a trustee for the Registered Owners of all the Parity Bonds and is
24 empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (iv) the Registered Owners of 25% in principal amount of the Parity Bonds,
25 after the occurrence of such Event of Default, has made written request of the Bondowners'
26 Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such
27 suit, action or proceeding; and
28



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

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

6 No Registered Owner or beneficial owner of any Parity Bond shall have any right in any
7 manner whatever by his action to affect or impair the obligation of the City to pay from the Net
8 Revenue the principal of and interest on such Parity Bonds to the respective Registered Owners
9 thereof when due.

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

16 **Section 27. General Authorization.** The Mayor of the City and the Director of
17 Finance and each of the other appropriate officers of the City are each authorized and directed to
18 do everything as in their judgment may be necessary, appropriate or desirable in order to carry
19 out the terms and provisions of, and complete the transactions contemplated by, this ordinance.
20 In particular, and without limitation, the Director of Finance may, in his or her discretion and
21 without further action by the City Council, (i) issue requests for proposals for underwriting or
22 financing facilities and execute engagement letters with underwriters, bond insurers or other
23 financial institutions based on responses to such requests, (ii) deem final and approve the
24 distribution of any preliminary official statement or official statement relating to the Bonds, (iii)
25 comply with any continuing disclosure requirements applicable to the Bonds and (iv) change the
26 Bond Registrar or any securities depository appointed for the Bonds.



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

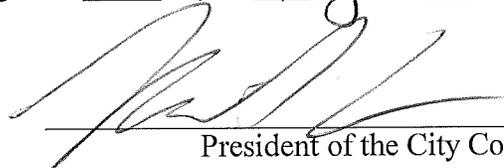
10 **Section 29. Ratification of Prior Acts.** Any action taken consistent with the authority
11 of this ordinance, after its passage but prior to the effective date, is ratified, approved and
12 confirmed.

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



1 **Section 31. Effective Date.** This ordinance shall take effect and be in force 30 days
2 from and after its approval by the Mayor, but if not approved and returned by the Mayor within
3 ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the 3rd day of August, 2009, and signed by me in
5 open session in authentication of its passage this 3rd day of August, 2009.

6
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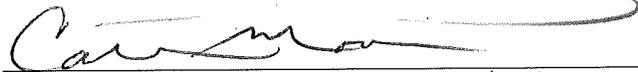
8 _____
9 President of the City Council

10 Approved by me this 10th day of August, 2009.

11 

12 _____
13 Gregory J. Nickels, Mayor

14 Filed by me this 10th day of August, 2009.

15 

16 _____
17 City Clerk *Intersim*

18 (SEAL)

19
20 Attachment: Exhibit A
21
22
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EXHIBIT A

Outstanding Drainage and Wastewater Parity Bonds

Issue Name	Dated Date	Original Par Amount	Parity Bond Authorizing Legislation
Drainage and Wastewater Revenue Bonds, 1998 ("1998 Bonds")	5/18/1998	\$24,170,000	Ordinance 118974 and Resolution 29765
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 1999 ("1999 Bonds")	10/1/1999	\$55,000,000	Ordinance 119620 and Resolution 30039
Drainage and Wastewater Revenue Bonds, 2001 ("2001 Bonds")	7/1/2001	\$60,080,000	Ordinance 120386 and Resolution 30347
Drainage and Wastewater Revenue and Refunding Bonds, 2002 ("2002 Bonds")	12/1/2002	\$78,550,000	Ordinance 120386, Ordinance 120965 and Resolution 30548
Drainage and Wastewater Revenue Bonds, 2004 ("2004 Bonds")	10/28/2004	\$62,010,000	Ordinance 121551 and Resolution 30716
Drainage and Wastewater Revenue and Refunding Bonds, 2006 ("2006 Bonds")	11/1/2006	\$121,765,000	Ordinance 121938, as amended by Ordinance 122209, Ordinance 122209 and Resolution 30927
Drainage and Wastewater Revenue Bonds, 2008 ("2008 Bonds")	4/16/2008	\$84,645,000	Ordinance 122637 and Resolution 31050

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2009 FISCAL NOTE

Department:	Contact Person/Phone:	DOF Analyst/Phone:
SPU	Maria Coe 3-7905	Michael van Dyck 4-8347

Legislation Title:

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

- Summary of the Legislation:

This legislation provides the legal authorization needed to issue up to \$121 million of new money bonds for the Drainage and Wastewater System, as was assumed in Seattle Public Utility's 2009-2014 CIP.

The bond proceeds, combined with internally generated funds, will support SPU's the capital program over the next three years. The bond proceeds will support approximately \$9.1 million in 2009 spending, \$59.1 million in 2010 spending, and \$40.0 million in 2011 spending, costs of issuance, and for a debt service reserve. The bond sizing is based on the adopted budget and rates, planned cash flow and cash contribution targets. Major projects supported by the bond issue include:

- ◆ Madison Valley (Long Term Solution)
- ◆ South Park Pump Station
- ◆ CSO storage facilities (Windermere, South Henderson, Genessee) and CSO long-term control plan
- ◆ Alaska Way Viaduct replacement
- ◆ Mercer Corridor
- ◆ Sediment Remediation
- ◆ Densmore Basin



Background:

Debt financing of the drainage and wastewater system's capital program is routinely administered and complies with the City Council's budget direction. For further information please see the Capital Improvement Program.

- *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):*

Debt service on these bonds is expected to be \$8.2 million annually from 2010 through 2039.

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

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or large rate increases. In addition, the Drainage & Wastewater 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.

- 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



City of Seattle
Department of Finance

Dwight Dively, Director
Gregory J. Nickels, Mayor



July 14, 2009

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

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that authorizes the issuance of up to \$121 million of Seattle Public Utility Drainage and Wastewater System revenue bonds.

The Drainage and Wastewater System revenue bonds will be used for a variety of Capital Improvement Program (CIP) projects, including sewer repair and replacement in the Madison Valley area, the South Park Pump Station, Combined Sewer Overflow (CSO) storage facilities at Windermere, South Henderson and Genessee, the CSO long-term control plan, and continued work on the Alaska Way Viaduct replacement, Mercer Corridor, Sediment Remediation, and Densmore Basin.

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

Sincerely,

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



123053

STATE OF WASHINGTON – KING COUNTY

--SS.

243264
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

Affidavit of Publication

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

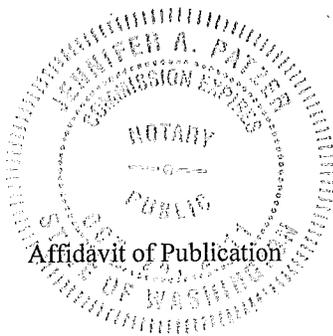
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:123053-123056

was published on

08/12/09

The amount of the fee charged for the foregoing publication is the sum of \$ 70.75, which amount has been paid in full.



[Handwritten signature]

Subscribed and sworn to before me on

08/12/09

[Handwritten signature]

Notary public for the State of Washington,
residing in Seattle

123053
123056 (4)

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on August 3, 2009, and published here by title only, will be mailed upon request, or can be accessed at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 123056

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

ORDINANCE NO. 123055

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and better-

ments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing for the reserve requirement for the bonds, and issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 123054

AN ORDINANCE relating to Seattle Public Utilities; authorizing the Director of Seattle Public Utilities to sign and to fulfill the obligations in a Compliance Order By Consent by the United States Environmental Protection Agency for measures to control discharges from the City's Combined Sewer Overflow outfalls.

ORDINANCE NO. 123053

AN ORDINANCE relating to Interlaken Park; authorizing an exchange of property to accomplish a lot boundary adjustment to correct an encroachment onto Interlaken Park; and finding that such exchange of property meets the requirements of Ordinance 118477, which adopted Initiative 42.

Date of publication in the Seattle Daily Journal of Commerce, August 12, 2009.

8/12(243264)