



SEATTLE CITY COUNCIL

Legislative Summary

CB 118825

Record No.: CB 118825

Type: Ordinance (Ord)

Status: Passed

Version: 1

Ord. no: Ord 125183

In Control: City Clerk

File Created: 09/21/2016

Final Action: 11/28/2016

Title: AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants, and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal water system refunding revenue bonds; and ratifying and confirming certain prior acts.

Notes:

Date
Filed with City Clerk: 11/28/2016

Mayor's Signature: 11/28/2016

Sponsors: Burgess

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments: Ex B - Form of Undertaking to Provide Continuing Disclosure

Drafter: adam.schaefer@seattle.gov

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published:

☐ Yes

☐ No

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	09/26/2016	Mayor's leg transmitted to Council	City Clerk			
1	City Clerk	10/07/2016	sent for review	Council President's Office			
Action Text: The Council Bill (CB) was sent for review. to the Council President's Office							
Notes:							

- 1 Council President's Office 10/20/2016 sent for review Select Budget Committee
Action Text: The Council Bill (CB) was sent for review. to the Select Budget Committee
Notes:
- 1 Full Council 11/07/2016 referred Select Budget Committee
- 1 Select Budget Committee 11/16/2016 pass Pass
Action Text: The Committee recommends that Full Council pass the Council Bill (CB).
Notes:
In Favor: 9 Chair Burgess, Member Bagshaw, Member Harrell, Member Herbold, Member Juarez, Member Johnson, Member González , Member O'Brien, Member Sawant
Opposed: 0
- 1 Full Council 11/21/2016 passed Pass
Action Text: The Council Bill (CB) was passed by the following vote, and the President signed the Bill:
In Favor: 9 Councilmember Bagshaw, Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant
Opposed: 0
- 1 City Clerk 11/22/2016 submitted for Mayor
Mayor's signature
- 1 Mayor 11/28/2016 Signed
- 1 Mayor 11/28/2016 returned City Clerk
Action Text: The Council Bill (CB) was returned. to the City Clerk
Notes:
- 1 City Clerk 11/28/2016 attested by City Clerk
Action Text: The Ordinance (Ord) was attested by City Clerk.
Notes:
-

CITY OF SEATTLE
ORDINANCE 125183
COUNCIL BILL 118825

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants, and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal water system refunding revenue bonds; and ratifying and confirming certain prior acts.

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

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

WHEREAS, the City previously issued its water system revenue bonds described in Exhibit A to this ordinance ("Outstanding Parity Bonds") and pursuant to the bond legislation for each such issue of Outstanding Parity Bonds permitted, upon satisfaction of certain conditions ("Parity Conditions"), the future issuance of additional bonds having a charge and lien on the net revenue of the Municipal Water System on a parity of lien with those Outstanding Parity Bonds; and

WHEREAS, pursuant to the Omnibus Refunding Bond Ordinance (defined in Section 1 of this ordinance), the City has provided for the refunding of certain Parity Bonds designated as

1 Refundable Bonds, and the City has determined to amend the Omnibus Refunding Bond
2 Ordinance to make certain clarifications to conform to the provisions of this ordinance;
3 and

4 WHEREAS, the City has determined that it is in the best interest of the City to authorize, subject
5 to the provisions of this ordinance, the issuance and sale of water system revenue bonds
6 as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide
7 for the reserve requirement and to pay the costs of issuance of those bonds; NOW,
8 THEREFORE,

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

10 Section 1. **Definitions.** As used in this ordinance, the following capitalized terms shall
11 have the following meanings:

12 **“Accreted Value”** means, with respect to any Capital Appreciation Bond, (a) as of any
13 Valuation Date, the amount set forth for such date in any Parity Bond Legislation authorizing
14 such Capital Appreciation Bond, and (b) as of any date other than a Valuation Date, the sum of
15 (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the
16 numerator of which is the number of days having elapsed from the preceding Valuation Date and
17 the denominator of which is the number of days from such preceding Valuation Date to the next
18 succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues
19 during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day
20 months, multiplied by (B) the difference between the Accreted Values for such Valuation Dates.

21 **“Adjusted Annual Debt Service”** for any fiscal year means Annual Debt Service minus
22 (a) an amount equal to ULID Assessments due in that year and not delinquent, (b) an amount

equal to earnings from investments in the Reserve Subaccount, and (c) Annual Debt Service provided for by Parity Bond proceeds.

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

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

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

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

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

(i) **Generally.** Except as otherwise provided by subparagraph (ii) below with respect to Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity

Bonds with respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall be calculated based on the actual amount of accrued, accreted or otherwise accumulated interest that is payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable Parity Bond Legislation.

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

(iii) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force.** Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by the following: (A) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead shall be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the

pricing mechanism or index used to determine the variable rate interest component on the Parity Bonds to which the Payment Agreement is related, it shall be assumed that the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the Parity Bonds. Notwithstanding the other provisions of this subparagraph, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

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

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

(B) City Obligated to Make Payments Based on Variable Rate Index.

If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

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

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity of a Series, or such other minimum denomination as may be specified in the Bond Resolution.

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

“Balloon Bonds” means any series of Parity Bonds designated as Balloon Bonds in the applicable Parity Bond Legislation.

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

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

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

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

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

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

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

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

1 **“Bonds”** means the Water System revenue bonds issued pursuant to this ordinance.

2 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on
3 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in
4 the applicable Parity Bond Legislation and is payable only upon redemption or on the maturity
5 date of such Parity Bond. A Parity Bond that is issued as a Capital Appreciation Bond, but which
6 later converts to an obligation on which interest is paid periodically, shall be a Capital
7 Appreciation Bond until the conversion date and thereafter shall no longer be a Capital
8 Appreciation Bond, but shall be treated as having a principal amount equal to its Accreted Value
9 on the conversion date.

10 **“CIP”** means those portions of the City’s “2016-2021 Capital Improvement Program”
11 relating to the Municipal Water System, adopted by the City in Ordinance 124927, together with
12 any previously adopted Capital Improvement Program of the City. For purposes of this
13 ordinance, the CIP includes all amendments, updates, supplements or replacements that may be
14 adopted from time to time by ordinance.

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

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

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

21 **“Construction Account”** means the Water System Construction Subaccount, 2017,
22 created by this ordinance in the Water System Construction Account, which account was
23 previously created in the Water Fund.

1 **“Contract Resource Obligation”** means an obligation of the City which is designated as
2 a Contract Resource Obligation and is entered into in accordance with Section 20.

3 **“Coverage Requirement”** means Adjusted Net Revenue equal to at least 1.25 times
4 Adjusted Annual Debt Service on all Parity Bonds then outstanding.

5 **“Covered Parity Bonds”** means all Outstanding Parity Bonds, each Series of the Bonds
6 and each series of Future Parity Bonds, except any series with respect to which the City elects, in
7 the ordinance or resolution authorizing the issuance or sale of such series, that from and after the
8 redemption or defeasance of all Outstanding Parity Bonds identified in Exhibit A, such series
9 shall not be treated as a series of Covered Parity Bonds and shall not be secured by the amounts
10 in the Reserve Subaccount.

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

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

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

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

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

22 **“Future Parity Bonds”** means, with reference to any Series, all revenue bonds and
23 obligations of the Municipal Water System (other than that Series and any other Parity Bonds

1 then outstanding), issued or entered into after the Issue Date of such Series, the payment of
2 which constitutes a charge and lien on Net Revenue equal in rank with the charge and lien upon
3 such revenue required to be paid into the Parity Bond Account in accordance with Section 15.
4 Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in
5 compliance with Section 17.

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

8 **“Gross Revenue”** means (a) all income, revenues, receipts and profits derived by the
9 City through the ownership and operation of the Municipal Water System; (b) the proceeds
10 received by the City directly or indirectly from the sale, lease or other disposition of any of the
11 properties, rights or facilities of the Municipal Water System; (c) Payment Agreement Receipts,
12 to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the
13 investment income earned on money held in any fund or account of the City, including any bond
14 redemption funds and the accounts therein, in connection with the ownership and operation of
15 the Municipal Water System. Gross Revenue does not include: (a) income derived from
16 investments irrevocably pledged to the payment of any defeased bonds payable from Gross
17 Revenue; (b) investment income set aside for or earned on money in any fund or account created
18 or maintained solely for the purpose of complying with the arbitrage rebate provisions of the
19 Code; (c) any gifts, grants, donations or other funds received by the City from any State or
20 federal agency or other person if such gifts, grants, donations or other funds are the subject of
21 any limitation or reservation imposed by the donor or grantor or imposed by law or
22 administrative regulation to which the donor or grantor is subject, limiting the application of
23 such funds in a manner inconsistent with the application of Gross Revenue hereunder; (d) the

1 proceeds of any borrowing for capital improvements (or the refinancing thereof); (e) the
2 proceeds of any liability or other insurance, including but not limited to insurance proceeds
3 compensating the City for the loss of a capital asset, but excluding business interruption
4 insurance or other insurance of like nature insuring against the loss of revenues; (f) general *ad*
5 *valorem* taxes, excise taxes and special assessments (other than ULID Assessments), including
6 interest and penalties thereon; and (g) earnings of any separate utility system that may be created,
7 acquired, or constructed by the City pursuant to Section 19.

8 **“Independent Utility Consultant”** means an independent person or firm having a
9 favorable reputation for skill and experience with municipal water systems of comparable size
10 and character to the Municipal Water System in such areas as are relevant to the purpose for
11 which they were retained.

12 **“Issue Date”** means, with respect to a Bond, the date, as determined by the Director of
13 Finance, on which that Bond is issued and delivered to the Purchaser in exchange for its
14 purchase price.

15 **“Letter of Representations”** means the Blanket Issuer Letter of Representations
16 between the City and DTC dated October 4, 2006, as it may be amended from time to time, or an
17 agreement with a substitute or successor Securities Depository.

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

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

22 **“Municipal Water System”** means the water system of the City as it now exists, and all
23 additions thereto and betterments and extensions thereof at any time made, together with any

1 utility systems of the City hereafter combined with the Municipal Water System. The Municipal
2 Water System shall not include any separate utility system that may be created, acquired or
3 constructed by the City as provided in Section 19.

4 **“Net Revenue”** means, for any period, Gross Revenue less Operating and Maintenance
5 Expense.

6 **“Omnibus Refunding Bond Ordinance”** means Ordinance 124339 (which amended
7 and restated Ordinance 121939, as previously amended by Ordinance 122837), as amended by
8 Section 26 of this ordinance, and as it may be amended from time to time in the future.

9 **“Operating and Maintenance Expense”** means all expenses incurred by the City in
10 causing the Municipal Water System of the City to be operated and maintained in good repair,
11 working order and condition, including without limitation: (a) deposits, premiums, assessments
12 or other payments for insurance, if any, on the Municipal Water System; (b) payments into
13 pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations
14 (but only at the times described in Section 20); (e) payments made to any other person or entity
15 for the receipt of water supply or transmission or other commodity or service; and (f) payments
16 with respect to any other expenses of the Municipal Water System that are properly treated as
17 Operating and Maintenance Expense under generally accepted accounting principles applicable
18 to municipal corporations. Operating and Maintenance Expense does not include: depreciation,
19 amortization or other similar recognitions of non-cash expense items made for accounting
20 purposes only; taxes levied or imposed by the City or payments in lieu of City taxes; payments
21 of claims or judgments; or capital additions or capital replacements to the Municipal Water
22 System.

1 **“Outstanding Parity Bonds”** means the outstanding Parity Bonds described in Exhibit
2 A and any other Parity Bonds outstanding as of the Issue Date of a Series of the Bonds.

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

5 **“Parity Bond Account”** means the Water Revenue Parity Bond Account created by
6 Ordinance 116705 in the Water Fund for the purpose of paying and securing the principal of and
7 interest on Parity Bonds.

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

12 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds, and any outstanding
13 Future Parity Bonds and Parity Payment Agreements.

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

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

20 **“Payment Agreement”** means a written agreement for the purpose of managing or
21 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,
22 investment, asset or liability management purposes, entered into on either a current or forward
23 basis by the City and a Qualified Counterparty as authorized by any applicable laws of the State

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

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

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

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

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

1 **“Principal and Interest Subaccount”** means the subaccount of that name created in the
2 Parity Bond Account for the payment of the principal of and interest on Parity Bonds.

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

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

13 **“Qualified Insurance”** means Bond Insurance provided by an insurance company that,
14 as of the time of issuance of such Bond Insurance, is rated in one of the two highest rating
15 categories (without regard to any gradations within a rating category) by at least two nationally
16 recognized rating agencies.

17 **“Qualified Letter of Credit”** means any letter of credit, standby bond purchase
18 agreement or similar instrument issued by a financial institution for the account of the City on
19 behalf of the Beneficial Owner of any Parity Bond, which institution maintains an office, agency
20 or branch in the United States and, as of the time of issuance of such letter of credit, is rated in
21 one of the two highest rating categories by at least two nationally recognized rating agencies.

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

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

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

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

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

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

21 **“Reserve Requirement”** means the lesser of (a) Maximum Annual Debt Service on all
22 Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt
23 Service on all Parity Bonds outstanding at the time of calculation. In no event shall the Reserve

Requirement exceed 10% of the proceeds of each series of Parity Bonds then outstanding, determined as of the Issue Date of each such series. *From and after the defeasance or redemption of all Outstanding Parity Bonds, the Reserve Requirement shall mean the lesser of (a) Maximum Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event shall the Reserve Requirement exceed 10% of the proceeds of each series of Covered Parity Bonds then outstanding, determined as of the Issue Date of each such series.*

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

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

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

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

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

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

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

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

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

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

8 **“Tax Credit Subsidy Bond”** means any Taxable Bond that is designated by the City as a
9 tax credit bond pursuant to the Code, and which is further designated as a “qualified bond” under
10 Section 6431 or similar provision of the Code, and with respect to which the City is eligible to
11 claim a Tax Credit Subsidy Payment.

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

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

16 **“Taxable Bond”** means any Parity Bond, the interest on which is not intended on the
17 Issue Date to be excluded from gross income for federal income tax purposes.

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

20 **“ULID”** means a utility local improvement district of the City created for the acquisition
21 or construction of additions to and betterments and extensions of the Municipal Water System.

22 **“ULID Assessments”** means all assessments levied and collected in a ULID, if and only
23 if those assessments are pledged to be paid into the Parity Bond Account, in which case they

1 shall be included in Gross Revenue. ULID Assessments shall include all installments of
2 principal, payments of interest, and penalties and interest on delinquencies, but shall not include
3 any prepaid assessments paid into a construction fund or account.

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

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

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

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

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

3 **“Water System Plan”** means the long range water system plan known as the 2013 Water
4 System Plan adopted by the City in Ordinance 124071, as that plan may be amended, updated,
5 supplemented or replaced from time to time.

6 Section 2. **Adoption of Plan of Additions.** The City specifies, adopts and orders the Plan
7 of Additions to be carried out as generally provided for in the documents comprising the Plan of
8 Additions. The estimated cost of the Plan of Additions, as near as may be determined, is declared
9 to be \$385,807,000 of which approximately \$104,000,000 is expected to be financed from the
10 proceeds of the Bonds and investment earnings thereon.

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

21 Section 4. **Manner of Sale of Bonds.** The Director of Finance may provide for the sale of
22 each Series (or any portion thereof) by public sale, negotiated sale, limited offering or private
23 placement with a Purchaser chosen through a selection process acceptable to the Director of

1 Finance. The Director of Finance is authorized to specify a date and time of sale of and a date
2 and time for delivery of each Series; to give notice of that sale; to determine any bid parameters
3 or other bid requirements and criteria for determining the award of the bid; to provide for the use
4 of an electronic bidding mechanism; and to specify other matters that in his or her determination
5 are necessary, appropriate, or desirable in order to carry out the sale of each Series. Each Series
6 must be sold on Bond Sale Terms in accordance with Section 5.

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

14 (a) **Maximum Principal Amount.** The Bonds may be issued in one or more Series and
15 shall not exceed the aggregate principal amount of \$110,400,000.

16 (b) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the Director
17 of Finance, which Issue Date may not be later than December 31, 2019.

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

19 (d) **Interest Rate(s); Payment Dates.** Each Bond shall bear interest from the Issue Date
20 or from the most recent date to which interest has been paid or duly provided for, whichever is
21 later, and shall be payable on dates determined by the Director of Finance. One or more rates of
22 interest shall be established for each maturity of each Series, which rate or rates may be fixed
23 interest rates or Variable Interest Rates. If interest rates are fixed, interest shall be computed on

the basis of a 360-day year of twelve 30-day months and the net interest cost shall not exceed a weighted average rate of 10% per annum. Principal payments shall commence on a date and shall be payable at maturity or have Sinking Fund Requirements on dates determined by the Director of Finance.

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

(f) **Redemption Rights.** The Bond Sale Terms may include provisions for the optional and mandatory redemption and for the optional and mandatory tender of Bonds, as determined by the Director of Finance in his discretion, subject to the following:

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

(ii) **Mandatory Redemption.** Any Bond may be designated as subject to mandatory redemption prior to its maturity on the dates and in the Sinking Fund Requirements consistent with Section 8(b). Any Bond may be designated as subject to extraordinary mandatory redemption upon the occurrence of an extraordinary event in accordance with the resolution approving the sale of such Bond.

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

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

(i) As of the Issue Date of each Series, the average expected life of the capital facilities to be financed with the proceeds (or allocable share of proceeds) of that Series must

1 exceed the weighted average maturity of the Series (or share thereof) allocated to financing those
2 capital facilities.

3 (ii) As of the Issue Date of each Series, (A) the Finance Director must determine
4 that the Parity Conditions have been met or satisfied, so that such Series may be issued as Parity
5 Bonds, and (B) the City Council must find in the Bond Resolution that, in creating the Parity
6 Bond Account and in fixing the amounts to be paid into it in accordance with this ordinance, the
7 City Council has had due regard for the cost of maintenance and operation of the Municipal
8 Water System, and is not setting aside into the Parity Bond Account a greater amount than in the
9 judgment of the City Council, based on the rates to be established from time to time consistent
10 with Section 16(b), will be available over and above such cost of maintenance and operation.

11 (iii) The Bond Sale Terms for any Series may provide for Bond Insurance, a
12 Reserve Security, Qualified Letter of Credit, credit enhancement, or for a Parity Payment
13 Agreement. To that end, the Bond Sale Terms may include such additional terms, conditions and
14 covenants as may be necessary or desirable, including but not limited to restrictions on
15 investment of Bond proceeds and pledged funds, and requirements to give notice to or obtain the
16 consent of a credit enhancement provider or a Qualified Counterparty.

17 (iv) The Bond Sale Terms must establish the method of providing for the Reserve
18 Requirement, consistent with Section 15(a)(ii).

19 (v) Any Series may be designated or qualified as Tax-Exempt Bonds, Taxable
20 Bonds, or Tax Credit Subsidy Bonds, and may include such additional terms and covenants
21 relating to federal tax matters as the Director of Finance deems necessary or appropriate,
22 consistent with Section 22.

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

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

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

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

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

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner

1 or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during
2 the period between the Record Date and the corresponding interest payment or redemption date.

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

16 Upon the resignation of the Securities Depository from its functions as depository, or
17 upon a determination by the City to discontinue services of the Securities Depository, the City
18 may appoint a substitute Securities Depository. If (i) the Securities Depository resigns from its
19 functions as depository and no substitute Securities Depository can be obtained, or (ii) the City
20 determines that the Bonds are to be in certificated form, then ownership of Bonds may be
21 transferred to any person as provided herein and the Bonds no longer shall be held in book-entry
22 form.

1 (d) **Lost or Stolen Bonds.** In case any Bond shall be lost, stolen or destroyed, the Bond
2 Registrar may authenticate and deliver a new bond or bonds of like amount, date, tenor, and
3 effect to the Registered Owner(s) thereof upon the Registered Owner(s)' paying the expenses
4 and charges of the City in connection therewith and upon filing with the Bond Registrar evidence
5 satisfactory to the Bond Registrar that such bond or bonds were actually lost, stolen or destroyed
6 and of Registered Ownership thereof, and upon furnishing the City with indemnity satisfactory to
7 both.

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

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

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

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

10 In addition, the Bond Resolution may set forth terms under which a Bond may be subject
11 to extraordinary mandatory redemption prior to maturity upon the occurrence of an extraordinary
12 event, at the price, in principal amounts and on the dates set forth therein.

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

(or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

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

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

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

Section 10. **Failure to Pay Bonds.** If any Bond is not paid when properly presented at its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond Account and the other sources pledged in this ordinance, interest on that Bond at the same rate

provided in that Bond from and after its maturity or redemption date until that Bond, principal, premium, if any and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Account and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond.

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

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

If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that Bond nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized

1 to sign bonds, although he or she did not hold the required office on the date of issuance of the
2 Bonds.

3 Section 12. **Construction Account; Deposit of Proceeds.** An account to be known as the
4 Water System Construction Subaccount, 2017 is created in the Water System Construction
5 Account, which account was previously created in the Water Fund. The principal proceeds of the
6 sale of the Bonds remaining after the deposit of accrued interest on the Bonds, if any, into the
7 Principal and Interest Subaccount and the deposit of any proceeds as determined by the Bond
8 Resolution into the Reserve Subaccount, shall be deposited into the Construction Account, unless
9 otherwise specified in the Bond Resolution or directed by the Director of Finance, to be used for
10 the purpose of paying part of the costs of carrying out the Plan of Additions and to pay
11 capitalized interest on, if necessary, and the costs of issuance of the Bonds. Until needed to pay
12 such costs, the City may invest principal proceeds and interest thereon temporarily in any
13 Permitted Investments, and the investment earnings may, as determined by the Director of
14 Finance, be retained in the Construction Account and be spent for the purposes of that account or
15 deposited in the Parity Bond Account.

16 Section 13. **Security for the Bonds; Parity with other Bonds.** The Bonds shall be
17 special limited obligations of the City payable from and secured solely by the Net Revenue
18 (including all ULID Assessments, if any) and by money in the Parity Bond Account and
19 subaccounts therein, *except that from and after the date on which all Outstanding Parity Bonds*
20 *have been redeemed or defeased, money in the Reserve Subaccount shall secure only Covered*
21 *Parity Bonds.* Net Revenue (including all ULID Assessments, if any) is pledged to make the
22 payments into the Parity Bond Account and to make the payments into the Reserve Subaccount

1 required by this ordinance and the Parity Bond Legislation. This pledge shall constitute a charge
2 and lien upon such Net Revenue prior and superior to all other liens and charges whatsoever.

3 The Bonds shall be on a parity with the Outstanding Parity Bonds and all Future Parity
4 Bonds, without regard to date of issuance or authorization and without preference or priority of
5 right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds or other
6 obligations which are a charge or lien upon Net Revenue subordinate to the payments required to
7 be made from Net Revenue into the Parity Bond Account and the subaccounts therein. The City
8 covenants that for as long as any Bond is outstanding that it will not issue any other revenue
9 obligations (or create any special fund or account therefor), which will have any priority over or
10 which will rank on a parity with the payments required in respect of the Parity Bonds, and that it
11 will issue Future Parity Bonds only in accordance with the Parity Conditions.

12 The Bonds shall not constitute general obligations of the City, the State or any political
13 subdivision of the State or a charge upon any general fund or upon any money or other property
14 of the City, the State or any political subdivision of the State not specifically pledged by this
15 ordinance.

16 Section 14. **Priority Expenditure of Gross Revenue; Flow of Funds.** Gross Revenue
17 shall be used for the following purposes only and shall be applied in the following order of
18 priority:

19 (a) To pay the Operating and Maintenance Expense;

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

22 (c) To pay the principal of Parity Bonds as it comes due at maturity or to meet Sinking
23 Fund Requirements, and to make payments due under any agreement with a provider of a

1 Reserve Security which agreement requires those payments to be treated on a parity of lien with
2 the Parity Bonds;

3 (d) To make all payments required to be made into the Reserve Subaccount, to make all
4 payments required to be made under any agreement with a provider of a Reserve Security, which
5 agreement requires those payments to be treated on a parity of lien with the payments required to
6 be made into the Reserve Subaccount, and to make the deposits required to be made into a
7 special account in the Water Fund upon the expiration of a Reserve Security, in accordance with
8 Section 15(a)(ii) until the expiration of that section;

9 (e) To make all payments required to be made into any revenue bond, note, warrant or
10 other revenue obligation redemption fund, debt service account or reserve account created to pay
11 or secure the payment of the principal of and interest on any revenue bonds, notes, warrants or
12 other obligations of the City having a lien upon Net Revenue of the Municipal Water System
13 subordinate to the lien thereon for the payment of the principal of and interest on the Parity
14 Bonds; and

15 (f) To retire by redemption or purchase any outstanding revenue bonds or other revenue
16 obligations of the Municipal Water System; to make necessary additional betterments,
17 improvements and repairs to or extensions and replacements of the Municipal Water System; to
18 pay City taxes or other payments in lieu of taxes payable from Gross Revenue; to make deposits
19 into the Rate Stabilization Account; or for any other lawful Municipal Water System purposes.

20 Section 15. **Parity Bond Account.** The Parity Bond Account is divided into two
21 subaccounts: the Principal and Interest Subaccount and the Reserve Subaccount. The Director of
22 Finance may create sinking fund subaccounts or other subaccounts in the Parity Bond Account

for the payment or securing the payment of Parity Bonds, as long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds.

(a) **Required Payments Into Parity Bond Account.** So long as any Parity Bonds are outstanding, the City shall set aside and pay into the Parity Bond Account all ULID Assessments on their collection and, out of Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(i) Into the Principal and Interest Subaccount (A) upon receipt thereof, the accrued interest, if any, received by the City from the Purchaser, and (B) on or before each interest or principal and interest payment date of any Parity Bonds an amount which, together with other money on deposit therein, will be sufficient to pay the interest, or principal and interest and Sinking Fund Requirements, to become due and payable on the Parity Bonds on that payment date, and net payments due on Parity Payment Agreements; and

(ii) Into the Reserve Subaccount, an amount necessary to provide for the Reserve Requirement within the time and in the manner required by this ordinance and the Parity Bond Legislation. The amount necessary, if any, to satisfy the Reserve Requirement upon the issuance of a Series of the Bonds may be funded (A) on the Issue Date by a deposit of bond sale proceeds, available funds of the Municipal Water System, or a Reserve Security; or (B) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by no later than the fifth anniversary of the Issue Date. The manner of funding the Reserve Requirement for the Bonds shall be set forth in the Bond Resolution. For the purpose of determining the amount credited to the Reserve Subaccount, obligations in which money in the Reserve Subaccount has been invested shall be valued as determined on the most recent annual financial report of the Municipal Water System, and the additional amounts, if any, needed to be deposited into the

1 Reserve Subaccount to satisfy the Reserve Requirement shall be based on that valuation. The
2 City may provide all or any part of the Reserve Requirement through a Reserve Security.

3 For so long as any Outstanding Parity Bonds remain outstanding, a Reserve
4 Security obtained to satisfy all or any part of the Reserve Requirement must meet the
5 requirements of this paragraph: (A) the amount available to be drawn upon under a Reserve
6 Security shall be credited against the Reserve Requirement; and (B) on receipt of a notice of
7 cancellation of any Reserve Security, the City shall either (1) substitute a Reserve Security in the
8 amount required to make up the deficiency created in the Reserve Subaccount, or (2) create a
9 special account in the Water Fund and deposit therein, on or before the 25th day of each of the
10 36 succeeding calendar months (commencing with the 25th day of the calendar month next
11 following the date of the notice) 1/36th of the amount sufficient, together with other money and
12 investments on deposit in the Reserve Subaccount, to equal the Reserve Requirement in effect as
13 of the date the cancellation becomes effective. Amounts on deposit in that special account shall
14 not be available to pay debt service on Parity Bonds or for any other purpose of the City, and
15 shall be transferred to the Reserve Subaccount on the effective date of any cancellation of a
16 Reserve Security to make up all or part of the deficiency caused thereby. Amounts in that special
17 account or in the Reserve Subaccount may be transferred back to the Water Fund and used for
18 any purpose if and when a substitute Reserve Security is obtained. ***From and after the***
19 ***redemption or defeasance of all Outstanding Parity Bonds, the foregoing paragraph shall no***
20 ***longer be of any force or effect.***

21 The Director of Finance may transfer any money from any funds or accounts of the City
22 legally available therefor, except bond redemption funds, refunding escrow funds or defeasance
23 funds, to meet the required payments to be made into the Parity Bond Account. The Director of

1 Finance may provide for the purchase, redemption or defeasance of any Parity Bonds by the use
2 of money on deposit in any subaccount in the Parity Bond Account as long as the money
3 remaining in those subaccounts is sufficient to satisfy the required deposits in those subaccounts
4 for the remaining Parity Bonds.

5 (b) **Reserve Subaccount.** The City covenants that it will at all times, so long as any
6 Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve
7 Requirement (taking into account scheduled payments to fund the Reserve Requirement over
8 time), as it is adjusted from time to time, except for withdrawals as authorized by this ordinance.
9 The Director of Finance may make withdrawals of cash from the Reserve Subaccount in the
10 event of a deficiency in the Principal and Interest Subaccount to meet current installments of
11 either principal (or Sinking Fund Requirements) or interest. *From and after the redemption or*
12 *defeasance of all Outstanding Parity Bonds, the withdrawals authorized by this paragraph*
13 *shall be limited to the amounts necessary to meet maturing installments of either principal (or*
14 *Sinking Fund Requirements) or interest with respect to Covered Parity Bonds.* Any deficiency
15 created in the Reserve Subaccount by reason of any such withdrawal shall, within 12 months, be
16 made up from ULID Assessments and Net Revenue available after making necessary provisions
17 for the required payments into the Principal and Interest Subaccount. The money in the Reserve
18 Subaccount may be applied to the payment of the last outstanding Parity Bonds, and when the
19 total amount in the Parity Bond Account (including investment earnings) equals the total amount
20 of principal and interest for all then-outstanding Parity Bonds to the last maturity thereof, no
21 further payment need be made into the Parity Bond Account. Money in the Reserve Subaccount
22 (including investment earnings) in excess of the Reserve Requirement may be withdrawn and
23 deposited in the Principal and Interest Subaccount and spent for the purpose of retiring Parity

Bonds or may be deposited in any other fund or account and spent for any other lawful
Municipal Water System purpose.

(c) **Investment of Money in Parity Bond Account.** All money in the Parity Bond
Account may be kept in cash or invested in Permitted Investments maturing not later than the
date when needed (for investments in the Principal and Interest Subaccount) or the last maturity
of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall
any money in the Parity Bond Account or any other money reasonably expected to be used to
pay principal of and/or interest on the Parity Bonds be invested at a yield which would cause any
Series issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to be arbitrage bonds within
the meaning of Section 148 of the Code. Income from investments in the Principal and Interest
Subaccount shall be deposited in that subaccount. Income from investments in the Reserve
Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve
Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest
Subaccount. Notwithstanding the provisions for deposit or retention of earnings in the Parity
Bond Account, any earnings which are subject to a federal tax or rebate requirement may be
withdrawn from the Parity Bond Account for deposit in a separate fund or account for that
purpose. If no longer required for such rebate, money in that separate fund or account shall be
returned to the Parity Bond Account.

(d) **Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside and
pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth above, the
registered owner of any of the outstanding Parity Bonds may bring action against the City for
failure to make the required deposits to the Parity Bond Account only in accordance with
Section 25 regarding Events of Default.

Section 16. **Parity Bond Covenants.** The City covenants with the Owner of each Bond at any time outstanding, as follows:

(a) **Operation and Maintenance.** It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City under this ordinance. It will at all times maintain, preserve and keep the Municipal Water System in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and will at all times operate or cause to be operated the properties of the Municipal Water System and the business in connection therewith in an efficient manner and at a reasonable cost.

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

(i) The Gross Revenue will be sufficient to (A) pay all Operating and Maintenance Expense, (B) pay when due all amounts that the City is obligated to pay into the Parity Bond Account and the subaccounts therein, and (C) pay all taxes, assessments or other governmental charges lawfully imposed on the Municipal Water System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the City may now or hereafter become obligated to pay from the Gross Revenue by law or contract; and

(ii) The Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement; and

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

Upon the defeasance or redemption of all of the Outstanding Parity Bonds, paragraph (i) in the preceding subsection (b) shall be deleted in its entirety.

The failure of the City to comply with this covenant shall not be an Event of Default if the City promptly retains an Independent Utility Consultant to recommend to the City Council adjustments in the rates of the Municipal Water System necessary to meet the requirements of this covenant and if the City Council adopts the recommended modifications within 180 days of the date the failure became known to the City Council.

(c) Sale or Disposition of the Municipal Water System. The City may sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Municipal Water System or any real or personal property comprising a part of the Municipal Water System only consistent with one or more of the following:

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

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

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

(d) **Liens Upon the Municipal Water System.** Except as otherwise provided in this ordinance, it will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Gross Revenue or any part thereof, prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be

1 paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid,
2 might become a lien or charge upon the Gross Revenue or any part thereof, prior or superior to,
3 or on a parity with, the lien of the Parity Bonds, or which might impair the security of the Parity
4 Bonds.

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

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

1 (g) **Maintenance of Insurance.** It at all times will carry fire and extended coverage,
2 public liability and property damage and such other forms of insurance with responsible insurers
3 and with policies payable to the City on such of the buildings, equipment, works, plants,
4 facilities and properties of the Municipal Water System as are ordinarily carried by municipal or
5 privately owned utilities engaged in the operation of like systems, and against such claims for
6 damages as are ordinarily carried by municipal or privately owned utilities engaged in the
7 operation of like systems, or it will self-insure or participate in an insurance pool or pools with
8 reserves adequate, in the reasonable judgment of the City, to protect the Municipal Water System
9 and the Owners of the Parity Bonds against loss.

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

16 Section 17. **Future Parity Bonds.**

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

21 (i) There must be no deficiency in the Parity Bond Account and no Event of
22 Default with respect to any Parity Bonds shall have occurred and be continuing.

1 (ii) The Future Parity Bond Legislation must provide that all ULID Assessments
2 shall be paid directly into the Parity Bond Account.

3 (iii) The Future Parity Bond Legislation must provide for the payment of the
4 principal thereof and the interest thereon out of the Parity Bond Account.

5 (iv) The Future Parity Bond Legislation must provide for the payment of any
6 Sinking Fund Requirements from money in the Principal and Interest Subaccount.

7 (v) The Future Parity Bond Legislation must provide for the deposit into the
8 Reserve Subaccount of (A) an amount, if any, necessary to fund the Reserve Requirement upon
9 the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money
10 legally available; (B) one or more Reserve Securities or an amount plus Reserve Securities
11 necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds, or
12 (C) amounts necessary to fund the Reserve Requirement from ULID Assessments and Net
13 Revenue within five years from the date of issuance of those Future Parity Bonds, in five
14 approximately equal annual payments.

15 (vi) There shall be on file with the City either:

16 (A) A certificate of the Director of Finance demonstrating that during any
17 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted
18 Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future
19 Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future
20 Parity Bonds for that 12-month period was the Average Annual Debt Service for those proposed
21 bonds); or

22 (B) A certificate of the Director of Finance and the Director of Seattle
23 Public Utilities (or any officer who succeeds to substantially all of the responsibilities of that

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

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

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

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

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

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding Parity Bonds, no such coverage certification shall be required if the Adjusted

1 Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for
2 any year in which the Parity Bonds being refunded were outstanding, more than \$5,000 over the
3 Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity
4 Bonds.

5 (b) Nothing contained herein shall prevent the City from issuing Future Parity Bonds to
6 refund maturing Parity Bonds, money for the payment of which is not otherwise available, or
7 revenue bonds that are a charge or lien upon Gross Revenue subordinate to the charge or lien of
8 the Parity Bonds, or from pledging to pay assessments levied for ULID improvements
9 constructed from the proceeds of subordinate lien bonds into a bond redemption fund created for
10 the payment of the principal of and interest on those subordinate lien bonds.

11 (c) Notwithstanding in this section to the contrary, in the ordinance or resolution
12 authorizing the issuance or sale of a series of Future Parity Bonds, the City may elect that from
13 and after the redemption or defeasance of all Outstanding Parity Bonds, such series shall not be
14 deemed to be a series of Covered Parity Bonds, shall not be secured by the amounts in the
15 Reserve Subaccount, and shall be excluded from the calculation of the Reserve Requirement.

16 Section 18. **Rate Stabilization Account.** The Rate Stabilization Account has been
17 created as a separate account in the Water Fund. The City may at any time, as determined by the
18 Director of Finance, deposit in the Rate Stabilization Account Gross Revenue and any other
19 money received by the Municipal Water System and available for this purpose, consistent with
20 Section 14. The Director of Finance may, upon authorization by resolution of the City Council,
21 withdraw any or all of the money in the Rate Stabilization Account for inclusion in Adjusted
22 Gross Revenue for any fiscal year. Such deposits or withdrawals may be made up to and
23 including the date 90 days after the end of the fiscal year for which the deposit or withdrawal

will be included as Adjusted Gross Revenue. No deposit of Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

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

Section 20. **Contract Resource Obligations.** The City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of water supply, transmission or other commodity or service relating to the Municipal Water System, as follows:

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

(i) No Event of Default has occurred and is continuing; and

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

14 (b) Payments required to be made under Contract Resource Obligations shall not be
15 subject to acceleration.

16 (c) Nothing in this section shall be deemed to prevent the City from entering into other
17 agreements for the acquisition of water supply, transmission or other commodity or service from
18 existing facilities and from treating those payments as Operating and Maintenance Expense.
19 Nothing in this section shall be deemed to prevent the City from entering into other agreements
20 for the acquisition of water supply, transmission or other commodity or service from facilities to
21 be constructed and from agreeing to make payments with respect thereto, such payments
22 constituting a charge and lien on Net Revenue subordinate to that of the Parity Bonds.

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

22 If the refunding or defeasance plan provides that the defeased Bonds or the refunding
23 bonds to be issued be secured by money and/or Government Obligations pending the prior

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

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

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

1 **(b) Tax Credit Subsidy Bonds or other Taxable Bonds.** The Director of Finance may,
2 without further action by the Council, designate any Series of the Bonds as Taxable Bonds or as
3 Tax Credit Subsidy Bonds, and (in the case of Tax Credit Subsidy Bonds) may make provision
4 in the Bonds or other written document(s) for such additional covenants of the City as may be
5 necessary or appropriate in order for the City to (i) receive from the United States Treasury the
6 applicable federal credit payments in respect of such Tax Credit Subsidy Bonds and (ii)
7 otherwise become and remain eligible for tax benefits under the Code.

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

9 **(a) Preliminary Official Statement.** The Director of Finance and other appropriate City
10 officials are directed to cause the preparation of and review the form of a preliminary official
11 statement in connection with each sale of one or more Series to the public. For the sole purpose
12 of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Director of Finance is
13 authorized to deem that preliminary official statement final as of its date, except for the omission
14 of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to
15 potential purchasers of the Bonds of a preliminary official statement that has been deemed final
16 in accordance with this subsection.

17 **(b) Final Official Statement.** The City approves the preparation of a final official
18 statement for each sale of one or more Series to be sold to the public in the form of the
19 preliminary official statement with such modifications and amendments as the Director of
20 Finance deems necessary or desirable, and further authorizes the Director of Finance to execute
21 and deliver such final official statement to the Purchaser. The City authorizes and approves the
22 distribution by the Purchaser of that final official statement to purchasers and potential
23 purchasers of the Bonds.

1 (c) **Undertaking to Provide Continuing Disclosure.** To meet the requirements of
2 paragraph (b)(5) of Rule 15c2-12, as applicable to a Purchaser of a Series, the Director of
3 Finance is authorized to execute an Undertaking for such Series in substantially the form
4 attached as Exhibit B.

5 Section 24. **Supplemental or Amendatory Ordinances.** This ordinance shall not be
6 supplemented or amended in any respect subsequent to the Issue Date, except as provided in and
7 in accordance with and subject to the provisions of this section.

8 (a) **Amendments Without Bond Owner Consent.** From time to time and at any time,
9 without the consent of or notice to the owners of the Parity Bonds, the City may pass or adopt
10 supplemental or amendatory ordinances or resolutions for any of the following purposes:

11 (i) To cure any formal defect, omission, inconsistency or ambiguity in a manner
12 not adverse to the owners of any Parity Bonds;

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

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

21 (iv) To confirm, as further assurance, any pledge under, and the subjection to any
22 claim, lien or pledge created or to be created by the Bond Legislation of any other money,
23 securities or funds;

1 (v) To authorize different denominations of the Bonds and to make correlative
2 amendments and modifications to this ordinance regarding exchangeability of Bonds of different
3 authorized denominations, redemptions of portions of Bonds of particular authorized
4 denominations and similar amendments and modifications of a technical nature;

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

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

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

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

1 **(b) Amendments With Bond Owner Consent.** With the consent of registered owners of
2 not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City
3 Council may pass or adopt any supplemental or amendatory ordinance or resolution, other than
4 one effecting a change described in subsection (c), that is deemed necessary or desirable by the
5 City for the purpose of modifying, altering, amending, supplementing or rescinding, in any
6 particular, any of the terms or provisions contained in this ordinance.

7 **(c) Amendments Prohibited Except Upon Unanimous Consent.** Unless approved in
8 writing by the registered owner of each Parity Bond then outstanding, nothing contained in this
9 section shall permit, or be construed as permitting, (i) a change in the times, amounts or currency
10 of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the
11 principal amount or redemption price of any outstanding Parity Bond or a change in the method
12 of determining the rate of interest thereon, (ii) a preference or priority of any Parity Bond over
13 any other Parity Bond, or (iii) a reduction in the aggregate principal amount of Parity Bonds.

14 **(d) Notice to Bond Owners.** If at any time the City Council passes or adopts a
15 supplemental or amendatory ordinance or resolution for any of the purposes of subsection (b) or
16 (c), the Bond Registrar shall cause notice of the proposed supplemental or amendatory ordinance
17 or resolution to be given by first-class United States mail (i) to all registered owners of the then
18 outstanding Parity Bonds, (ii) to each provider of Bond Insurance or a Reserve Security, and (iii)
19 to each Rating Agency. Such notice shall briefly set forth the nature of the proposed
20 supplemental or amendatory ordinance or resolution and shall state that a copy is on file at the
21 office of the City Clerk for inspection by all owners of the outstanding Parity Bonds.

22 **(e) Effective Date; Consents.** Within two years after the date of the mailing of such
23 notice, such supplemental or amendatory ordinance or resolution, substantially as described in

1 such notice, may go into effect, but only if there shall have first been delivered to the Bond
2 Registrar (i) the required consents, in writing, of registered owners of the Parity Bonds, and
3 (ii) an opinion of Bond Counsel stating that such supplemental or amendatory ordinance or
4 resolution is authorized or permitted by this ordinance and, upon the effective date thereof, will
5 be valid and binding upon the City in accordance with its terms and will not adversely affect the
6 exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt
7 Bonds.

8 If registered owners of not less than the percentage of Parity Bonds required by this
9 section shall have consented to and approved the passage or adoption of such a supplemental or
10 amendatory ordinance or resolution, no owner of a Parity Bond shall have any right (i) to object
11 to the passage or adoption of such supplemental ordinance or resolution, (ii) to object to any of
12 the terms and provisions contained therein or the operation thereof, (iii) in any manner to
13 question the propriety of the passage or adoption thereof, (iv) to enjoin or restrain the City from
14 passing or adopting the same, or (v) to enjoin or restrain the City, any authorized official thereof,
15 or the Bond Registrar from taking any action pursuant to the provisions thereof. For purposes of
16 determining whether consents representing the requisite percentage of principal amount of Parity
17 Bonds have been obtained, the Accreted Value of Capital Appreciation Bond shall be deemed to
18 be the principal amount. It shall not be necessary to obtain approval of the particular form of any
19 proposed supplemental ordinance or resolution, but it shall be sufficient if the consent shall
20 approve the substance thereof.

21 Upon the effective date of any supplemental or amendatory ordinance or resolution
22 passed or adopted pursuant to the provisions of this section, this ordinance shall be, and be
23 deemed to be, modified and amended in accordance therewith, and the respective rights, duties

1 and obligations under this ordinance of the City, the Bond Registrar and all owners of Parity
2 Bonds then outstanding, shall thereafter be determined, exercised and enforced under this
3 ordinance subject in all respects to such modifications and amendments.

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

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

11 (ii) To permit or require Tax Credit Subsidy Payments to be deposited into the
12 Principal and Interest Subaccount and credited against the Net Revenue otherwise required to be
13 deposited into the Principal and Interest Subaccount.

14 (iii) To permit the reimbursement obligations of the City under any Qualified
15 Letter of Credit or Qualified Insurance (other than a Qualified Letter of Credit or Qualified
16 Insurance obtained to satisfy all or part of the Reserve Requirement) to be secured by a lien and
17 charge on Net Revenue equal in rank with the lien an charge upon such Net Revenue required to
18 be paid into the Parity Bond Account to pay and secure the payment of the principal of and
19 interest on Parity Bonds.

20 Section 25. **Defaults and Remedies.**

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

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

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

14 (iii) If the City files a petition in bankruptcy or is placed in receivership under any
15 state or federal bankruptcy or insolvency law.

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

21 (b) **Bond Owners' Trustee.** So long as such Event of Default has not been remedied, a
22 trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of 25% in
23 principal amount of the then outstanding Parity Bonds, by an instrument or concurrent

1 instruments in writing signed and acknowledged by such registered owners of the Parity Bonds
2 or by their attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee,
3 notification thereof being given to the City. That appointment shall become effective
4 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee
5 appointed under the provisions of this subsection shall be a bank or trust company organized
6 under the laws of the State of Washington or the State of New York or a national banking
7 association. The bank or trust company acting as Bond Owners' Trustee may be removed at any
8 time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of a
9 majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in
10 writing signed and acknowledged by such registered owners of the Parity Bonds or by their
11 attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security and
12 indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in
13 the performance of its duties.

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

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

22 (c) **Suits at Law or in Equity.** Upon the occurrence of an Event of Default and during
23 the continuance thereof, the Bond Owners' Trustee may, and upon the written request of the

1 registered owners of not less than 25% in principal amount of the Parity Bonds outstanding shall,
2 take such steps and institute such suits, actions or other proceedings, all as it may deem
3 appropriate for the protection and enforcement of the rights of the registered owners of the Parity
4 Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate
5 relief, and may enforce the specific performance of any covenant, agreement or condition
6 contained in this ordinance or set forth in any of the Parity Bonds.

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

12 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
13 shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or
14 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond
15 Owners' Trustee without the possession of any of those Parity Bonds and without the production
16 of the same at any trial or proceedings relative thereto except where otherwise required by law.
17 Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for
18 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions
19 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding
20 the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true
21 and lawful trustee of the respective registered owners of those Parity Bonds, with authority to
22 institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums
23 becoming distributable on account of those Parity Bonds; to execute any paper or documents for

1 the receipt of money; and to do all acts with respect thereto that the registered owner himself or
2 herself might have done in person. Nothing herein shall be deemed to authorize or empower the
3 Bond Owners' Trustee to consent to accept or adopt, on behalf of any owner of the Parity Bonds,
4 any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered
5 owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the
6 registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization
7 or other proceeding to which the City is a party.

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

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

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

19 (iii) to the payment to the persons entitled thereto of the unpaid principal amounts
20 of any Parity Bonds which shall have become due (other than Parity Bonds previously called for
21 redemption for the payment of which money is held pursuant to the provisions hereto), whether
22 at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if
23 the amount available shall not be sufficient to pay in full the principal amounts due on the same

1 date, then to the payment thereof ratably, according to the principal amounts due thereon to the
2 persons entitled thereto, without any discrimination or preference.

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

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

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

20 The Bond Owners' Trustee may consult with counsel and the opinion of such counsel
21 shall be full and complete authorization and protection in respect of any action taken or suffered
22 by it hereunder in good faith and in accordance with the opinion of such counsel. The Bond

1 Owners' Trustee shall not be answerable for any neglect or default of any person, firm or
2 corporation employed and selected by it with reasonable care.

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

6 (i) an Event of Default has happened and is continuing; and

7 (ii) a Bond Owners' Trustee has been appointed; and

8 (iii) such owner previously shall have given to the Bond Owners' Trustee written
9 notice of the Event of Default on account of which such suit, action or proceeding is to be
10 instituted; and

11 (iv) the registered owners of 25% in principal amount of the Parity Bonds, after
12 the occurrence of such Event of Default, have made written request of the Bond Owners' Trustee
13 and have afforded the Bond Owners' Trustee a reasonable opportunity to institute such suit,
14 action or proceeding; and

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

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

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

22 Section 26. **Amendment of Omnibus Refunding Bond Ordinance.** The following
23 provisions of the Omnibus Refunding Bond Ordinance are amended to read as set forth in this

1 section. Amendments are shown as revisions to the clean amended and restated version of the
2 Omnibus Refunding Bond Ordinance, which was attached to Ordinance 124339 as Exhibit C,
3 with additions shown in double underlining and deletions enclosed in double parentheses and
4 struck through. References to section numbers and defined terms used in the amended text set
5 forth below refer to the sections and definitions contained within the amended Omnibus
6 Refunding Bond Ordinance. For purposes of the springing amendments set forth in this section,
7 the term “Outstanding Parity Bonds” shall mean those series of Parity Bonds identified on
8 Exhibit A to this amendatory ordinance.

9 (a) **Amendments to Section 1.** The following definitions are amended as follows:

10 “**Authorized Denominations**” means \$5,000 or any integral multiple
11 thereof within a maturity of a Series, or such other minimum denomination as
12 may be specified in the Bond Resolution.

13 “**Covered Parity Bonds**” means each series of Parity Bonds, except any
14 series with respect to which the City elects, in the ordinance or resolution
15 authorizing the issuance or sale of such series, that from and after the redemption
16 or defeasance of all Parity Bonds originally issued prior to 2016, such series shall
17 not be treated as a series of Covered Parity Bonds and shall not be secured by the
18 amounts in the Reserve Subaccount.

19 “**Gross Revenue**” means (a) all income, revenues, receipts and profits
20 derived by the City through the ownership and operation of the Municipal Water
21 System; (b) the proceeds received by the City directly or indirectly from the sale,
22 lease or other disposition of any of the properties, rights or facilities of the
23 Municipal Water System; (c) Payment Agreement Receipts, to the extent that

1 such receipts are not offset by Payment Agreement Payments; and (d) the
2 investment income earned on money held in any fund or account of the City,
3 including any bond redemption funds and the accounts therein, in connection with
4 the ownership and operation of the Municipal Water System. Gross Revenue does
5 not include: ~~((a) insurance proceeds compensating the City for the loss of a~~
6 ~~capital asset; (b))~~ (a) income derived from investments irrevocably pledged to the
7 payment of any defeased bonds payable from Gross Revenue; ~~((e))~~ (b)
8 investment income set aside for or earned on money in any fund or account
9 created or maintained solely for the purpose of complying with the arbitrage
10 rebate provisions of the Code; ~~((d))~~ (c) any gifts, grants, donations or other
11 funds received by the City from any State or federal agency or other person if
12 such gifts, grants, donations or other funds are the subject of any limitation or
13 reservation imposed by the donor or grantor or imposed by law or administrative
14 regulation to which the donor or grantor is subject, limiting the application of
15 such funds in a manner inconsistent with the application of Gross Revenue
16 hereunder; ~~((e))~~ (d) the proceeds of any borrowing for capital improvements (or
17 the refinancing thereof); ~~((f))~~ (e) the proceeds of any liability or other insurance,
18 including but not limited to insurance proceeds compensating the City for the loss
19 of a capital asset, but ~~((f))~~ excluding business interruption insurance or other
20 insurance of like nature insuring against the loss of revenues ~~((g))~~ ; ~~((g))~~ (f)
21 general *ad valorem* taxes, excise taxes and special assessments (other than ULID
22 Assessments), including interest and penalties thereon; and ~~((h))~~ (g) earnings of

1 any separate utility system that may be created, acquired, or constructed by the
2 City pursuant to Section 20.

3 **“Operating and Maintenance Expense”** means all expenses incurred by
4 the City in causing the Municipal Water System of the City to be operated and
5 maintained in good repair, working order and condition, including without
6 limitation: (a) deposits, premiums, assessments or other payments for insurance, if
7 any, on the Municipal Water System; (b) payments into pension funds; (c) State-
8 imposed taxes; (d) amounts due under Contract Resource Obligations (but only at
9 the times described in Section 21); (e) payments made to another person or entity
10 for the receipt of water supply or transmission or other commodity or service; and
11 (f) payments with respect to any other expenses of the Municipal Water System
12 that are properly treated as operating and maintenance expenses under generally
13 accepted accounting principles applicable to municipal corporations. Operating
14 and Maintenance Expense does not include: ~~((any))~~ depreciation, amortization or
15 other similar recognitions of non-cash expense items made for accounting
16 purposes only; ~~((or))~~ taxes levied or imposed by the City ~~((;))~~ or payments ~~((to the~~
17 ~~City))~~ in lieu of City taxes ~~((;))~~ ; payments of claims or judgments; or capital
18 additions or capital replacements to the Municipal Water System.

19 **“Reserve Requirement”** means ~~((as of any date))~~ the lesser of
20 (a) Maximum Annual Debt Service ((or 125% of)) on all Parity Bonds
21 outstanding at the time of calculation, or (b) 1.25 times Average Annual Debt
22 Service on ~~((the))~~ all Parity Bonds outstanding at the time of calculation. In no
23 event shall the Reserve Requirement exceed 10% of the proceeds of each series of

1 Parity Bonds then outstanding, determined as of the Issue Date of each such
2 series. *From and after the defeasance or redemption of all Outstanding Parity*
3 *Bonds, the Reserve Requirement shall mean the lesser of (a) Maximum Annual*
4 *Debt Service on all Covered Parity Bonds outstanding at the time of calculation,*
5 *or (b) 1.25 times Average Annual Debt Service on all Covered Parity Bonds*
6 *outstanding at the time of calculation. In no event shall the Reserve*
7 *Requirement exceed 10% of the proceeds of each series of Covered Parity*
8 *Bonds then outstanding, determined as of the Issue Date of each such series.*

9 “Qualified Letter of Credit” means any letter of credit, standby bond
10 purchase agreement or similar instrument issued by a financial institution for the
11 account of the City on behalf of the Beneficial Owner of any Parity Bond, which
12 institution maintains an office, agency or branch in the United States and, as of
13 the time of issuance of such letter of credit, is rated in one of the two highest
14 rating categories by at least two nationally recognized rating agencies.

15 “ULID Assessments” means all assessments levied and collected in a
16 ULID, if and only if those assessments are pledged to be paid into the Parity Bond
17 Account, in which case they shall be included in Gross Revenue. ULID
18 Assessments shall include all installments of principal, payments of interest, and
19 penalties and interest on delinquencies, but shall not include any prepaid
20 assessments paid into a construction fund or account.

21 (b) **Amendments to Section 5.** The following subsection (d) is added to Section 5 (Bond
22 Registrar; Registration and Transfer of Bonds):

1 (d) **Lost or Stolen Bonds.** In case any Bond shall be lost, stolen or
2 destroyed, the Bond Registrar may authenticate and deliver a new bond or bonds
3 of like amount, date, tenor, and effect to the Registered Owner(s) thereof upon the
4 Registered Owner(s) paying the expenses and charges of the City in connection
5 therewith and upon filing with the Bond Registrar evidence satisfactory to the
6 Bond Registrar that such bond or bonds were actually lost, stolen or destroyed and
7 of Registered Ownership thereof, and upon furnishing the City with indemnity
8 satisfactory to both.

9 (c) **Amendments to Section 14.** The following amendments are made to Section 14
10 (Security for the Bonds; Parity with other Bonds):

11 Section 14. **Security for the Bonds; Parity with other Bonds.** The
12 Bonds shall be special limited obligations of the City payable from and secured
13 solely by the Net Revenue ((and)) (including all ULID Assessments, if any) and
14 by money in the Parity Bond Account and the subaccounts therein, except that
15 from and after the date on which all Outstanding Parity Bonds have been
16 redeemed or defeased, money in the Reserve Subaccount shall secure only
17 Covered Parity Bonds. The Net Revenue ((and)) (including all ULID
18 Assessments, if any), ((and all money and investments held in the Parity Bond
19 Account, the Rate Stabilization Account and the Construction Account (except
20 money and investments held in a separate fund or account created for the purpose
21 of compliance with rebate requirements under the Code), are)) is pledged to make
22 the payments ((of)) into the Parity Bond ((s)) Account and to make payments into
23 the Reserve Subaccount required by this ordinance and the Parity Bond

1 Legislation. This pledge shall constitute a charge and lien upon the Net Revenue
2 prior and superior to any other charges whatsoever.

3 The Bonds shall be on a parity with the Outstanding Parity Bonds and all
4 Future Parity Bonds, without regard to date of issuance or authorization and
5 without preference or priority of right or lien. Nothing in this ordinance prevents
6 the City from issuing revenue bonds or other obligations which are a charge or
7 lien upon the Net Revenues subordinate to the payments required to be made from
8 Net Revenue into the Parity Bond Account and the subaccounts therein. The City
9 covenants that for as long as any Bond is outstanding that it will not issue any
10 other revenue obligations (or create any special fund or account therefor), which
11 will have any priority over or which will rank on a parity with the payments
12 required in respect of the Parity Bonds, and that it will issue Future Parity Bonds
13 only accordance with the Parity Conditions.

14 The Bonds shall not constitute general obligations of the City, the State or
15 any political subdivision of the State or a charge upon any general fund or upon
16 any money or other property of the City, the State or any political subdivision of
17 the State not specifically pledged by this ordinance.

18 (d) **Amendments to Subsections (a) and (b) of Section 16.** The following amendments
19 are made to subsections (a) and (b) of Section 16 (Parity Bond Account):

20 Section 16. **Parity Bond Account.**

21 * * *

22 (a) **Required Payments into Parity Bond Account.** So long as any Parity
23 Bonds are outstanding, the City shall set aside and pay into the Parity Bond

Account all ULID Assessments on their collection and, out of the Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(i) Into the Principal and Interest Subaccount (A) upon receipt thereof, the accrued interest, if any, received by the City from the Purchaser, and (B) on or before each interest or principal and interest payment date of any Parity Bonds an amount which, together with other money on deposit therein, will be sufficient to pay the interest, or principal and interest and Sinking Fund Requirements, to become due and payable on the Parity Bonds on that payment date, and net payments due on Parity Payment Agreements; and

(ii) Into the Reserve Subaccount an amount necessary to provide for the Reserve Requirement (~~((for the Parity Bonds))~~) within the time and in the manner required by this ordinance and the Parity Bond Legislation. The amount necessary to satisfy the Reserve Requirement upon the issuance of a Series may be funded ((i)) (A) on the Issue Date, by a deposit from the bond sale proceeds, other available funds of the Municipal Water System or a Reserve Security, or ((ii)) (B) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by no later than the fifth anniversary of the Issue Date. The manner of funding the Reserve Requirement for the Bonds shall be set forth in the Bond Resolution. For the purpose of determining the amount credited to the Reserve Subaccount, obligations in which money in the Reserve Subaccount has been invested shall be valued (~~((at the greater of cost or accreted value))~~) as determined on the most recent annual financial report of the Municipal Water System, and the additional amounts, if any, needed to be deposited into the

1 Reserve Subaccount to satisfy the Reserve Requirement shall be based on that
2 valuation.

3 The City may provide all or any part of the Reserve Requirement
4 through a Reserve Security ((;)) . For so long as any Outstanding Parity Bonds
5 remain outstanding, a Reserve Security obtained to satisfy all or any part of the
6 Reserve Requirement is subject to the following: (A) the amount available to be
7 drawn upon under a Reserve Security shall be credited against the Reserve
8 Requirement; and (B) on receipt of a notice of cancellation of any Reserve
9 Security, the City shall either (1) substitute a Reserve Security in the amount
10 required to make up the deficiency created in the Reserve Subaccount, or (2)
11 create a special account in the Water Fund and deposit therein, on or before the
12 25th day of each of the 36 succeeding calendar months (commencing with the
13 25th day of the calendar month next following the date of the notice) 1/36th of the
14 amount sufficient, together with other money and investments on deposit in the
15 Reserve Subaccount, to equal the Reserve Requirement in effect as of the date the
16 cancellation becomes effective. Amounts on deposit in that special account shall
17 not be available to pay debt service on Parity Bonds or for any other purpose of
18 the City, and shall be transferred to the Reserve Subaccount on the effective date
19 of any cancellation of a Reserve Security to make up all or part of the deficiency
20 caused thereby. Amounts in that special account or in the Reserve Subaccount
21 may be transferred back to the Water Fund and used for any purpose if and when
22 a substitute Reserve Security is obtained. *From and after the redemption or*

1 **defeasance of all Outstanding Parity Bonds, the foregoing paragraph shall no**
2 **longer be of any force or effect.**

3 The Director of Finance may transfer any money from any funds or
4 accounts of the City legally available therefor, except bond redemption funds,
5 refunding escrow funds or defeasance funds, to meet the required payments to be
6 made into the Parity Bond Account. The Director of Finance may provide for the
7 purchase, redemption or defeasance of any Parity Bonds by the use of money on
8 deposit in any subaccount in the Parity Bond Account as long as the money
9 remaining in those subaccounts is sufficient to satisfy the required deposits in
10 those subaccounts for the remaining Parity Bonds.

11 (b) **Reserve Subaccount.** The City covenants that it will at all times
12 so long as any Parity Bonds are outstanding, maintain the Reserve Subaccount at
13 the Reserve Requirement (taking into account scheduled payments to fund the
14 Reserve Requirement over time), as it is adjusted from time to time, except for
15 withdrawals as authorized by this ordinance. The Director of Finance may make
16 withdrawals of cash from the Reserve Subaccount in the event of a deficiency in
17 the Principal and Interest Subaccount to meet maturing installments of either
18 principal (or Sinking Fund Requirements) or interest. **From and after the**
19 **redemption or defeasance of all Outstanding Parity Bonds, the withdrawals**
20 **authorized shall be limited to the amounts necessary to meet maturing**
21 **installments of either principal (or Sinking Fund Requirements) or interest with**
22 **respect to Covered Parity Bonds.** Any deficiency created in the Reserve
23 Subaccount by reason of any such withdrawal shall, within 12 months, be made

1 up from ULID Assessments and Net Revenue available after making necessary
2 provisions for the required payments into the Principal and Interest Subaccount.
3 The money in the Reserve Subaccount may be applied to the payment of the last
4 outstanding Parity Bonds, and when the total amount in the Parity Bond Account
5 (including investment earnings) equals the total amount of principal and interest
6 for all then-outstanding Parity Bonds to the last maturity thereof, no further
7 payment need be made into the Parity Bond Account. Money in the Reserve
8 Subaccount (including investment earnings) in excess of the Reserve Requirement
9 may be withdrawn and deposited in the Principal and Interest Subaccount and
10 spent for the purpose of retiring Parity Bonds or may be deposited in any other
11 fund or account and spent for any other lawful Municipal Water System purpose.

12 (e) **Amendments to Subsection (b) of Section 17.** The following amendments are made
13 to subsection (b) of Section 17 (Parity Bond Covenants):

14 (b) **Establishment and Collection of Rates and Charges.** It will
15 establish, maintain, revise as necessary, and collect rates and charges for services
16 and facilities provided by the Municipal Water System which will be fair and
17 equitable, and will adjust those rates and charges from time to time so that:

18 (i) The Gross Revenue will be sufficient to (A) pay all
19 Operating and Maintenance Expense, (B) pay when due all amounts that the City
20 is obligated to pay into the Parity Bond Account and the subaccounts therein, and
21 (C) pay all taxes, assessments or other governmental charges lawfully imposed on
22 the Municipal Water System or the revenue therefrom or payments in lieu thereof

and any and all other amounts which the City may now or hereafter become obligated to pay from the Gross Revenue by law or contract; and

(ii) The Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement; and

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

Upon the defeasance or redemption of all of the Outstanding Parity Bonds, subparagraph (i) of the preceding subsection (b) shall be deleted in its entirety.

The failure of the City to comply with ~~((subparagraphs (i) and (ii) above))~~ this covenant shall not be an Event of Default if the City promptly retains an Independent Utility Consultant to recommend to the City Council adjustments in the rates of the Municipal Water System necessary to meet the requirements of those subparagraphs and if the City Council adopts the recommended modifications within 180 days of the date the failure became known to the City Council.

(f) New Subsection Added to Section 18. The following subsection (c) is added to Section 18 (Future Parity Bonds):

(c) Notwithstanding anything in this section to the contrary, in the ordinance or resolution authorizing the issuance or sale of a series of Future Parity Bonds, the City may elect that from and after the redemption or defeasance of all

1 Outstanding Parity Bonds, such series shall not be deemed to be a series of
2 Covered Parity Bonds, shall not be secured by the amounts in the Reserve
3 Subaccount, and shall be excluded from the calculation of the Reserve
4 Requirement.

5 (g) **Amendments to Subsection (d) of Section 25.** The following amendments are made
6 to subsection (d) of Section 25 (Supplemental or Amendatory Ordinances):

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

12 (i) When calculating “Annual Debt Service,” to permit or require
13 Tax Credit Subsidy Payments expected to be received by the City in any period to
14 be credited against amounts required to be paid in respect of interest on the Parity
15 Bonds in that period; and

16 (ii) To permit or require Tax Credit Subsidy Payments to be
17 deposited into the Principal and Interest Subaccount and credited against the Net
18 Revenue otherwise required to be deposited into the Principal and Interest
19 Subaccount.

20 In addition, the Registered Owners from time to time of any series of
21 Bonds issued after 2016, by taking and holding the same, shall be deemed to have
22 consented to the adoption by the City of any supplemental or amendatory
23 ordinance or resolution passed pursuant to the provisions of this section to permit

1 the reimbursement obligations of the City under any Qualified Letter of Credit or
2 Qualified Insurance (other than a Qualified Letter of Credit or Qualified Insurance
3 obtained to satisfy all or part of the Reserve Requirement) to be secured by a lien
4 and charge on Net Revenue equal in rank with the lien and charge upon such Net
5 Revenue required to be paid into the Parity Bond Account to pay and secure the
6 payment of the principal of and interest on Parity Bonds.

7 (h) **Effect of Amendments; Other Sections Unaffected.** With respect to any bonds
8 authorized by the Omnibus Refunding Bond Ordinance that are outstanding as of the effective
9 date of this amendatory ordinance, the intent of these amendments is to effect only clarifications
10 of ambiguities. Unless the requisite consent of Owners of the Parity Bonds has been obtained,
11 any amendment contained herein that is found by a court of competent jurisdiction to adversely
12 affect owners of such outstanding bonds shall be of no force or effect and the provisions of the
13 Omnibus Refunding Bond Ordinance prior to the effective date of this amendatory ordinance
14 shall continue in effect as to such outstanding bonds. All other provisions of the Omnibus
15 Refunding Bond Ordinance remain in full force and effect, except as amended by previously
16 adopted springing amendments to sections of the Omnibus Refunding Bond Ordinance which by
17 their terms provided that they were to go into effect upon the redemption or defeasance of the
18 outstanding 2003 and 2004 Bonds. The City hereby confirms that the 2003 and 2004 Bonds have
19 been redeemed or defeased in full, and that those prior amendments have become effective in
20 accordance with their terms.

21 Section 27. **General Authorization.** In addition to the specific authorizations in this
22 ordinance, the Mayor and the Director of Finance and each of the other appropriate officers of
23 the City are each authorized and directed to do everything as in his or her judgment may be

1 necessary, appropriate, or desirable in order to carry out the terms and provisions of, and
2 complete the transactions contemplated by, this ordinance. In particular and without limiting the
3 foregoing:

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

13 (b) The Mayor and the Director of Finance are each separately authorized to execute and
14 deliver (i) any and all contracts or other documents as are consistent with this ordinance and for
15 which the City's approval is necessary or to which the City is a party (including but not limited
16 to agreements with escrow agents, refunding trustees, providers of Bond Insurance or Reserve
17 Securities, remarketing agents, underwriters, lenders, fiscal agents, Qualified Counterparties,
18 custodians, and the Bond Registrar); and (ii) such other contracts or documents incidental to the
19 issuance and sale of a Series; the establishment of the initial interest rate or rates on a Bond; or
20 the tender, purchase, remarketing, or redemption of a Bond, as may in his or her judgment be
21 necessary or appropriate.

22 Section 28. **Severability**. The provisions of this ordinance are declared to be separate and
23 severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal

1 periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any
2 person or circumstance, such offending provision shall, if feasible, be deemed to be modified to
3 be within the limits of enforceability or validity. However, if the offending provision cannot be
4 so modified, it shall be null and void with respect to the particular person or circumstance, and
5 all other provisions of this ordinance in all other respects, and the offending provision with
6 respect to all other persons and all other circumstances, shall remain valid and enforceable.

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

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

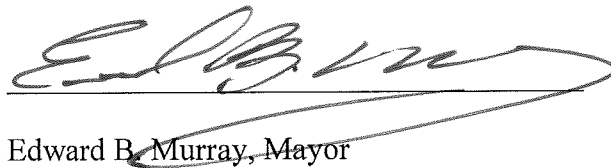
Section 31. **Effective Date.** This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 21st day of November, 2016,
and signed by me in open session in authentication of its passage this 21st day of
November, 2016.



President _____ of the City Council

Approved by me this 28th day of November, 2016.


Edward B. Murray, Mayor

Filed by me this 28th day of NOVEMBER, 2016.



Monica Martinez Simmons, City Clerk

(Seal)

Exhibits:

Exhibit A – Outstanding Water Parity Bonds

Exhibit B – Form of Undertaking to Provide Continuing Disclosure

EXHIBIT A

OUTSTANDING WATER PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Bond Legislation		
			New Money Ord.	Refunding Ord.	Bond Sale Res.
Water System Revenue and Refunding Bonds, 2006	10/23/2006	\$189,970,000	Ord. 122210	Ord. 121939	Res. 30919
Water System Improvement and Refunding Revenue Bonds, 2008	12/15/2008	\$205,080,000	Ord. 122797	Ord. 121939 (as amended by Ord. 122837)	Res. 31099
Water System Revenue Bonds, 2010A (Taxable Build America Bonds – Direct Payment)	1/21/2010	\$109,080,000	Ord. 123168	--	Res. 31182
Water System Improvement and Refunding Revenue Bonds, 2010B	1/21/2010	\$81,760,000	Ord. 123168	Ord. 121939 (as amended by Ord. 122837)	Res. 31182
Water System Refunding Revenue Bonds, 2012	5/30/2012	\$238,770,000	--	Ord. 121939 (as amended by Ord. 122837)	Res. 31382
Water System Improvement and Refunding Revenue Bonds, 2015	6/10/2015	\$340,840,000	Ord. 124340	Ord. 124339 (amending and restating Ord. 121939)	Res. 31586

EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the “City”) makes the following written Undertaking for the benefit of the Owners of the City’s [Water System Revenue Bonds, 2017][Series Designation] (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ and Resolution _____ (together, the “Bond Legislation”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”). The timely filing of unaudited financial statements shall satisfy the requirement and filing deadlines pertaining to filing annual financial statements under subsection (b), provided that audited financial statements are to be filed if and when they are otherwise prepared and available to the City.

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or

liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements of the Water System prepared in accordance with applicable generally accepted accounting principles applicable to governmental units (except as otherwise noted herein), as such principles may be changed from time to time and as permitted by State law; (2) a statement of outstanding bonded debt secured by Net Revenue of the Water System; (3) debt service coverage ratios; (4) general customer

1 statistics, such as number and type of customers and revenues by customer class; and (5) current
2 water rates;

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

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

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

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

22 (e) Termination of Undertaking. The City's obligations under this Undertaking shall
23 terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In

1 addition, the City's obligations under this Undertaking shall terminate if those provisions of
2 Rule 15c2-12 which require the City to comply with this Undertaking become legally
3 inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally
4 recognized bond counsel or other counsel familiar with federal securities laws delivered to the
5 City, and the City provides timely notice of such termination to the MSRB.

6 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the
7 City learns of any material failure to comply with the Undertaking, the City will proceed with
8 due diligence to cause such noncompliance to be corrected. No failure by the City or other
9 obligated person to comply with this Undertaking shall constitute a default in respect of the
10 Bonds. The sole remedy of any Owner of a Bond shall be to take such actions as that Owner
11 deems necessary, including seeking an order of specific performance from an appropriate court,
12 to compel the City or other obligated person to comply with the Undertaking.

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

19 (i) Preparing and filing the annual financial information undertaken to be
20 provided;

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

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

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

8 (v) Effecting any necessary amendment of the Undertaking.
9
10

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
FAS/SPU	Michael Van Dyck 4-8347 Paul Hanna 4-7752	S. Reddy 5-1232 A. Blumenthal 3-2656

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants, and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal water system refunding revenue bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This legislation provides the legal authorization to issue up to \$110.4 million of bonds for the Water System to fund a portion of capital expenditures outlined in the proposed 2017-2022 Capital Improvement Program (CIP).

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The Water bond sale is anticipated to occur in early 2017. The bond proceeds, combined with internally generated funds, will support the Water System capital program for about 17 months.

The bond sizing is based on the proposed budget, operating financial plans, rates, planned cash flow, and cash contribution targets. The bond proceeds will also be used to make a deposit to the bond reserve fund and to pay issuance costs.

The proposed issue will have fixed rates, a maximum maturity of 30 years, and estimated annual debt service (principal and interest payments) of about \$7.0 million starting in 2018. SPU will incorporate the debt service costs resulting from this bond issue in its upcoming rates proposal.

These bonds will finance improvements to the City's Water System. For further information about SPU's capital projects, please see the Proposed 2017-2022 CIP.

2. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

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

- b) **Is there financial cost or other impacts of not implementing the legislation?**

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

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

This legislation affects FAS, which will coordinate the issuance of bonds.

- d) **Is a public hearing required for this legislation?**

No.

- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

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

No.

- g) **Does this legislation affect a piece of property?**

No.

- h) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

None/No

- i) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

NA

- j) **Other Issues:**

List attachments/exhibits below:

STATE OF WASHINGTON -- KING COUNTY

--SS.

344220

No. 125183,84,85,86,87,88,89

CITY OF SEATTLE,CLERKS OFFICE

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.

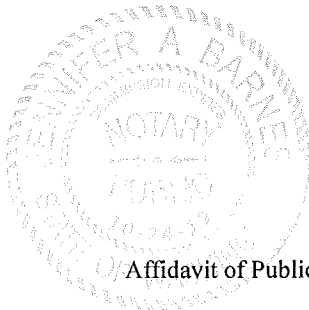
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

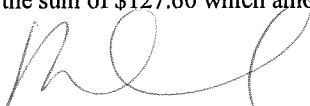
CT:TITLE ONLY ORDINANCES

was published on

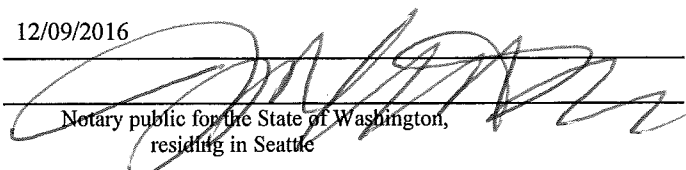
12/09/16

The amount of the fee charged for the foregoing publication is the sum of \$127.60 which amount has been paid in full.




Subscribed and sworn to before me on

12/09/2016


Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

Title Only Ordinances

The full text of the following legislation, passed by the City Council on November 21, 2016, and published below by title only, will be mailed upon request, or can be accessed at <https://seattle.legistar.com/Legislation.aspx>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>.

Contact: Office of the City Clerk at (206) 684-8344.

Ordinance 125183

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants, and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal water system refunding revenue bonds; and ratifying and confirming certain prior acts.

Ordinance 125184

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

Ordinance 125185

AN ORDINANCE relating to street and sidewalk use; amending the Street Use Permit Fee Schedule authorized by Section 15.04.074 of the Seattle Municipal Code.

Ordinance 125186

AN ORDINANCE relating to street and sidewalk use; amending Section 11.23.440 of the Seattle Municipal Code, to establish a formal parklet program in the public place.

Ordinance 125187

AN ORDINANCE relating to the Seattle Department of Transportation; amending Section 11.16.312 of the Seattle Municipal Code to adjust Vanpool Parking Permit Fees.

Ordinance 125188

AN ORDINANCE relating to the financing of the Central Waterfront Improvement Program; amending Ordinance 124345 to extend the duration of the interfund loan to be used for this capital program and establishing the Transportation Master Fund as the lending fund.

Ordinance 125189

AN ORDINANCE relating to the Building and Construction Codes, Subtitle VI, Fire Code; amending Seattle Municipal Code Sections 22.602.045, 22.602.050, 22.602.070, and 22.602.090, to add, delete, and revise various Seattle Fire Department permit, certificate, inspection, and plan review fees and related provisions.

Date of publication in the Seattle Daily Journal of Commerce, December 9, 2016.

12/9(344220)