

**CITY OF SEATTLE**  
**ORDINANCE 126226**  
**COUNCIL BILL 119926**

AN ORDINANCE relating to the municipal water system of The City of Seattle; providing for the defeasance of the claim or lien of certain of the City’s outstanding water system revenue bonds and payment of the administrative costs of such defeasance; providing for and authorizing the purchase of certain obligations and for the use and application of the money derived from those investments; authorizing the execution of a defeasance trust agreement to establish a defeasance escrow; authorizing the call for redemption prior to their maturity of those outstanding bonds that are to be defeased; and ratifying and confirming certain prior acts.

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

WHEREAS, the City has previously authorized and issued, and may from time to time in the future authorize and issue, water system revenue bonds having a charge and lien on the Net Revenue of the Water System prior and superior to any other charges whatsoever (“Parity Bonds”), which are designated as defeasible under this ordinance (the “Defeasible Bonds”); and

WHEREAS, it is advantageous to the City and its ratepayers to provide for the application of available Net Revenues or other available funds (other than proceeds of Tax-Advantaged Bonds) to defease outstanding Defeasible Bonds whenever the Director of Finance determines that such defeasance will achieve a long-term cost savings or other benefit to the City or its ratepayers, all as permitted under chapter 39.53 RCW; and

WHEREAS, the City has determined that it is in the best interest of the City and its ratepayers to authorize, subject to the provisions of this ordinance, the Director of Finance to carry out

1 the defeasance and redemption of all or any portion of the Defeasible Bonds and to pay  
2 the administrative costs of carrying out the defeasance of those Defeasible Bonds; and

3 WHEREAS, pursuant to the authority delegated in this ordinance, the Director of Finance from  
4 time to time will receive, review and adopt a plan (a “Defeasance Plan”) to defease  
5 selected maturities (or partial maturities) of certain series of those Defeasible Bonds,  
6 which selected series and maturities (or partial maturities) will be identified in the  
7 Defeasance Plan, and to carry out the defeasance and redemption of any Defeasible  
8 Bonds as the Director of Finance may deem in the best interests of the City and its  
9 ratepayers; NOW, THEREFORE,

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

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

13 **“Acquired Obligations”** means Government Obligations maturing or having guaranteed  
14 redemption prices at the option of the holder at such time or times as may be required to provide  
15 funds sufficient to carry out the Defeasance Plan, and satisfying the requirements of the  
16 Defeased Bond Documents relating to the Defeased Bonds included in that Defeasance Plan. For  
17 purposes of this definition, eligible “Government Obligations” for inclusion in a Defeasance Plan  
18 shall be determined in accordance with the applicable Defeased Bond Documents.

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

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

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

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

5           **“Defeasance Plan”** means the plan approved by the Director of Finance pursuant to the  
6 delegation set forth herein to accomplish the defeasance and redemption of the identified  
7 Defeasible Bonds. Each Defeasance Plan must identify the maturities (or partial maturities) and  
8 series of Defeasible Bonds to be defeased and redeemed thereby, and must provide for their  
9 defeasance and/or redemption, substantially as follows, with such additional detail and  
10 adjustments to be set forth in the Defeasance Trust Agreement as the Director of Finance may  
11 deem necessary or desirable:

12           (a)     The City shall deposit available Net Revenue of the Municipal Water System, and  
13 such other money (other than proceeds of Tax-Advantaged Bonds) as may be included in the  
14 plan by the Director of Finance, into a defeasance escrow or trust account held by the  
15 Defeasance Trustee;

16           (b)     Upon receipt of a certification or verification by a certified public accounting firm  
17 or financial advisor that the amounts deposited with it will be sufficient to accomplish the  
18 defeasance and redemption as described in such Defeasance Trust Agreement, the Defeasance  
19 Trustee shall invest such escrow deposits in the Acquired Obligations specified therein (unless  
20 directed in the Defeasance Trust Agreement to hold such deposits uninvested) and shall establish  
21 a beginning cash balance; and

22           (c)     As further directed in the Defeasance Trust Agreement, the Defeasance Trustee  
23 shall apply the amounts received as interest on and maturing principal of such Acquired

1 Obligations (together with any cash balance in the defeasance trust account) to call, pay, and  
2 redeem those Defeasible Bonds on the dates and times identified in the plan, and (if so directed)  
3 to pay the administrative costs of carrying out the foregoing.

4 If the Director of Finance serves as the Defeasance Trustee, the Director of Finance shall  
5 approve a written Defeasance Plan (which need not be set forth in a Defeasance Trust  
6 Agreement) providing that the escrow funds are to be held separate and apart from all other  
7 funds of the City and are to be applied substantially as set forth above.

8 **“Defeasance Trust Agreement”** means an escrow or trust agreement between the City  
9 and a Defeasance Trustee as described in Section 3(d) of this ordinance.

10 **“Defeasance Trustee”** means the Director of Finance, or a financial institution selected  
11 by the Director of Finance, serving in the capacity of Defeasance Trustee or escrow agent under  
12 a Defeasance Trust Agreement.

13 **“Defeased Bond Documents”** means (a) the ordinance(s) authorizing the issuance of the  
14 Defeased Bonds; (b) the authenticated bond form; and (c) the written agreement(s) setting forth  
15 the terms, conditions, or covenants pursuant to which such bond was issued and sold, as set forth  
16 in any one or more of the following (if any): (i) a sale resolution, (ii) a bond purchase contract  
17 (as defined in the applicable authorizing ordinance), (iii) a bond indenture or a fiscal agent or  
18 paying agent agreement (other than the State fiscal agency contract), and (iv) a direct purchase or  
19 continuing covenant agreement.

20 **“Defeased Bonds”** means those Defeasible Bonds identified in a Defeasance Plan in  
21 accordance with this ordinance.

22 **“Defeasible Bonds”** means each series of Parity Bonds that have been designated, or  
23 may in the future be designated, as defeasible under this ordinance, including: (a) each series of

1 Outstanding Parity Bonds listed in Exhibit A; and (b) each series of Future Parity Bonds  
2 designated by the City as Defeasible Bonds.

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

6 **“Government Obligations”** means, unless otherwise defined in the Defeased Bond  
7 Documents, any government obligation as that term is defined in RCW 39.53.010, as now in  
8 effect or as may be hereafter amended.

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

1 such funds in a manner inconsistent with the application of Gross Revenue hereunder; (d) the  
2 proceeds of any borrowing for capital improvements (or the refinancing thereof); (e) the  
3 proceeds of any liability or other insurance, including but not limited to insurance proceeds  
4 compensating the City for the loss of a capital asset, but excluding business interruption  
5 insurance or other insurance of like nature insuring against the loss of revenues; (f) general ad  
6 valorem taxes, excise taxes and special assessments (other than ULID Assessments), including  
7 interest and penalties thereon; and (g) earnings of any separate utility system that may be created,  
8 acquired, or constructed by the City in accordance with the provisions for a separate system in  
9 the Defeased Bond Documents.

10 **“Municipal Water System”** means the water system of the City as it now exists, and all  
11 additions thereto and betterments and extensions thereof at any time made, together with any  
12 utility systems of the City hereafter combined with the Municipal Water System. The Municipal  
13 Water System shall not include any separate utility system that may be created, acquired, or  
14 constructed by the City as provided in the Defeased Bond Documents.

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

17 **“Omnibus Defeasance Ordinance”** means this ordinance (as it may be amended from  
18 time to time) or any other ordinance of the City passed in the future, authorizing the defeasance  
19 and redemption of Defeasible Bonds.

20 **“Operating and Maintenance Expense”** means all expenses incurred by the City in  
21 causing the Municipal Water System to be operated and maintained in good repair, working  
22 order and condition, including without limitation: (a) deposits, premiums, assessments or other  
23 payments for insurance, if any, on the Municipal Water System; (b) payments into pension

1 funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations in  
2 accordance with the provisions of the Defeased Bond Documents; (e) payments made to another  
3 person or entity for the receipt of water supply or transmission or other commodity or service;  
4 and (f) payments with respect to any other expenses of the Municipal Water System that are  
5 properly treated as Operating and Maintenance Expense under generally accepted accounting  
6 principles applicable to municipal corporations, including payments (other than payments out of  
7 proceeds of Parity Bonds or other obligations not issued to pay current expenses of the  
8 Municipal Water System) into reasonable reserves for items of operating or maintenance expense  
9 the payment of which is not immediately required. Operating and Maintenance Expense does not  
10 include: depreciation, amortization, or other similar recognitions of non-cash expense items  
11 made for accounting purposes only including non-cash pension expense; taxes levied or imposed  
12 by the City or payments in lieu of City taxes; payments of claims or judgments; or capital  
13 additions or capital replacements of the Municipal Water System.

14 **“Outstanding Parity Bonds”** means those outstanding Parity Bonds identified in  
15 Exhibit A. When used in reference to a particular date (or in reference to a particular series of  
16 Parity Bonds), Outstanding Parity Bonds shall mean those Parity Bonds, including any Parity  
17 Bonds issued subsequent to the date of this ordinance, that are outstanding as of that date (or as  
18 of the issue date of the referenced series of Parity Bonds).

19 **“Parity Bond Account”** means the Water Revenue Parity Bond Account created by  
20 Ordinance 116705 in the Water Fund for the purpose of paying and securing payment of the  
21 principal of and interest on Parity Bonds.

1           **“Parity Bonds”** means water system revenue obligations payable solely from the Parity  
2 Bond Account having a charge and lien on the Net Revenue of the Municipal Water System prior  
3 and superior to any other charges whatsoever.

4           **“Tax-Advantaged Bond”** means any bond or other financial obligation issued by the  
5 City, (a) the interest on which is intended on its issue date to be excludable from gross income  
6 for federal income tax purposes, or (b) that is designated by the City as a tax credit bond  
7 pursuant to the Code, and which is further designated as a “qualified bond” under Section 6431  
8 (or substantively similar provision of the Code), and with respect to which the City is eligible to  
9 claim a tax credit subsidy payment in respect of interest on the obligation.

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

12           Section 2.     **Finding With Respect to Defeasance.** The City Council hereby finds  
13 that the irrevocable deposit of money and securities with a Defeasance Trustee, verified or  
14 certified as to sufficiency in accordance with a Defeasance Plan approved pursuant to this  
15 ordinance, will discharge and satisfy the obligations of the City as to the Defeased Bonds  
16 identified therein, including all pledges, charges, trusts, covenants, and agreements under the  
17 applicable Defeased Bond Documents. Immediately upon such deposit, the Defeased Bonds  
18 identified in such Defeasance Plan shall be defeased and shall no longer be deemed to be  
19 outstanding under the applicable Defeased Bond Documents.

20           The City Council finds and determines that it is in the best interest of the City and its  
21 taxpayers that the City carry out a Defeasance Plan approved by the Director of Finance as  
22 provided for in this ordinance and hereby ratifies and approves any such Defeasance Plan.



1           Section 3.       **Defeasance of the Defeased Bonds.**

2           (a)       **Approval of Defeasance Plan; Appointment of Defeasance Trustee.** The  
3 Director of Finance is authorized and directed to select a Defeasance Trustee and to negotiate,  
4 execute, and deliver a Defeasance Trust Agreement setting forth a Defeasance Plan for each  
5 series of Defeasible Bonds (or portion thereof) to be defeased and redeemed pursuant to this  
6 ordinance, in accordance with subsection (d) of this section. Multiple Defeasance Plans may be  
7 combined in a single Defeasance Trust Agreement. The Defeasance Plan shall be carried out, and  
8 the money on deposit in the defeasance escrow shall be applied, in accordance with this  
9 ordinance, the respective Defeased Bond Documents, the Defeasance Trust Agreement, and the  
10 laws of the State.

11           (b)       **Acquisition of Acquired Obligations.** To the extent practicable and desirable,  
12 the Defeasance Plan shall provide for the Defeasance Trustee's purchase of Acquired  
13 Obligations, bearing such interest and maturing as to principal and interest in such amounts and  
14 at such times so as to provide, together with a beginning cash balance, if necessary, for the  
15 timely payment of the amounts required to be paid by the Defeasance Plan. The Acquired  
16 Obligations shall be listed and more particularly described in a schedule attached to the  
17 Defeasance Trust Agreement, but are subject to substitution as set forth in subsection (c) below.

18           (c)       **Substitution of Acquired Obligations.** The City reserves the right at any time to  
19 substitute cash or other Government Obligations (as defined in the applicable Defeased Bond  
20 Documents) for the Acquired Obligations if the City obtains a verification by a nationally  
21 recognized independent certified public accounting firm reasonably acceptable to the Defeasance  
22 Trustee confirming that the payments of principal of and interest on the substitute obligations, if  
23 paid when due, together with the cash to be held by the Defeasance Trustee, will be sufficient to

1 carry out the Defeasance Plan. If the applicable Series of Defeased Bonds were issued as Tax-  
2 Advantaged Bonds, then prior to such substitution, the City must also obtain an opinion from  
3 Bond Counsel to the effect that the disposition and substitution or purchase of such securities  
4 will not cause adverse federal tax consequences as to any such Defeased Bonds that were issued  
5 as Tax-Advantaged Bonds (except to the extent that the City has opted to forego any available  
6 tax credit subsidy payment in connection with the original defeasance) and that such disposition  
7 and substitution or purchase is in compliance with the applicable statutes and regulations. Any  
8 surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired  
9 Obligations and the substitutions therefor shall be released from the trust estate and may be used  
10 for any lawful City purpose.

11 (d) **Defeasance Trust Agreement.** The Director of Finance is authorized to execute  
12 one or more Defeasance Trust Agreements with one or more Defeasance Trustees, setting forth  
13 the duties, obligations, and responsibilities of the Defeasance Trustee in connection with carrying  
14 out the applicable Defeasance Plan. Each Defeasance Trust Agreement and Defeasance Plan  
15 must, among other things: (1) identify the Defeasible Bonds to be defeased and redeemed  
16 thereby; (2) contain the elements set forth in the definition of Defeasance Plan set forth in this  
17 ordinance, including authorizing and directing the Defeasance Trustee to use the money  
18 deposited with it to purchase the Acquired Obligations (or substitute obligations) and to apply  
19 such money along with the maturing principal of and interest on such obligations to make the  
20 payments required to be made by the Defeasance Plan; and (3) provide for the giving of notices  
21 of defeasance and redemption, as required under the Defeased Bond Documents. The Defeasance  
22 Trust Agreement may additionally provide for the payment of the costs of administering the  
23 Defeasance Plan (including without limitation, all necessary and proper fees, compensation, and

1 expenses of the Defeasance Trustee and all other costs incidental to the setting up of the escrow  
2 to accomplish the Defeasance Plan), and for such other related matters as the Director of Finance  
3 may deem necessary or expedient.

4           Section 4.     **Redemption of the Defeased Bonds.** The Director of Finance is  
5 authorized on behalf of the City to take such actions as may be necessary or convenient to call  
6 the Defeased Bonds for redemption. Such call for redemption of the Defeased Bonds shall  
7 identify the Defeased Bonds, redemption dates and redemption prices (expressed as a percentage  
8 of the stated principal amount) and shall be irrevocable after the effective date of the Defeasance  
9 Trust Agreement. The dates on which the Defeased Bonds are to be called for redemption shall  
10 be, in the judgment of the Director of Finance, the earliest practical dates on which those  
11 Defeased Bonds may be called for redemption following the effective date of the Defeasance  
12 Trust Agreement. The proper City officials are authorized and directed to give or cause to be  
13 given such notices as required, at the times and in the manner required pursuant to the Defeased  
14 Bond Documents, in order to carry out the Defeasance Plan.

15           Section 5.     **Outstanding Parity Bonds Declared Defeasible.** All outstanding Parity  
16 Bonds that have previously been, or may in the future be, designated as “Refundable Bonds”  
17 under Ordinance 125714, passed by the City Council on November 19, 2018 and signed by the  
18 Mayor on November 26, 2018 (the “Omnibus Refunding Ordinance”), as it may be amended  
19 from time to time, are declared to be Defeasible Bonds under this ordinance.

20           Section 6.     **General Authorization.** In addition to the specific authorizations in this  
21 ordinance, the Mayor and the Director of Finance and each of the other appropriate officers of  
22 the City is each authorized and directed to do everything as in their judgment may be necessary,

1 appropriate, or desirable in order to carry out the terms and provisions of, and complete the  
2 transactions contemplated by, this ordinance.

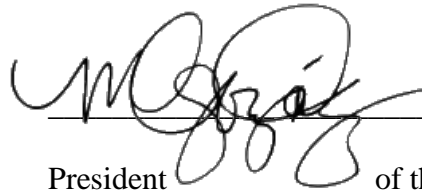
3           Section 7.     **Severability**. The provisions of this ordinance are declared to be separate  
4 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all  
5 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable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

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

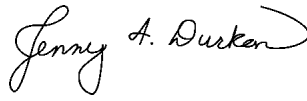
15           Section 9.     **Section Headings**. Section headings in this ordinance are used for  
16 convenience only and shall not constitute a substantive portion of this ordinance.

1 Section 10. **Effective Date.** This ordinance shall take effect and be in force 30 days  
2 after its approval by the Mayor, but if not approved and returned by the Mayor within ten days  
3 after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.


4 Passed by the City Council the 23rd day of November, 2020,  
5 and signed by me in open session in authentication of its passage this 23rd day of  
6 November, 2020.

7   
8 \_\_\_\_\_  
President \_\_\_\_\_ of the City Council

9 Approved by me this 1st day of December, 2020.

10   
11 \_\_\_\_\_  
Jenny A. Durkan, Mayor

12 Filed by me this 1st day of December, 2020.

13   
14 \_\_\_\_\_  
Monica Martinez Simmons, City Clerk

15 (Seal)

16 Exhibits:  
17 Exhibit A – List of Outstanding Parity Bonds

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**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 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
Water System Improvement and Refunding Revenue Bonds, 2017	01/25/2017	\$194,685,000	Ord. 125183	Ord. 124339 (amending and restating (Ord. 121939) as amended by Ord. 125183)	Res. 31726

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