



SEATTLE CITY COUNCIL

Legislative Summary

CB 118543

Record No.: CB 118543

Type: Ordinance (Ord)

Status: Passed

Version: 1

124914

In Control: City Clerk

File Created: 09/11/2015

Final Action: 12/01/2015

Title: AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying 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; ratifying and confirming certain prior acts; and amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to drainage and wastewater refunding revenue bonds.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Licata

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments: CB 118543 Ex A – List of Outstanding Parity Bonds, CB 118543 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	09/28/2015	Mayor's leg transmitted to Council	City Clerk			
	Action Text:		The Council Bill (CB) was Mayor's leg transmitted to Council. to the City Clerk				
	Notes:						
1	City Clerk	10/20/2015	sent for review	Budget Committee			
	Action Text:		The Council Bill (CB) was sent for review. to the Budget Committee				

Notes:

- 1 Full Council 10/26/2015 referred Budget Committee
Action Text: The Council Bill (CB) was referred. to the Budget Committee
Notes:
- 1 Budget Committee 11/16/2015 pass Pass
Action Text: The Committee recommends that Full Council pass the Council Bill (CB).
Notes:
In Favor: 7 Chair Licata, Member Bagshaw, Member Burgess, Member Godden,
Member O'Brien, Member Rasmussen, Member Sawant
Opposed: 0
Absent(NV): 1 Okamoto
- 1 Full Council 11/23/2015 passed Pass
Action Text: The Council Bill (CB) was passed by the following vote and the President signed the Bill:
Notes:
In Favor: 9 Councilmember Bagshaw, Council President Burgess, Councilmember
Godden, Councilmember Harrell, Councilmember Licata, Councilmember
O'Brien, Okamoto, Councilmember Rasmussen, Councilmember Sawant
Opposed: 0
- 1 City Clerk 11/30/2015 submitted for Mayor
Mayor's signature
Action Text: The Council Bill (CB) was submitted for Mayor's signature. to the Mayor
Notes:
- 1 Mayor 12/01/2015 Signed
Action Text: The Council Bill (CB) was Signed.
Notes:
- 1 Mayor 12/01/2015 returned City Clerk
Action Text: The Council Bill (CB) was returned. to the City Clerk
Notes:
- 1 City Clerk 12/01/2015 attested by City
Clerk
Action Text: The Ordinance (Ord) was attested by City Clerk.
Notes:
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CITY OF SEATTLE
ORDINANCE 124914
COUNCIL BILL 118543

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4
5 AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle;
6 adopting a system or plan of additions and betterments to and extensions of the existing
7 drainage and wastewater system; authorizing the issuance and sale of drainage and
8 wastewater revenue bonds, in one or more series, for the purposes of paying part of the
9 cost of carrying out that system or plan, providing for the reserve requirement, and
10 paying the costs of issuance of the bonds; providing for certain terms, conditions,
11 covenants and the manner of sale of the bonds; describing the lien of the bonds; creating
12 certain accounts of the City relating to the bonds; ratifying and confirming certain prior
13 acts; and amending certain definitions set forth in the Omnibus Refunding Bond
14 Ordinance relating to drainage and wastewater refunding revenue bonds.
15

16 WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary
17 sewerage and storm and surface water drainage as part of Seattle Public Utilities (the
18 "Drainage and Wastewater System"), which Drainage and Wastewater System has from
19 time to time required various additions, improvements and extensions; and

20 WHEREAS, the City needs to acquire and construct certain additions and betterments to and
21 extensions of the Drainage and Wastewater System as set forth in this ordinance (the
22 "Plan of Additions"); and

23 WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage
24 and wastewater revenue bonds described in Exhibit A, and provided for the issuance of
25 additional bonds having a charge and lien on the net revenue of the Drainage and
26 Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon
27 compliance with certain conditions; and

28 WHEREAS, the pursuant to the Omnibus Refunding Bond Ordinance (defined below), the City
29 has provided for the refunding of certain Parity Bonds designated as Refundable Bonds,

1 and the City has determined to amend the Omnibus Refunding Bond Ordinance to make
2 certain clarifications to conform definitions that are used in this ordinance; and

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

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

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

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

20 **“Adjusted Annual Debt Service”** for any fiscal year means Annual Debt Service minus
21 (a) an amount equal to ULID Assessments due in that year and not delinquent, (b) an amount
22 equal to earnings from investments in the Reserve Subaccount and (c) Annual Debt Service
23 provided for by Parity Bond proceeds.

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

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

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

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

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

20 (i) **Generally.** Except as otherwise provided by subparagraph (ii) below with
21 respect to Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity
22 Bonds with respect to which a Payment Agreement is in force, interest on any issue of Parity
23 Bonds shall be calculated based on the actual amount of accrued, accreted or otherwise

1 accumulated interest that is payable in respect of that issue taken as a whole, at the rate or rates
2 set forth in the applicable Parity Bond Legislation.

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

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

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

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

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

1 comprise the offer and the award by the City in accordance with this ordinance shall be deemed
2 the acceptance of that offer for purposes of this ordinance.

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

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

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

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

15 **“Bonds”** means the Drainage and Wastewater System revenue bonds issued pursuant to
16 this ordinance.

17 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on
18 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in
19 the applicable Parity Bond Legislation and is payable only upon redemption or on the maturity
20 date of such Parity Bond. A Parity Bond that is issued as a Capital Appreciation Bond, but which
21 later converts to an obligation on which interest is paid periodically, shall be a Capital
22 Appreciation Bond until the conversion date and thereafter shall no longer be a Capital

1 Appreciation Bond, but shall be treated as having a principal amount equal to its Accreted Value
2 on the conversion date.

3 **“CIP”** means those portions of the City’s “2015-2020 Capital Improvement Program”
4 relating to the Drainage and Wastewater System, adopted by the City in Ordinance 124648,
5 together with any previously adopted Capital Improvement Program of the City. For purposes of
6 this ordinance, the CIP includes all amendments, updates, supplements or replacements that may
7 be adopted from time to time by ordinance.

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

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

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

14 **“Construction Account”** means the Drainage and Wastewater Construction Account,
15 2014, created in the Drainage and Wastewater Fund by this ordinance.

16 **“Contract Resource Obligation”** means an obligation of the City, which is designated
17 as a contract resource obligation and is entered into in accordance with Section 20.

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

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

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

1 **“Drainage and Wastewater Fund”** means the fund created by Ordinance 84390 and
2 later renamed by Ordinance 114155, into which is paid the Gross Revenue of the Drainage and
3 Wastewater System.

4 **“Drainage and Wastewater System”** means the drainage and wastewater system of the
5 City, including the sanitary sewerage and storm drainage systems, as it now exists (except
6 properties, interests, and rights under the jurisdiction of the City’s Parks and Recreation
7 Department, Seattle Center Department, Seattle Public Utilities Water System, City Light
8 Department and Fleets and Facilities Department), and all additions thereto and betterments and
9 extensions thereof at any time made, together with any utility systems of the City hereafter
10 combined with the Drainage and Wastewater System. The Drainage and Wastewater System
11 shall not include any separate utility system that may be created, acquired or constructed by the
12 City as provided in Section 19.

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

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

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

20 **“Future Parity Bonds”** means, with reference to any Series, all revenue bonds and
21 obligations of the Drainage and Wastewater System (other than that Series and any other Parity
22 Bonds then outstanding) issued or entered into after the Issue Date of such Series, the payment of
23 which constitutes a charge and lien on Net Revenue equal in rank with the charge and lien upon

1 such revenue required to be paid into the Parity Bond Account in accordance with Section 15.
2 Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in
3 compliance with Section 17.

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

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

1 insurance proceeds compensating the City for the loss of a capital asset, but excluding business
2 interruption insurance or other insurance of like nature insuring against the loss of revenues;
3 (f) general *ad valorem* taxes, excise taxes and special assessments (other than ULID
4 Assessments), including interest and penalties thereon; and (g) earnings of any separate utility
5 system that may be created, acquired, or constructed by the City pursuant to Section 19.

6 **“Independent Utility Consultant”** means an independent person or firm having a
7 favorable reputation for skill and experience with drainage and wastewater systems of
8 comparable size and character to the Drainage and Wastewater System in such areas as are
9 relevant to the purpose for which they were retained.

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

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

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

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

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

1 **“Omnibus Refunding Bond Ordinance”** means Ordinance 124338 (which amended and
2 restated Ordinance 121938, as previously amended by Ordinance 122209 and Ordinance
3 122637), as amended by Section 26 and as it may be amended from time to time in the future.

4 **“Operating and Maintenance Expense”** means all expenses incurred by the City in
5 causing the Drainage and Wastewater System to be operated and maintained in good repair,
6 working order and condition, including without limitation: (a) deposits, premiums, assessments
7 or other payments for insurance, if any, on the Drainage and Wastewater System; (b) payments
8 into pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource
9 Obligations (but only at the times described in Section 20); (e) payments made to another person
10 or entity for treatment or disposal of sewage or other commodity or service; and (f) payments
11 with respect to any other expenses of the Drainage and Wastewater System that are properly
12 treated as Operating and Maintenance Expense under generally accepted accounting principles
13 applicable to municipal corporations, including payments (other than payments out of proceeds
14 of Parity Bonds or other obligations not issued to pay current expenses of the Drainage and
15 Wastewater System) into reasonable reserves for items of operating or maintenance expense the
16 payment of which is not immediately required. Operating and Maintenance Expense does not
17 include: depreciation, amortization or other similar recognitions of non-cash expense items made
18 for accounting purposes only; taxes levied or imposed by the City, or payments in lieu of City
19 taxes; payments of claims or judgments; or capital additions or capital replacements of the
20 Drainage and Wastewater System.

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

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

3 **“Parity Bond Account”** means the Drainage and Wastewater Revenue Bond Account,
4 1990, created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of
5 paying and securing the principal of and interest on Parity Bonds.

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

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

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

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

18 **“Payment Agreement”** means a written agreement for the purpose of managing or
19 reducing the City’s exposure to fluctuations or levels of interest rates or for other interest rate,
20 investment, asset or liability management purposes, entered into on either a current or forward
21 basis by the City and a Qualified Counterparty as authorized by any applicable laws of the State
22 in connection with, or incidental to, the issuance, incurring or carrying of particular bonds, notes,
23 bond anticipation notes, commercial paper or other obligations for borrowed money, or lease,

1 installment purchase or other similar financing agreements or certificates of participation therein,
2 that provides for an exchange of payments based on interest rates, ceilings or floors on such
3 payments, options on such payments, or any combination thereof or any similar device.

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

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

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

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

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

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

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

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

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

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

1 **“Rate Stabilization Account”** means the account of that name previously established by
2 Section 25 of Ordinance 118974.

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

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

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

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

17 **“Reserve Requirement”** means the least of (a) Maximum Annual Debt Service on all
18 Parity Bonds outstanding at the time of calculation, (b) 1.25 times Average Annual Debt Service
19 on all Parity Bonds outstanding at the time of calculation, or (c) 10% of the proceeds of each
20 series of Parity Bonds then outstanding, as of the delivery of each such series.

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

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

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

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

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

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

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

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

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

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

21 **“Tax Credit Subsidy Bond”** means any bond that is designated by the City as a tax
22 credit bond pursuant to the Code, and which is further designated as a “qualified bond” under

1 Section 6431 or similar provision of the Code, and with respect to which the City is eligible to
2 claim a Tax Credit Subsidy Payment.

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

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

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

9 **“ULID”** means a utility local improvement district of the City created for the acquisition
10 or construction of additions to and betterments and extensions of the Drainage and Wastewater
11 System.

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

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

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

22 **“Variable Interest Rate”** means any variable interest rate or rates to be borne by any
23 Parity Bonds. The method of computing such a variable interest rate shall be set in accordance

1 with the applicable Parity Bond Legislation, which shall specify either (a) the particular period or
2 periods of time or manner of determining such period or periods of time for which each value of
3 such variable interest rate shall remain in effect or (b) the time or times upon which any change
4 in such variable interest rate shall become effective.

5 **“Variable Interest Rate Bond”** means, for any period of time, any Parity Bond that
6 bears a Variable Interest Rate during that period, except that a Parity Bond shall not be treated as
7 a Variable Interest Rate Bond if the net economic effect of interest rates on particular Parity
8 Bonds of a series and interest rates on other Parity Bonds of the same series, as set forth in the
9 applicable Parity Bond Legislation, or the net economic effect of a Payment Agreement with
10 respect to a particular Parity Bond, in either case is to produce obligations that bear interest at a
11 fixed interest rate; and a Parity Bond with respect to which a Payment Agreement is in force
12 shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment
13 Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

14 **Section 2. Adoption of Plan of Additions.** The City specifies, adopts and orders the
15 Plan of Additions to be carried out as generally provided for in the documents comprising the
16 Plan of Additions. The estimated cost of the Plan of Additions, as near as may be determined, is
17 declared to be \$667,998,000, of which approximately \$140,000,000 is expected to be financed
18 from the proceeds of the Bonds and investment earnings thereon.

19 **Section 3. Authorization of Bonds.** The City is authorized to borrow money and
20 issue Drainage and Wastewater System revenue bonds, payable from the sources described in
21 Section 13, in the maximum principal amount stated in Section 5 to (a) pay part of the cost of
22 carrying out the Plan of Additions; (b) provide for the Reserve Requirement; (c) capitalize
23 interest on, if necessary, and pay the costs of issuance of the Bonds; and (d) for other Drainage

1 and Wastewater System purposes approved by ordinance. The Bonds may be issued in one or
2 more Series and may be combined with other Drainage and Wastewater System revenue bonds
3 (including refunding bonds) authorized separately. The Bonds shall be designated Drainage and
4 Wastewater System Revenue Bonds and shall be numbered separately and shall have any name,
5 year and series or other label as deemed necessary or appropriate by the Director of Finance.

6 **Section 4. Manner of Sale of Bonds.** The Director of Finance may provide for the
7 sale of each Series (or any portion thereof) by public sale, negotiated sale, limited offering or
8 private placement with a Purchaser chosen through a selection process acceptable to the Director
9 of Finance. The Director of Finance is authorized to specify a date and time of sale of and a date
10 and time for delivery of each Series; to give notice of that sale; to determine any bid parameters
11 or other bid requirements and criteria for determining the award of the bid; to provide for the use
12 of an electronic bidding mechanism; and to specify other matters in his or her determination
13 necessary, appropriate, or desirable in order to carry out the sale of each Series. Each Series must
14 be sold on Bond Sale Terms in accordance with Section 5.

15 **Section 5. Bond Sale Terms; Bond Resolution.** The Director of Finance is
16 appointed to serve as the City's designated representative in connection with the issuance and
17 sale of the Bonds in accordance with RCW 39.46.040(2) and this ordinance. The Director of
18 Finance is authorized to accept, on behalf of the City, an offer to purchase the Bonds on Bond
19 Sale Terms consistent with the parameters set forth in this section. No such acceptance shall be
20 effective until adoption of a Bond Resolution approving the Bond Sale Terms. Once adopted, the
21 Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

22 **(a) Maximum Principal Amount.** The Bonds may be issued in one or more Series
23 and shall not exceed the aggregate principal amount of \$140,000,000.

1 **(b) Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the
2 Director of Finance, which Issue Date may not be later than December 31, 2018.

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

4 **(d) Interest Rate(s); Payment Dates.** Each Bond shall bear interest from the Issue
5 Date or from the most recent date to which interest has been paid or duly provided for,
6 whichever is later, and shall be payable on dates determined by the Director of Finance. One or
7 more rates of interest shall be established for each maturity of each Series, which rate or rates
8 may be fixed interest rates or Variable Interest Rates. Fixed interest rates shall be computed on
9 the basis of a 360-day year of twelve 30-day months and the net interest cost shall not exceed a
10 weighted average rate of 10% per annum. Principal payments shall commence on a date and
11 shall be payable at maturity or have Sinking Fund Requirements on dates determined by the
12 Director of Finance.

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

15 **(f) Redemption Rights.** The Bond Sale Terms may include provisions for the
16 optional and mandatory redemption of Bonds determined by the Director of Finance, subject to
17 the following:

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

1 (ii) **Mandatory Redemption.** Any Bond may be designated as a Term Bond,
2 subject to mandatory redemption prior to its maturity on the dates and in Sinking Fund
3 Requirements consistent with Section 8(b).

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

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

7 (i) As of the Issue Date of each Series, the average expected life of the capital
8 facilities to be financed with the proceeds (or allocable share of proceeds) of that Series must
9 exceed the weighted average maturity of the Series (or share thereof) allocated to financing those
10 capital facilities.

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

20 (iii) The Bond Sale Terms for any Series may provide for Bond Insurance, a
21 Reserve Security or other credit enhancement, or a Parity Payment Agreement. To that end, the
22 Bond Sale Terms may include such additional terms, conditions and covenants as may be
23 necessary or desirable, including but not limited to restrictions on investment of Bond proceeds

1 and pledged funds, and requirements to give notice to or obtain the consent of a credit
2 enhancement provider or a Qualified Counterparty.

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

5 (iv) Any Series may be designated or qualified as Tax-Exempt Bonds, taxable
6 bonds, or as Tax Credit Subsidy Bonds, and may include such additional terms and covenants
7 relating to federal tax matters as the Director of Finance deems necessary or appropriate,
8 consistent with Section 22.

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

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

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

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

21 The Bond Registrar shall be responsible for its representations contained in the Bond
22 Registrar's certificate of authentication on the Bonds. The Bond Registrar may become an
23 Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the

1 extent permitted by law, may act as depository for and permit any of its officers or directors to
2 act as members of, or in any other capacity with respect to, any committee formed to protect the
3 rights of Owners.

4 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized
5 Denomination of an equal aggregate principal amount and of the same Series, interest rate and
6 maturity. Bonds may be transferred only if endorsed in the manner provided thereon and
7 surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner
8 or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during
9 the period between the Record Date and the corresponding interest payment or redemption date.

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

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

8 **Section 7. Payment of Bonds.** Principal of and interest on each Bond shall be
9 payable solely out of the Parity Bond Account, in lawful money of the United States. Principal of
10 and 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
22 prior to their stated maturity dates at the option of the City at the times and on the terms
23 approved in accordance with Section 5.

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

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

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

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

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

18 **Section 10. Failure to Pay Bonds.** If any Bond is not paid when properly presented
19 at its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond
20 Account and the other sources pledged in this ordinance, interest on that Bond at the same rate
21 provided in that Bond from and after its maturity or redemption date until that Bond, principal,
22 premium, if any and interest, is paid in full or until sufficient money for its payment in full is on

1 deposit in the Parity Bond Account and that Bond has been called for payment by giving notice
2 of that call to the Registered Owner of that Bond.

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

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

16 If any officer whose manual or facsimile signature appears on a Bond ceases to be an
17 officer of the City authorized to sign bonds before the Bond bearing his or her manual or
18 facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that
19 Bond nevertheless may be authenticated, delivered and issued and, when authenticated, issued
20 and delivered, shall be as binding on the City as though that person had continued to be an
21 officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City
22 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
4 the Drainage and Wastewater Construction Account, 2016 is created in the Drainage and
5 Wastewater Fund. The principal proceeds of the sale of the Bonds remaining after the deposit of
6 accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and the deposit
7 of any proceeds as determined by the Bond Resolution into the Reserve Subaccount, shall be
8 deposited into the Construction Account, unless otherwise specified in the Bond Resolution or
9 directed by the Director of Finance, to be used for the purpose of paying part of the costs of
10 carrying out the Plan of Additions and to pay capitalized interest on, if necessary, and the costs
11 of issuance of the Bonds. Until needed to pay such costs, the City may invest principal proceeds
12 and interest thereon temporarily in any Permitted Investments, and the investment earnings may,
13 as determined by the Director of Finance, be retained in the Construction Account and be spent
14 for the purposes of that account or deposited in the Parity Bond Account.

15 **Section 13. Security for the Bonds; Parity with other Bonds.** The Bonds shall be
16 special limited obligations of the City payable from and secured solely by the Net Revenue
17 (including all ULID Assessments, if any) and by money in the Parity Bond Account and
18 subaccounts therein (including the Reserve Subaccount). Net Revenue is pledged to make the
19 payments into the Bond Account and the Reserve Subaccount required by subsections (b) and (c)
20 of Section 14, which pledge shall constitute a charge and lien upon such Net Revenue prior and
21 superior to all other liens and charges whatsoever. The City covenants that for as long as any
22 Bond is outstanding that it will not issue any other revenue obligations (or create any special
23 fund or account therefor), which will have any priority over or which will rank on a parity with

1 the payments required in respect of the Parity Bonds, and that it will issue Future Parity Bonds
2 only accordance with Section 17.

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.

8 The Bonds shall not constitute general obligations of the City, the State or any political
9 subdivision of the State or a charge upon any general fund or upon any money or other property
10 of the City, the State or any political subdivision of the State not specifically pledged by this
11 ordinance.

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

- 15 (a) To pay the Operating and Maintenance Expense;
- 16 (b) To make the required payments into the Principal and Interest Subaccount for all
17 Parity Bonds;
- 18 (c) To make the required payments into the Reserve Subaccount for all Parity Bonds;
- 19 (d) To make all required payments into any revenue bond redemption fund created to
20 pay and secure the payment of the principal of and interest on any revenue bonds or short-term
21 obligations of the City having a charge and lien upon Net Revenue subordinate to the lien
22 thereon for the payment of the principal of and interest on Parity Bonds; and

1 (e) To retire by redemption and purchase any outstanding revenue bonds or revenue
2 obligations of the Drainage and Wastewater System; to make necessary additions, betterments,
3 repairs, extensions and replacements of the Drainage and Wastewater System; to pay City taxes
4 or other payments in lieu of taxes payable from Gross Revenue; to make deposits to the Rate
5 Stabilization Account; or for any other lawful Drainage and Wastewater System purpose.

6 **Section 15. Parity Bond Account.** The Parity Bond Account is divided into two
7 subaccounts: the Principal and Interest Subaccount and the Reserve Subaccount. The Director of
8 Finance may create sinking fund subaccounts or other subaccounts in the Parity Bond Account
9 for the payment or securing the payment of Parity Bonds as long as the maintenance of such
10 subaccounts does not conflict with the rights of the owners of Parity Bonds.

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

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

21 (ii) Into the Reserve Subaccount an amount necessary to provide for the
22 Reserve Requirement for the Parity Bonds within the time and in the manner required by this
23 ordinance and the Parity Bond Legislation. The amount necessary to satisfy the Reserve

1 Requirement upon the issuance of a Series may be funded (i) on the Issue Date, by a deposit of
2 bond sale proceeds or a Reserve Security, or (ii) in annual installments from Net Revenue so that
3 the Reserve Requirement is fully funded by the fifth anniversary of the Issue Date. The manner
4 of funding the Reserve Requirement for the Bonds shall be set forth in the Bond Resolution.

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

12 **(b) Reserve Subaccount.** The City covenants that it will at all times so long as any
13 Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve Requirement
14 (taking into account scheduled payments to fund the Reserve Requirement over time), as it is
15 adjusted from time to time, except for withdrawals as authorized by this ordinance. The Director
16 of Finance may make withdrawals of cash from the Reserve Subaccount in the event of a
17 deficiency in the Principal and Interest Subaccount to meet current installments of either
18 principal (or Sinking Fund Requirements) or interest. Any deficiency created in the Reserve
19 Subaccount by reason of any such withdrawal will then be made up from the ULID Assessments
20 and Net Revenue first available after making necessary provisions for the required payments into
21 the Principal and Interest Subaccount. The money in the Reserve Subaccount may be applied to
22 the payment of the last outstanding Parity Bonds, and when the total amount in the Parity Bond
23 Account (including investment earnings) equals the total amount of principal and interest for all

1 then-outstanding Parity Bonds to the last maturity thereof, no further payment need be made into
2 the Parity Bond Account. Money in the Reserve Subaccount (including investment earnings) in
3 excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest
4 Subaccount and spent for the purpose of retiring Parity Bonds or may be deposited in any other
5 fund or account and spent for any other lawful Drainage and Wastewater System purpose.

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

22 **(d) Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside
23 and pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth above,

1 the registered owner of any of the outstanding Parity Bonds may bring action against the City for
2 failure to make the required deposits to the Parity Bond Account only in accordance with Section
3 25 regarding Events of Default.

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

6 **(a) Operation and Maintenance.** It will pay all Operating and Maintenance
7 Expense and otherwise meet the obligations of the City under this ordinance. It will at all times
8 maintain and keep the Drainage and Wastewater System in good repair, working order and
9 condition, will make all necessary and proper additions, betterments, renewals and repairs
10 thereto, and improvements, replacements and extensions thereof so that at all times the business
11 carried on in connection therewith will be properly and advantageously conducted, and will at all
12 times operate the Drainage and Wastewater System and the business in connection therewith in
13 an efficient manner and at a reasonable cost.

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

22 **(c) Sale or Disposition of Drainage and Wastewater System.** It will not sell, lease,
23 mortgage, or in any manner encumber or dispose of all of the property of the Drainage and

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

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

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

18 (iii) if the proceeds from such transfer are used to acquire new useful operating
19 facilities or properties of the Drainage and Wastewater System, or are used to retire outstanding
20 Parity Bonds or other revenue obligations of the Drainage and Wastewater System, and if, at the
21 time of such transfer, the City has on file a certificate of both the Director of Finance and the
22 Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the
23 responsibilities of either office) demonstrating that in their opinion, upon such transfer and the

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

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

1 it also will furnish to such Registered Owner a copy of the most recently completed audit of the
2 City's accounts by the State Auditor.

3 **Section 17. Future Parity Bonds.**

4 (a) The City reserves the right to issue Future Parity Bonds and to enter into Parity
5 Payment Agreements for purposes of the Drainage and Wastewater System or to refund a portion
6 of the Parity Bonds if the following conditions are met and complied with at the time of the
7 issuance of those Future Parity Bonds or entering into the Parity Payment Agreement:

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

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

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

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

16 (v) The Future Parity Bond Legislation must provide for the deposit into the
17 Reserve Subaccount of (A) an amount, if any, necessary to fund the Reserve Requirement upon
18 the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money
19 legally available; (B) one or more Reserve Securities or an amount plus Reserve Securities
20 necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds, or
21 (C) amounts necessary to fund the Reserve Requirement from ULID Assessments and Net
22 Revenue within five years from the date of issuance of those Future Parity Bonds, in five
23 approximately equal annual payments. Immediately prior to the issuance of Future Parity Bonds,

1 amounts then deposited in the Reserve Subaccount shall be valued as determined on the most
2 recent annual financial report of the City applicable to the Drainage and Wastewater System, and
3 the additional amounts, if any, needed to be deposited into the Reserve Subaccount to satisfy the
4 Reserve Requirement shall be based on that valuation.

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

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

12 (B) A certificate of the Director of Finance and the Director of Seattle
13 Public Utilities (or any officer who succeeds to substantially all of the responsibilities of that
14 office) that in their opinion, Adjusted Net Revenue for the five fiscal years next following the
15 earlier of (1) the end of the period during which interest on those Future Parity Bonds is to be
16 capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are
17 issued, or (2) the date on which substantially all new facilities financed with those Future Parity
18 Bonds are expected to commence operations, such Adjusted Net Revenue further adjusted as
19 provided in paragraphs (1) through (4) below, will be at least equal to the Coverage
20 Requirement. That certificate may take into account the following adjustments:

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

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

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

9 (4) Net revenue from any person, firm, corporation or
10 municipal corporation under any executed contract for drainage and wastewater or other utility
11 service, which revenue was not included in historical Net Revenue of the Drainage and
12 Wastewater System.

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

19 (b) Nothing contained herein shall prevent the City from issuing Future Parity Bonds
20 to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or
21 revenue bonds that are a charge or lien upon Gross Revenue subordinate to the charge or lien of
22 the Parity Bonds, or from pledging to pay assessments levied for ULID improvements

1 constructed from the proceeds of subordinate lien bonds into a bond redemption fund created for
2 the payment of the principal of and interest on those subordinate lien bonds.

3 **Section 18. Rate Stabilization Account.** The Rate Stabilization Account has been
4 created as a separate account in the Drainage and Wastewater Fund. The City may at any time, as
5 determined by the Director of Finance, deposit in the Rate Stabilization Account, Gross Revenue
6 and any other money received by the Drainage and Wastewater System and available for this
7 purpose, consistent with Section 14. The Director of Finance may, upon authorization by
8 resolution of the City Council, withdraw any or all of the money in the Rate Stabilization
9 Account for inclusion in Adjusted Gross Revenue for any fiscal year. Such deposits or
10 withdrawals may be made up to and including the date 90 days after the end of the fiscal year for
11 which the deposit or withdrawal will be included as Adjusted Gross Revenue. No deposit of
12 Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit
13 would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

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

1 **Section 20. Contract Resource Obligations.** The City may at any time enter into one
2 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
3 drainage and wastewater services or other commodity or service relating to the Drainage and
4 Wastewater System, as follows:

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

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

12 (ii) There shall be on file a certificate of an Independent Utility Consultant
13 stating that (A) the payments to be made by the City in connection with the Contract Resource
14 Obligation are reasonable for the commodity or service rendered; (B) any facilities to be
15 constructed to provide the commodity or service are sound from a drainage and wastewater
16 services or other commodity or service planning standpoint, are technically and economically
17 feasible in accordance with prudent utility practice, and are likely to provide supply or
18 transmission no later than a date set forth in the Independent Utility Consultant's certification;
19 and (C) Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's estimate
20 of the payments to be made in accordance with the Contract Resource Obligation) for the five
21 fiscal years following the year in which the Contract Resource Obligation is incurred, as such
22 Adjusted Net Revenue is estimated by the Independent Utility Consultant in accordance with the

1 provisions of and adjustments permitted in Section 17(a)(vi)(B), will be at least equal to the
2 Coverage Requirement.

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

5 (c) Nothing in this section shall be deemed to prevent the City from entering into
6 other agreements for the acquisition of drainage and wastewater services or other commodity or
7 service from existing facilities and from treating those payments as an Operating and
8 Maintenance Expense. Nothing in this section shall be deemed to prevent the City from entering
9 into other agreements for the acquisition of drainage and wastewater services or other
10 commodity or service from facilities to be constructed and from agreeing to make payments with
11 respect thereto, such payments constituting a charge and lien on Net Revenue subordinate to the
12 Parity Bonds.

13 **Section 21. Refunding and Defeasance of the Bonds.** The Bonds are hereby
14 designated "Refundable Bonds" for purposes of the Omnibus Refunding Bond Ordinance. The
15 City may issue refunding bonds pursuant to the laws of the State or use money available from
16 any other lawful source to pay when due the principal of, premium, if any, and interest on any
17 Bond, or portion thereof, included in a refunding or defeasance plan, and to redeem and retire,
18 release, refund or defease those Bonds (the "defeased Bonds") and to pay the costs of such
19 refunding or defeasance. If money and/or Government Obligations maturing at a time or times
20 and in an amount sufficient, together with known earned income from the investment thereof, to
21 redeem and retire, release, refund or defease the defeased Bonds in accordance with their terms,
22 are set aside in a special trust fund or escrow account irrevocably pledged to such redemption,
23 retirement or defeasance (the "trust account"), then all right and interest of the Owners of the

1 defeased Bonds in the covenants of this ordinance and in Net Revenue and the funds and
2 accounts pledged to the payment of such defeased Bonds, other than the right to receive the
3 funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter
4 shall have the right to receive payment of the principal of and interest or redemption price on the
5 defeased Bonds from the trust account. After establishing and fully funding such a trust account,
6 the defeased Bonds shall be deemed to be no longer outstanding, and the Director of Finance
7 then may apply any money in any other fund or account established for the payment or
8 redemption of the defeased Bonds to any lawful purposes. Notice of refunding or defeasance
9 shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted,
10 in the manner set forth in this ordinance for the redemption of Bonds.

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

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

22 (a) **Tax-Exempt Bonds.** The City covenants that it will take all actions, consistent
23 with the terms of any Series issued as Tax-Exempt Bonds, this ordinance, and the Bond

1 Resolution, reasonably within its power and necessary to prevent interest on that Series from
2 being included in gross income for federal income tax purposes, and the City will neither take
3 any action nor make or permit any use of gross proceeds of that Series or other funds of the City
4 treated as gross proceeds of that Series at any time during the term of such Series that will cause
5 interest on such Series to be included in gross income for federal income tax purposes. The City
6 also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the
7 Code is applicable to any Series issued as Tax-Exempt Bonds, take all actions necessary to
8 comply (or to be treated as having complied) with that requirement in connection with that
9 Series, including the calculation and payment of any penalties that the City has elected to pay as
10 an alternative to calculating rebatable arbitrage, and the payment of any other penalties if
11 required under Section 148 of the Code to prevent interest on such Series from being included in
12 gross income for federal income tax purposes.

13 **(b) Tax Credit Subsidy Bonds or other Taxable Bonds.** The Director of Finance
14 may, without further action by the City Council, make provision in the Bonds or other written
15 document for such additional covenants of the City as may be necessary or appropriate in order
16 for the City to receive from the United States Treasury the applicable Tax Credit Subsidy
17 Payments in respect of any Series issued as Tax Credit Subsidy Bonds, or in the instance that the
18 Bonds otherwise become and remain eligible for tax benefits under the Code.

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

20 **(a) Preliminary Official Statement.** The Director of Finance and other appropriate
21 City officials are directed to cause the preparation of and review the form of a preliminary
22 official statement in connection with each sale of one or more Series to the public. For the sole
23 purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Director of

1 Finance is authorized to deem that preliminary official statement final as of its date, except for
2 the omission of information permitted to be omitted by Rule 15c2-12. The City approves the
3 distribution to potential purchasers of the Bonds of a preliminary official statement that has been
4 deemed final in accordance with this subsection.

5 **(b) Final Official Statement.** The City approves the preparation of a final official
6 statement for each sale of one or more Series to be sold to the public in the form of the
7 preliminary official statement with such modifications and amendments as the Director of
8 Finance deems necessary or desirable, and further authorizes the Director of Finance to execute
9 and deliver such final official statement to the Purchaser. The City authorizes and approves the
10 distribution by the Purchaser of that final official statement to purchasers and potential
11 purchasers of the Bonds.

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

15 **Section 24. Supplemental or Amendatory Ordinances.**

16 (a) This ordinance shall not be supplemented or amended in any respect subsequent
17 to the Issue Date, except as provided in and in accordance with and subject to the provisions of
18 this section.

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

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

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

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

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

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

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

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

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

5 Before the City may pass any such supplemental or amendatory ordinance pursuant to
6 this subsection, there must be delivered to the City an opinion of Bond Counsel, stating that such
7 supplemental or amendatory ordinance is authorized or permitted by this ordinance and will,
8 upon the effective date thereof, be valid and binding upon the City in accordance with its terms,
9 and will not adversely affect the exclusion from gross income for federal income tax purposes of
10 interest on any Tax-Exempt Bonds.

11 (c) Except for any supplemental or amendatory ordinance passed pursuant to
12 subsection (b) of this section, the City may pass supplemental or amendatory ordinances subject
13 to the terms and provisions contained in this subsection (c) and not otherwise:

14 (i) With the consent of registered owners of not less than 60% in aggregate
15 principal amount of the Parity Bonds then outstanding, the City Council may pass any
16 supplemental or amendatory ordinance deemed necessary or desirable by the City for the
17 purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of
18 the terms or provisions contained in this ordinance. However, unless approved in writing by the
19 registered owner of each Parity Bond then outstanding, nothing contained in this section shall
20 permit, or be construed as permitting (A) a change in the times, amounts or currency of payment
21 of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal
22 amount or redemption price of any outstanding Parity Bond or a change in the method of

1 determining the rate of interest thereon, (B) a preference or priority of any Parity Bond over any
2 other Parity Bond, or (C) a reduction in the aggregate principal amount of Parity Bonds.

3 (ii) If at any time the City Council passes a supplemental or amendatory
4 ordinance for any of the purposes of this subsection (c), the Bond Registrar shall cause notice of
5 the proposed supplemental or amendatory ordinance to be given by first class United States mail
6 to all registered owners of the then outstanding Parity Bonds, to each provider of Bond Insurance
7 or a Reserve Security, and to each Rating Agency. Such notice shall briefly set forth the nature
8 of the proposed supplemental or amendatory ordinance and shall state that a copy is on file at the
9 office of the City Clerk for inspection by all owners of the outstanding Parity Bonds.

10 (iii) Within two years after the date of the mailing of such notice, such
11 supplemental or amendatory ordinance, substantially as described in such notice, may go into
12 effect, but only if there shall have first been delivered to the Bond Registrar (A) the required
13 consents, in writing, of registered owners of the Parity Bonds, and (B) an opinion of Bond
14 Counsel stating that such supplemental or amendatory ordinance is authorized or permitted by
15 this ordinance and, upon the effective date thereof, will be valid and binding upon the City in
16 accordance with its terms and will not adversely affect the exclusion from gross income for
17 federal income tax purposes of interest on any Tax-Exempt Bonds.

18 (iv) If registered owners of not less than the percentage of Parity Bonds
19 required by this subsection (c) shall have consented to and approved the passage of such a
20 supplemental or amendatory ordinance, no owner of a Parity Bond shall have any right to object
21 to the passage of such supplemental ordinance, or to object to any of the terms and provisions
22 contained therein or the operation thereof, or in any manner to question the propriety of the
23 passage thereof, or to enjoin or restrain the City from passing the same or the City, any

1 authorized official thereof, or the Bond Registrar from taking any action pursuant to the
2 provisions thereof.

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

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

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

13 (e) Upon the effective date of any supplemental or amendatory ordinance pursuant to
14 the provisions of this section, this ordinance shall be, and be deemed to be, modified and
15 amended in accordance therewith, and the respective rights, duties and obligations under this
16 ordinance of the City, the Bond Registrar and all owners of Parity Bonds then outstanding shall
17 thereafter be determined, exercised and enforced under this ordinance subject in all respects to
18 such modifications and amendments.

19 **Section 25. Defaults and Remedies.**

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

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

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

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

17 **(b) Bond Owners' Trustee.** So long as such Event of Default has not been
18 remedied, a trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of
19 25% in principal amount of the then outstanding Parity Bonds, by an instrument or concurrent
20 instruments in writing signed and acknowledged by such registered owners of the Parity Bonds
21 or by their attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee,
22 notification thereof being given to the City. That appointment shall become effective
23 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee

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

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

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

18 **(c) Suits at Law or in Equity.** Upon the happening of an Event of Default and
19 during the continuance thereof, the Bond Owners' Trustee may, and upon the written request of
20 the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding
21 shall, take such steps and institute such suits, actions or other proceedings, all as it may deem
22 appropriate for the protection and enforcement of the rights of the registered owners of the Parity
23 Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate

1 relief, and may enforce the specific performance of any covenant, agreement or condition
2 contained in this ordinance or set forth in any of the Parity Bonds.

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

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

1 any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the
2 claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,
3 reorganization or other proceeding to which the City is a party.

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

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

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

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

22 **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee
23 shall not be liable except for the performance of such duties as are specifically set forth herein.

1 During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and
2 powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a
3 prudent person would exercise or use under the circumstances in the conduct of his or her own
4 affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act
5 hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure
6 to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee
7 shall be determined solely by the express provisions of this ordinance, and no implied powers,
8 duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

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

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

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

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

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

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

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

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

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

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

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

18 **Section 26. Amendment of Omnibus Refunding Bond Ordinance.** The following
19 definitions set forth in the Omnibus Refunding Bond Ordinance are amended to read as set forth
20 in this section. Revisions are shown to the clean amended and restated version of the Omnibus
21 Refunding Bond Ordinance, which was attached to Ordinance 124338 as Exhibit C, with
22 additions shown in double underlining and deletions enclosed in double parentheses and struck
23 through. References to section numbers and defined terms used in the amended text set forth

1 below refer to the sections and definitions contained within the amended Omnibus Refunding
2 Bond Ordinance. With respect to any bonds authorized by the Omnibus Refunding Bond
3 Ordinance, which are outstanding as of the effective date of this amendatory ordinance, the intent
4 of these amendments is to effect clarifications of ambiguities. Any amendment contained herein
5 that is found by a court of competent jurisdiction to adversely affect owners of such outstanding
6 bonds shall be of no force or effect, except to the extent that such amendments clarify
7 ambiguities, and the provisions of the Omnibus Refunding Bond Ordinance prior to the effective
8 date of this amendatory ordinance shall continue in effect as to such outstanding bonds.

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

10 "Gross Revenue" means (a) all income, revenues, receipts and profits
11 derived by the City through the ownership and operation of the Drainage and
12 Wastewater System; (b) the proceeds received by the City directly or indirectly
13 from the sale, lease or other disposition of any of the properties, rights or facilities
14 of the Drainage and Wastewater System; (c) Payment Agreement Receipts, to the
15 extent that such receipts are not offset by Payment Agreement Payments; and (d)
16 the investment income earned on money held in any fund or account of the City,
17 including any bond redemption funds and the accounts therein, in connection with
18 the ownership and operation of the Drainage and Wastewater System. Gross
19 Revenue does not include: (a) ~~((insurance proceeds compensating the City for the~~
20 ~~loss of a capital asset; (b)))~~ income derived from investments irrevocably pledged
21 to the payment of any defeased bonds payable from Gross Revenue; ~~((e))~~b
22 investment income set aside for or earned on money in any fund or account
23 created or maintained solely for the purpose of complying with the arbitrage

1 rebate provisions of the Code; ~~((d))~~c) any gifts, grants, donations or other funds
2 received by the City from any State or federal agency or other person if such gifts,
3 grants, donations or other funds are the subject of any limitation or reservation
4 imposed by the donor or grantor or imposed by law or administrative regulation to
5 which the donor or grantor is subject, limiting the application of such funds in a
6 manner inconsistent with the application of Gross Revenue hereunder; ~~((e))~~d) the
7 proceeds of any borrowing for capital improvements (or the refinancing thereof);
8 ~~((f))~~e) the proceeds of any liability or other insurance ~~((-))~~, including but not
9 limited to insurance proceeds compensating the City for the loss of a capital asset,
10 but excluding business interruption insurance or other insurance of like nature
11 insuring against the loss of revenues ~~((-))~~; ~~((g))~~f) general ad valorem taxes, excise
12 taxes and special assessments (other than ULID Assessments), including interest
13 and penalties thereon; and ~~((h))~~g) earnings of any separate utility system that
14 may be created, acquired, or constructed by the City pursuant to Section 20.

15 **“Operating and Maintenance Expense”** means all ~~((-reasonable))~~
16 expenses incurred by the City in causing the Drainage and Wastewater System to
17 be operated and maintained in good repair, working order and condition,
18 including without limitation ~~((-payments (other than payments out of proceeds of~~
19 ~~Parity Bonds or other obligations not issued to pay current expenses of the~~
20 ~~Drainage and Wastewater System) into reasonable reserves for items of operating~~
21 ~~or maintenance expense the payment of which is not immediately required,))~~; (a)
22 deposits, premiums, assessments or other payments ~~((of premiums))~~ for insurance,
23 if any, on the Drainage and Wastewater System ~~((,-any))~~; (b) payments into

1 pension funds; (c) State-imposed taxes~~((, and also including all payments made to~~
2 ~~another municipal corporation or other agency for treatment or disposal of~~
3 ~~sewage, and-)); (d) amounts due under ((any)) Contract Resource Obligations (but~~
4 ~~only at the times described in Section 21)((,)); (e) payments made to another~~
5 ~~person or entity for treatment or disposal of sewage or other commodity or~~
6 ~~service; and (f) payments with respect to any other expenses of the Drainage and~~
7 ~~Wastewater System that are properly treated as Operating and Maintenance~~
8 ~~Expense under generally accepted accounting principles applicable to municipal~~
9 ~~corporations, including payments (other than payments out of proceeds of Parity~~
10 ~~Bonds or other obligations not issued to pay current expenses of the Drainage and~~
11 ~~Wastewater System) into reasonable reserves for items of operating or~~
12 ~~maintenance expense the payment of which is not immediately required.~~
13 Operating and Maintenance Expense does not include:~~((but excluding))~~
14 depreciation, ((and-))amortization or other similar recognitions of non-cash
15 expense items made for accounting purposes only;~~((, and any City))~~ taxes levied
16 or imposed ~~((or levied on the Drainage and Wastewater System or Gross~~
17 ~~Revenue))~~ by the City, or payments in lieu of City taxes~~((payable from the Gross~~
18 ~~Revenue, and-));~~ payments of claims or judgments; or capital additions or capital
19 replacements of the Drainage and Wastewater System.~~((Accounting for those~~
20 ~~expenses shall be in accordance with generally accepted accounting principles.))~~

21 **“Reserve Requirement”** means the least of ~~((the))~~(a) Maximum Annual
22 Debt Service on all Parity Bonds outstanding at the time of calculation, (b) 1.25
23 times Average Annual Debt Service on all Parity Bonds outstanding at the time of

1 calculation, or (c) 10% of the proceeds of each series of Parity Bonds then
2 outstanding(~~(Parity Bonds)~~), as of the (~~(date of)~~)delivery of each such series.

3 “**ULID Assessments**” means all assessments levied and collected in a
4 ULID, if and only if those assessments are pledged to be paid into the Parity Bond
5 Account, in which case they shall be included in Gross Revenue. ULID
6 Assessments shall include all installments of principal, payments of interest, and
7 penalties and interest on delinquencies, but shall not include any prepaid
8 assessments paid into a construction fund or account.

9 **(b) Other Sections Unaffected; Effect of Springing Provisions.** All other provisions of
10 the Omnibus Refunding Bond Ordinance remain in full force and effect, except as amended by
11 previously adopted springing amendments to sections of the Omnibus Refunding Ordinance
12 which by their terms provided that they were to go into effect upon the redemption or defeasance
13 of the outstanding 2004 Bonds. The City hereby confirms that the 2004 Bonds have been
14 redeemed or defeased in full, and that those prior amendments have become effective in
15 accordance with their terms.

16 **Section 27. General Authorization.** In addition to the specific authorizations in this
17 ordinance, the Mayor and the Director of Finance and each of the other appropriate officers of
18 the City are each authorized and directed to do everything as in his or her judgment may be
19 necessary, appropriate, or desirable in order to carry out the terms and provisions of, and
20 complete the transactions contemplated by, this ordinance. In particular and without limiting the
21 foregoing:

22 (a) The Director of Finance may, in his or her discretion and without further action
23 by the City Council, (i) issue requests for proposals for underwriting or financing facilities and

1 execute engagement letters with underwriters, bond insurers or other financial institutions based
2 on responses to such requests, (ii) change the Bond Registrar or Securities Depository for the
3 Bonds; and (iii) take such actions on behalf of the City as are necessary or appropriate for the
4 City to designate, qualify or maintain the tax-exempt treatment with respect to any Series issued
5 as Tax-Exempt Bonds, to receive from the United States Treasury the applicable Tax Credit
6 Subsidy Payments in respect of any Series issued as Tax-Credit Subsidy Bonds and to otherwise
7 receive any other federal tax benefits relating to the Bonds available to the City; and

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

17 **Section 28. Severability.** The provisions of this ordinance are declared to be separate
18 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
19 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as
20 to any person or circumstance, such offending provision shall, if feasible, be deemed to be
21 modified to be within the limits of enforceability or validity. However, if the offending provision
22 cannot be so modified, it shall be null and void with respect to the particular person or
23 circumstance, and all other provisions of this ordinance in all other respects, and the offending


1 provision with respect to all other persons and all other circumstances, shall remain valid and
2 enforceable.

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


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

1 **Section 31. Effective Date.** This ordinance shall take effect and be in force 30 days
2 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 Municipal Code Section 1.04.020.


4 Passed by the City Council the 23rd day of Nov., 2015, and
5 signed by me in open session in authentication of its passage this
6 23rd day of Nov., 2015.

7
8 
9 _____
10 President _____ of the City Council

11 Approved by me this 1st day of December, 2015.

12
13 
14 _____
15 Edward B. Murray, Mayor

16 Filed by me this 1 day of December, 2015.

17
18 
19 _____
20 Monica Martinez Simmons, City Clerk

21 (Seal)

22 Exhibits:

23 Exhibit A – List of Outstanding Parity Bonds

Exhibit B – Form of Undertaking to Provide Continuing Disclosure

EXHIBIT A

OUTSTANDING DRAINAGE AND WASTEWATER PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Bond Legislation		
			New Money Ord.	Refunding Ord.	Bond Sale Res.
Drainage and Wastewater Revenue and Refunding Bonds, 2006	11/01/2006	\$121,765,000	Ord. 122209	Ord. 121938 (as amended by Ord. 122209)	Res. 30927
Drainage and Wastewater Revenue Bonds, 2008	04/16/2008	\$84,645,000	Ord. 122637	--	Res. 31050
Drainage and Wastewater Revenue Bonds, Series 2009A (Taxable Build America Bonds – Direct Payment)	12/17/2009	\$102,535,000	Ord. 123055	--	Res. 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, Series 2009B	12/17/2009	\$36,680,000	Ord. 123055	Ord. 121938 (as amended by Ord. 122209 and Ord. 122637)	Res. 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2012	06/27/2012	\$222,090,000	Ord. 123753	Ord. 121938 (as amended by Ord. 122209 and Ord. 122637)	Res. 31387
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2014	07/10/2014	\$133,180,000	Ord. 124337	Ord. 124338 (amending and restating Ord. 121938)	Res. 31531

EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the “City”), makes the following written undertaking (the “Undertaking”) for the benefit of the holders of the City’s Drainage and Wastewater Revenue Bonds, 2016 (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, the following information:

(i) Annual financial information and operating data regarding the Drainage and Wastewater System of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(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; and

(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 and operating data that the City undertakes to provide in subsection (a) of this section:

1 (i) Shall consist of: (1) annual financial statements of the Drainage and
2 Wastewater System prepared in accordance with generally accepted accounting principles
3 applicable to governmental units (except as otherwise noted therein), as such principles may be
4 changed from time to time and as permitted by State of Washington (the “State”) law, which
5 financial statements will not be audited, except, that if and when audited financial statements are
6 otherwise prepared and available to the City they will be provided; (2) a statement of outstanding
7 bonded debt secured by revenues of the Drainage and Wastewater System; (3) debt service
8 coverage ratios; (4) general customer statistics, such as number and type of customers and
9 revenues by customer class; and (5) current drainage rate and wastewater rates;

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

14 (iii) May be provided in a single or multiple documents, and may be
15 incorporated by specific reference to documents available to the public on the Internet website of
16 the MSRB or filed with the United States Securities and Exchange Commission.

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

26 (d) Beneficiaries. The Undertaking evidenced by this section shall inure to the
27 benefit of the City and any holder of Bonds, and shall not inure to the benefit of or create any
28 rights in any other person.

29 (e) Termination of Undertaking. The City’s obligations under this Undertaking shall
30 terminate upon the legal defeasance, prior redemption, or payment in full of all of the
31 outstanding Bonds. In addition, the City’s obligations under this Undertaking shall terminate if
32 those provisions of Rule 15c2-12 which require the City to comply with this Undertaking
33 become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion
34 of nationally recognized bond counsel or other counsel familiar with federal securities laws
35 delivered to the City, and the City provides timely notice of such termination to the MSRB.

36 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the
37 City learns of any failure to comply with the Undertaking, the City will proceed with due
38 diligence to cause such noncompliance to be corrected. No failure by the City or other obligated
39 person to comply with the Undertaking shall constitute a default in respect of the Bonds. The
40 sole remedy of any Beneficial Owner of a Bond shall be to take such actions as that Beneficial

1 Owner deems necessary, including seeking an order of specific performance from an appropriate
2 court, to compel the City or other obligated person to comply with the Undertaking.

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

9 (i) Preparing and filing the annual financial information undertaken to be
10 provided;

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

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

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

21 (v) Effecting any necessary amendment of the Undertaking.