

**CITY OF SEATTLE**

**ORDINANCE** 127338

**COUNCIL BILL** 121090

..title

AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds in one or more series for the purposes of paying or reimbursing 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 parameters for the bond sale terms including conditions, covenants, and other sale terms; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

..body

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

WHEREAS, the City desires to acquire and construct a system or plan of further additions, improvements and betterments to, and extensions of, the Municipal Water System (the “Plan of Additions”) as described in this ordinance, and needs to borrow funds to pay a portion of the costs of carrying out such Plan of Additions; and

WHEREAS, the City currently has outstanding certain water system revenue bonds (as identified in Exhibit A, the “Outstanding Parity Bonds”). Pursuant to the ordinances authorizing their issuance (the “Outstanding Parity Bond Ordinances”), the City reserved the right to issue additional bonds having a charge and lien on the net revenue of the Municipal Water System on a parity of lien with those Outstanding Parity Bonds (“Future Parity Bonds”), and is permitted to issue such Future Parity Bonds upon satisfaction of certain conditions (the “Parity Conditions”); and

1 WHEREAS, the City has determined that it is in the best interest of the City and its ratepayers to  
2 authorize, subject to the provisions of this ordinance, the issuance and sale of water  
3 system revenue bonds to be designated as Parity Bonds, upon satisfaction of the Parity  
4 Conditions, to pay part of the cost of carrying out the Plan of Additions, to provide for  
5 the reserve requirement, and to pay the costs of issuance of those bonds;

6 NOW, THEREFORE,

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

8 Section 1. **Definitions**. In this ordinance, the following capitalized terms shall have the  
9 meanings set forth in this section.

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

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

1           **“Adjusted Gross Revenue”** means, for any period, Gross Revenue (a) plus withdrawals  
2 from the Rate Stabilization Account made during that period, and (b) minus ULID Assessments  
3 collected, earnings from investments in the Reserve Subaccount, and 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 Requirements, if any, for such calendar year. Additionally, for purposes of calculating and  
12 determining compliance with the Coverage Requirement, the Reserve Requirement and the  
13 conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment  
14 Agreements, the following shall apply:

15           **(a) Calculation of Interest Due Generally.** Except as otherwise provided below, interest  
16 on any series of Parity Bonds shall be calculated based on the actual amount of accrued,  
17 accreted, or otherwise accumulated interest that is payable in respect of that series taken as a  
18 whole, at the rate or rates set forth in the applicable Parity Bond Documents.

19           **(b) Capital Appreciation Bonds.** For purposes of this definition, the principal and  
20 interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity  
21 or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and  
22 unpaid and accruing interest or principal in such manner and during such period of time as is  
23 specified in the Parity Bond Documents applicable to such Capital Appreciation Bonds.

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

5           **(d) Interest on Parity Bonds With Respect to Which a Payment Agreement is in**  
6 **Force.** Debt service on Parity Bonds with respect to which a Payment Agreement is in force  
7 shall be based on the net economic effect on the City expected to be produced by the terms of the  
8 Parity Bonds and the terms of the Payment Agreement. For example, if the net economic effect  
9 of the Payment Agreement and a series of Parity Bonds otherwise bearing interest at a variable  
10 rate is to produce an obligation bearing interest at a fixed interest rate, the relevant series of  
11 bonds shall be treated as fixed interest rate bonds. And if the net economic effect of the Payment  
12 Agreement and a series of Parity Bonds otherwise bearing interest at a fixed rate is to produce an  
13 obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated  
14 as Variable Interest Rate Bonds. Accordingly, the amount of interest deemed to be payable on  
15 any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount  
16 equal to the amount of interest that would be payable at the rate or rates stated in or determined  
17 pursuant to the applicable Parity Bond Documents, plus Payment Agreement Payments, minus  
18 Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment  
19 Agreement Receipts and Payment Agreement Payments under a Payment Agreement that  
20 includes a variable rate component determined by reference to a pricing mechanism or index that  
21 is not the same as the pricing mechanism or index used to determine the variable rate interest  
22 component on the Parity Bonds to which the Payment Agreement is related, it shall be assumed  
23 that the fixed rate used in calculating Payment Agreement Payments will be equal to 105 percent

1 of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index  
2 specified by the Payment Agreement is the same as the pricing mechanism or index specified by  
3 the applicable Parity Bond Documents. Notwithstanding the other provisions of this definition,  
4 the City shall not be required to (but may in its discretion) take into account in determining  
5 Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

6 **(e) Parity Payment Agreements.** For any period during which Payment Agreement  
7 Payments on a Parity Payment Agreement are taken into account in determining Annual Debt  
8 Service on related Parity Bonds under paragraph (d) of this definition, no additional debt service  
9 shall be taken into account with respect to that Parity Payment Agreement. However, for any  
10 Parity Payment Agreement during a period in which Payment Agreement Payments are not taken  
11 into account under paragraph (d) of this definition because the Parity Payment Agreement is not  
12 then related to any outstanding Parity Bonds, payments on that Parity Payment Agreement shall  
13 be taken into account as follows:

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

21 **(ii) If City is Obligated to Make Payments Based on a Variable Rate**  
22 **Index.** If the City is obligated to make Payment Agreement Payments based on a variable rate  
23 index and the Qualified Counterparty is obligated to make payments based on a fixed rate, it

1 shall be assumed that payments by the City will be based on a rate equal to the average rate  
2 determined by the variable rate index specified by the Parity Payment Agreement during the four  
3 calendar quarters preceding the quarter in which the calculation is made, and that the Qualified  
4 Counterparty will make payments based on the fixed rate specified by the Parity Payment  
5 Agreement.

6 (f) **Balloon Bonds.** For purposes of calculating debt service on any Balloon Bonds, it  
7 shall be assumed that the principal of those Balloon Bonds, together with interest thereon at a  
8 rate equal to the assumed RBI-based rate set forth in paragraph (c) of this definition, will be  
9 amortized in equal annual installments over a term of 30 years.

10 (g) **Adjustments for Defeased Bonds.** For purposes of calculating and determining  
11 compliance with the Coverage Requirement, the Reserve Requirement, and the Parity  
12 Conditions, Annual Debt Service shall be adjusted as set forth in subsection 21(d) of this  
13 ordinance.

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

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

20 “**Balloon Bonds**” means any series of Parity Bonds, the aggregate principal amount  
21 (including Sinking Fund Requirements) of which becomes due and payable in any calendar year  
22 in an amount that constitutes 25 percent or more of the initial aggregate principal amount of such  
23 series of Parity Bonds.

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

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

6           **“Bond Documents”** means (a)(i) with respect to any Series of the Bonds, this ordinance  
7 (including any amendatory or supplemental ordinances), and (ii) with respect to a series of Parity  
8 Bonds other than a Series of the Bonds, the applicable Parity Bond Ordinance(s); (b) the  
9 authenticated bond form; and (c) the written agreement(s) setting forth the bond sale terms and  
10 additional terms, conditions, or covenants pursuant to which such bond was issued and sold, as  
11 set forth in any one or more of the following (if any): (i) a sale resolution, (ii) a bond purchase  
12 contract (as defined in the applicable authorizing ordinance), (iii) a bond indenture or a fiscal  
13 agent or paying agent agreement (other than the State fiscal agency contract), and (iv) a direct  
14 purchase or continuing covenant agreement.

15           **“Bond Insurance”** means any municipal bond insurance policy, guaranty, surety bond,  
16 or similar credit enhancement device providing for or securing the payment of all or part of the  
17 principal of and interest on any Parity Bonds, issued by an insurance company licensed to  
18 conduct an insurance business in any state of the United States (or by a service corporation  
19 acting on behalf of one or more such insurance companies), or by any other financial institution  
20 qualified to provide such credit enhancement device.

21           **“Bond Purchase Contract”** means a written offer to purchase a Series of the Bonds  
22 pursuant to certain Bond Sale Terms, which offer has been accepted by the City in accordance  
23 with this ordinance. In the case of a competitive sale, the Purchaser’s bid for a Series, together

1 with the official notice of sale and a Pricing Certificate confirming the Bond Sale Terms, shall  
2 comprise the Bond Purchase Contract.

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

5       **“Bond Registrar”** means the Fiscal Agent (unless the Director of Finance appoints a  
6 different person to act as bond registrar with respect to a particular Series), or any successor  
7 bond registrar selected in accordance with the System of Registration.

8       **“Bond Sale Terms”** means the terms and conditions for the sale of a Series of the Bonds  
9 approved by the Director of Finance consistent with the parameters set forth in Section 5 of this  
10 ordinance, including the amount, date or dates of the Bonds, denominations, interest rate or rates  
11 (or mechanism for determining the interest rate or rates), payment dates, final maturity,  
12 redemption rights, price, and other terms, conditions, or covenants. In connection with a  
13 negotiated sale or private placement, the Bond Sale Terms shall be set forth in a Bond Purchase  
14 Contract; in connection with a competitive sale, the Bond Sale Terms shall be set forth in a  
15 Pricing Certificate.

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

18       **“Book-Entry Form”** means a fully registered form in which physical bond certificates  
19 are registered only in the name of the Securities Depository (or its nominee), as Registered  
20 Owner, with the physical bond certificates held by and immobilized in the custody of the  
21 Securities Depository (or its designee), where the system for recording and identifying the  
22 transfer of the ownership interests of the Beneficial Owners in those Bonds is neither maintained  
23 by nor the responsibility of the City or the Bond Registrar.

1           **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on  
2 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in  
3 the applicable Bond Documents and is payable only upon redemption or on the maturity date of  
4 such Parity Bond. A Parity Bond that is issued as a Capital Appreciation Bond, but which later  
5 converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation  
6 Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but  
7 shall be treated as having a principal amount equal to its Accreted Value on the conversion date.  
8 For purposes of computing the principal amount of Parity Bonds held by the Owner of any  
9 Capital Appreciation Bond in connection with any notice, consent, request, or demand, the  
10 principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value at the  
11 time that such notice, consent, request, or demand is given or made.

12           **“Capital Improvement Program”** or **“CIP”** means those portions of the City’s “2026-  
13 2031 Capital Improvement Program” relating to the Municipal Water System, adopted by the  
14 City in conjunction with the adoption of the 2026 budget, together with any previously adopted  
15 capital improvement program. For purposes of this ordinance, the CIP includes all amendments,  
16 updates, supplements or replacements that may be adopted from time to time by ordinance.

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

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

20           **“Code”** means the Internal Revenue Code of 1986, or any successor thereto, as amended  
21 at any time, and regulations thereunder.

1           **“Construction Account”** means the account or subaccount created in the Water System  
2 Construction Account within the Water Fund for the deposit of proceeds of the Bonds, pursuant  
3 to Section 12 of this ordinance.

4           **“Continuing Disclosure Certificate”** means, for each Series sold in an offering subject  
5 to federal securities regulations requiring a written undertaking to provide continuing disclosure,  
6 a continuing disclosure certificate executed pursuant to Section 23 of this ordinance, in  
7 substantially the form attached to this ordinance as Exhibit B.

8           **“Contract Resource Obligation”** means an obligation of the City that is designated as a  
9 Contract Resource Obligation and is entered into in accordance with Section 20 of this  
10 ordinance.

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

13           **“Covered Parity Bonds”** means all Outstanding Parity Bonds, each Series of the Bonds,  
14 and each series of Future Parity Bonds, excluding each series of Parity Bonds for which the  
15 applicable Bond Documents provide that such series shall not be treated as a series of Covered  
16 Parity Bonds and shall not be secured by the amounts in the Reserve Subaccount. For purposes  
17 of the Bond Documents applicable to the Outstanding Parity Bonds issued in 2017, 2021, 2022,  
18 2024, and 2025, the Reserve Covenant Date (as defined therein) has occurred and those  
19 Outstanding Parity Bonds are excluded from the definition of Covered Parity Bonds.

20           **“Defeasible Bonds”** means any outstanding Parity Bonds that are eligible to be defeased  
21 pursuant to the Omnibus Defeasance Ordinance.

22           **“Director of Finance”** or **“Director”** means the City’s Director of Finance or such other  
23 officer who succeeds to substantially all of the responsibilities of that office.

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

2           **“Event of Default”** has the meaning given in subsection 25(a) of this ordinance.

3           **“Fiscal Agent”** means the fiscal agent of the State, as the same may be designated by the  
4 State from time to time, or such other fiscal agent as the City may later appoint.

5           **“Future Parity Bond Ordinance”** means any ordinance passed by the City Council  
6 providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance  
7 amending or supplementing the provisions of any such ordinance.

8           **“Future Parity Bonds”** means, with reference to any Series, all revenue bonds and  
9 obligations of the Municipal Water System (other than that Series and any other Parity Bonds  
10 then outstanding), issued or entered into after the Issue Date of such Series, the payment of  
11 which constitutes a charge and lien on Net Revenue equal in priority with the charge and lien  
12 upon such revenue for the payment of the amounts required to be paid into the Parity Bond  
13 Account in accordance with Section 15 of this ordinance. Future Parity Bonds may include  
14 Parity Payment Agreements and any other obligations issued in compliance with the Parity  
15 Conditions.

16           **“Government Obligations”** means, unless otherwise limited in the Bond Documents for  
17 a particular Series of the Bonds, any government obligation as that term is defined in RCW  
18 39.53.010, as in effect at the time such government obligation is acquired.

19           **“Gross Revenue”** means (a) all income, revenues, receipts, and profits derived by the  
20 City through the ownership and operation of the Municipal Water System; (b) the proceeds  
21 received by the City directly or indirectly from the sale, lease, or other disposition of any of the  
22 properties, rights or facilities of the Municipal Water System; (c) Payment Agreement Receipts,  
23 to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the

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

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

1           **“Issue Date”** means, with respect to a Bond, the initial date on which that Bond is issued  
2 and delivered to the initial Purchaser in exchange for its purchase price.

3           **“Letter of Representations”** means the Blanket Issuer Letter of Representations  
4 between the City and DTC dated October 4, 2006, as amended at any time, or an agreement with  
5 a substitute or successor Securities Depository.

6           **“Maximum Annual Debt Service”** means, at the time of calculation, the maximum  
7 amount of Annual Debt Service that shall become due in the current calendar year or in any  
8 future calendar year with respect to the Parity Bonds then outstanding.

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

10          **“Municipal Water System”** means the water system of the City as it now exists, and all  
11 additions thereto and betterments and extensions thereof at any time made, together with any  
12 utility systems of the City hereafter combined with the Municipal Water System. The Municipal  
13 Water System shall not include any separate utility system that may be created, acquired, or  
14 constructed by the City as provided in Section 19 of this ordinance.

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

17          **“Omnibus Defeasance Ordinance”** means Ordinance 126226, as amended at any time,  
18 authorizing the defeasance of Defeasible Bonds (as such ordinance may be amended from time  
19 to time), or any future ordinance pursuant to which the Bonds (or any Series of the Bonds) are  
20 designated as Defeasible Bonds.

21          **“Omnibus Refunding Ordinance”** means (a) Ordinance 125714 (as amended by  
22 Ordinance 126483, the “2019 Omnibus Refunding Ordinance”), (b) from and after its effective  
23 date, the ordinance adopted at substantially the same time as this ordinance to amend and replace

1 the 2019 Omnibus Refunding Ordinance (the “2026 Omnibus Refunding Ordinance”) including  
2 future amendments, or (c) any other ordinance authorizing the issuance of Refunding Parity  
3 Bonds for the purpose of refunding Refundable Bonds, pursuant to which the Bonds (or any  
4 Series of the Bonds) are designated as “Refundable Bonds.”

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

22       **“Outstanding Parity Bond Ordinances”** means those ordinances authorizing the  
23 issuance and sale of the Outstanding Parity Bonds, as identified in Exhibit A to this ordinance.

1           **“Outstanding Parity Bonds”** means those outstanding Parity Bonds identified in  
2 Exhibit A to this ordinance. When used in reference to a particular date (or in reference to a  
3 particular series of Parity Bonds), Outstanding Parity Bonds shall mean those Parity Bonds,  
4 including any Parity Bonds issued subsequent to the effective date of this ordinance, that are  
5 outstanding as of that date (or as of the Issue Date of the referenced series of Parity Bonds).

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

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

11           **“Parity Bond Documents”** means those Bond Documents applicable to a series of Parity  
12 Bonds.

13           **“Parity Bond Ordinance”** means any ordinance passed by the City Council providing  
14 for the issuance and sale of a series of Parity Bonds, and any other ordinance amending or  
15 supplementing the provisions of any Parity Bond Ordinance.

16           **“Parity Bonds”** means the Outstanding Parity Bonds, each Series of the Bonds, and any  
17 Future Parity Bonds then outstanding. Parity Bonds may include Parity Payment Agreements in  
18 accordance with Section 17 of this ordinance.

19           **“Parity Certificate”** means a certificate delivered pursuant to Section 17 of this  
20 ordinance for purposes of satisfying the Parity Conditions in connection with the issuance of  
21 Future Parity Bonds.

22           **“Parity Conditions”** means (a) for purposes of establishing that a Series of the Bonds  
23 may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series,

1 the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to  
2 those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds  
3 on parity with a Series of the Bonds, the conditions described in subsection (a) of this definition,  
4 together with the conditions set forth in Section 17 of this ordinance.

5 **“Parity Payment Agreement”** means a Payment Agreement which is entered into in  
6 compliance with the Parity Conditions and under which the City’s payment obligations are  
7 expressly stated to constitute a charge and lien on Net Revenue equal in rank with the charge and  
8 lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure  
9 the payment of interest on Parity Bonds. For purposes of determining percentages of ownership  
10 of Parity Bonds under this ordinance or under applicable Parity Bond Documents, Parity  
11 Payment Agreements shall be deemed to have no principal amount, and any notice, consent, or  
12 similar rights (if any) shall be determined only as set forth in the applicable Parity Payment  
13 Agreement.

14 **“Payment Agreement”** means a written agreement entered into by the City and a  
15 Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of  
16 managing or reducing the City’s exposure to fluctuations or levels of interest rates, or for other  
17 interest rate, investment, or asset or liability management purposes, and that provides for (i) an  
18 exchange of payments based on interest rates, or ceilings or floors on such payments; (ii) options  
19 on such payments; (iii) any combination of the foregoing; or (iv) any similar device. A Payment  
20 Agreement may be entered into on either a current or forward basis. A Payment Agreement must  
21 be entered into in connection with (or incidental to) the issuance, incurring, or carrying of  
22 particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for

1 borrowed money (which may include leases, installment purchase contracts, or other similar  
2 financing agreements or certificates of participation in any of the foregoing).

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

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

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

9 **“Plan of Additions”** means, together, the CIP and the Water System Plan, as modified at  
10 any time. The Plan of Additions includes (a) the purchase and installation of all materials,  
11 supplies, appliances, equipment and facilities; (b) the acquisition of all permits, franchises,  
12 property and property rights, and other capital assets; and (c) all engineering, consulting and  
13 other professional services and studies (whether performed by the City or by other public or  
14 private entities), each as necessary or convenient to carry out the Plan of Additions. The Plan of  
15 Additions includes all amendments, updates, supplements or replacements to the CIP or the  
16 Water System Plan, all of which automatically shall constitute amendments to the Plan of  
17 Additions. The Plan of Additions also may be modified to include other improvements, without  
18 amending the CIP or the Water System Plan, 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 Municipal Water System.

21 **“Pricing Certificate”** means a certificate executed by the Director of Finance as of the  
22 pricing date confirming the Bond Sale Terms for the sale of a Series of Bonds to the Purchaser in  
23 a competitive sale, in accordance with the parameters set forth in Section 5 of this ordinance.

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

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

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

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

19           **“Qualified Letter of Credit”** means any letter of credit, standby bond purchase  
20 agreement, or other liquidity facility issued by a financial institution for the account of the City  
21 in connection with the issuance of any Parity Bonds, which institution maintains an office,  
22 agency or branch in the United States and, as of the time of issuance of such instrument, is rated

1 in one of the two highest rating categories (without regard to any gradations within such rating  
2 categories) by at least two nationally recognized rating agencies.

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

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

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

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

17 **“Refundable Bonds”** means Parity Bonds that may be refunded pursuant to the Omnibus  
18 Refunding Ordinance. For purposes of this provision, each Series of the Bonds issued pursuant to  
19 this ordinance is designated as a series of Refundable Bonds.

20 **“Refunding Parity Bonds”** means Future Parity Bonds that satisfy the applicable Parity  
21 Conditions and are issued pursuant to the Omnibus Refunding Ordinance, or other Future Parity  
22 Bond Ordinance, for the purpose of refunding any Refundable Bonds.

1           **“Registered Owner”** means, with respect to a Bond, the person in whose name that  
2 Bond is registered on the Bond Register. For so long as a Series of the Bonds is in Book-Entry  
3 Form under the Letter of Representations, the Registered Owner of such Series shall mean the  
4 Securities Depository.

5           **“Reserve Requirement”** means the lesser of (a) Maximum Annual Debt Service on all  
6 Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual  
7 Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event  
8 shall the Reserve Requirement exceed the sum of 10 percent of the proceeds of each series of  
9 Covered Parity Bonds then outstanding, determined as of the Issue Date of each such series.

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

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

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

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

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

22           **“Serial Bonds”** means Parity Bonds maturing in specified years and for which no  
23 Sinking Fund Requirements are mandated.

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

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

4           **“Sinking Fund Requirement”** means, for any calendar year, the principal portion of any  
5 Term Bond (including redemption premium, if any) that is required to be purchased, redeemed,  
6 paid at maturity, or paid into any Sinking Fund Account for such calendar year, as established in  
7 the applicable Bond Documents.

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

9           **“State Auditor”** means the office of the Auditor of the State or such other department or  
10 office of the State authorized and directed by State law to perform audits.

11           **“System of Registration”** means the system of registration for the City’s bonds and  
12 other obligations established pursuant to Seattle Municipal Code Chapter 5.10 as amended.

13           **“Tax-Advantaged Bond”** means any Bond that is designated by the City as a tax-  
14 advantaged bond, including tax credit bonds or any other type of special tax designation that is  
15 now or in the future available pursuant to the Code, pursuant to which the City is able to obtain a  
16 tax credit payment or any other type of tax advantage.

17           **“Tax-Exempt Bond”** means any Parity Bond the interest on which is intended, as of the  
18 Issue Date, to be excludable from gross income for federal income tax purposes.

19           **“Taxable Bond”** means any Parity Bond the interest on which is not intended, as of the  
20 Issue Date, to be excludable from gross income for federal income tax purposes.

21           **“Term Bond”** means any Parity Bond that is issued subject to mandatory redemption in  
22 Sinking Fund Requirements prior to its maturity date.

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

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

8           **“Valuation Date”** means, with respect to any Capital Appreciation Bond, the date or  
9 dates, determined as set forth in the applicable Parity Bond Documents, on which specific  
10 Accreted Values are assigned to that Capital Appreciation Bond.

11           **“Variable Interest Rate”** means any interest rate that fluctuates during the stated term of  
12 a Parity Bond (or during a stated period during which the Parity Bond is designated as a Variable  
13 Interest Rate Bond), whether due to a remarketing, a market index reset, or other mechanism set  
14 forth in the applicable Bond Documents. The Bond Documents for any Series of the Bonds  
15 bearing interest at a Variable Interest Rate shall set forth: (a) the available method(s) of  
16 computing interest (the “interest rate modes”); (b) the particular period or periods of time (or  
17 manner of determining such period or periods of time) for which each value of such Variable  
18 Interest Rate (or each interest rate mode) shall remain in effect; (c) provisions for conversion  
19 from one interest rate mode to another and for setting or resetting the interest rates; and (d) the  
20 time or times upon which any change in such Variable Interest Rate (or any conversion of  
21 interest rate modes) shall become effective.

22           **“Variable Interest Rate Bond”** means, for any period of time, any Parity Bond that  
23 bears interest at a Variable Interest Rate during that period. A Parity Bond shall not be treated as

1 a Variable Interest Rate Bond if the net economic effect of: (a) interest rates on a particular series  
2 of Parity Bonds, as set forth in the applicable Bond Documents, and (b) either (i) interest rates on  
3 another series of Parity Bonds issued at substantially the same time, or (ii) a Payment Agreement  
4 related to that particular series of Parity Bonds, is to produce obligations that bear interest at a  
5 fixed rate. A Parity Bond with respect to which a Payment Agreement is in force shall be treated  
6 as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to  
7 produce an obligation that bears interest at a Variable Interest Rate.

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

10         **“Water System Plan”** means the long-range water system plan known as the 2019  
11 Water System Plan adopted by the City in Ordinance 125687, as that plan may be amended,  
12 updated, supplemented, or replaced from time to time.

13         Section 2. **Adoption of Plan of Additions.** The City specifies, adopts, and orders the  
14 Plan of Additions to be carried out as generally provided for in the documents comprising the  
15 Plan of Additions. The estimated cost of the Plan of Additions, as near as may be determined, is  
16 declared to be approximately \$974 million, of which approximately \$108 million is expected to  
17 be financed from proceeds of the Bonds and investment earnings thereon.

18         Section 3. **Authorization of Bonds; Due Regard Finding.**

19         (a) **The Bonds.** The City is authorized to issue Municipal Water System revenue bonds,  
20 payable from the sources described in Section 13 of this ordinance, in the maximum principal  
21 amount stated in Section 5 of this ordinance, to provide funds (a) to pay or reimburse part of the  
22 cost of carrying out the Plan of Additions; (b) to provide for the Reserve Requirement (if  
23 necessary); (c) to capitalize interest on (if necessary) and pay the costs of issuance of the Bonds;

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

6 (b) **City Council Finding.** The City Council finds that, in creating the Parity Bond  
7 Account and in fixing the amounts to be paid into it in accordance with this ordinance and the  
8 parameters for the Bond Sale Terms set forth in Section 5 of this ordinance, the City Council has  
9 exercised due regard for the cost of operation and maintenance of the Municipal Water System,  
10 and is not setting aside into the Parity Bond Account a greater amount than in the judgment of  
11 the City Council, based on the rates established from time to time consistent with subsection  
12 16(b) of this ordinance, will be sufficient, in the judgment of the City Council, to meet all  
13 expenses of operation and maintenance of the Municipal Water System and to provide the  
14 amounts previously pledged for the payment of all outstanding obligations payable out of Gross  
15 Revenues and pledged for the payment of the Bonds. Therefore, the City Council finds that the  
16 issuance and sale of the Bonds is in the best interest of the City and the public interest.

17 Section 4. **Manner of Sale of Bonds.** The Director of Finance may provide for the sale of  
18 each Series by competitive sale, negotiated sale, limited offering, or private placement and may  
19 select and enter into agreements with remarketing agents or providers of liquidity with respect to  
20 Variable Interest Rate Bonds. The Purchaser of each Series shall be chosen through a selection  
21 process acceptable to the Director of Finance. The Director of Finance is authorized to specify a  
22 date and time of sale and a date and time for the delivery of each Series; in the case of a  
23 competitive sale, to provide an official notice of sale including bid parameters and other bid

1 requirements, and to provide for the use of an electronic bidding mechanism; to determine  
2 matters relating to a forward or delayed delivery of the Bonds; and to determine such other  
3 matters and take such other action as, in the Director's determination, may be necessary,  
4 appropriate, or desirable in order to carry out the sale of each Series. Each Series must be sold on  
5 Bond Sale Terms consistent with the parameters set forth in Section 5 of this ordinance.

6 Section 5. **Appointment of Designated Representative; Bond Sale Terms.**

7 (a) **Designated Representative.** The Director of Finance is appointed to serve as the  
8 City's designated representative in connection with the issuance and sale of the Bonds in  
9 accordance with RCW 39.46.040(2) and this ordinance.

10 (b) **Parameters for Bond Sale Terms.** The Director of Finance is authorized to approve,  
11 on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series, and, in  
12 connection with each such sale, to execute a Bond Purchase Contract (or, in the case of a  
13 competitive sale, a Pricing Certificate) confirming the Bond Sale Terms and such related  
14 agreements as may be necessary or desirable, consistent with the following parameters:

15 (i) **Maximum Principal Amount.** The maximum aggregate principal amount of  
16 all Series of the Bonds authorized by this ordinance is not to exceed \$108 million.

17 (ii) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the  
18 Director of Finance. The initial Issue Date (without restricting any reissuance date with respect  
19 to a Series of Variable Interest Rate Bonds) may be no later than December 31, 2028.

20 (iii) **Denominations.** The Bonds shall be issued in Authorized Denominations.

21 (iv) **Interest Rate(s).** Each Bond shall bear interest from its Issue Date or from  
22 the most recent date to which interest has been paid or duly provided, whichever is later, unless  
23 otherwise provided in the applicable Bond Documents. Each Series of the Bonds shall bear

1 interest at one or more fixed interest rates or Variable Interest Rates. The true interest cost for  
2 any fixed rate Series may not exceed a rate of 10 percent per annum. The Bond Documents for  
3 any Series may provide for multiple interest rates and interest rate modes, and may provide  
4 conditions and mechanisms for the Director of Finance to effect a conversion from one mode to  
5 another. Nothing in this ordinance shall be interpreted to prevent the Bond Documents for any  
6 Series from including a provision for adjustments to interest rates during the term of the Series  
7 upon the occurrence of certain events specified in the applicable Bond Documents.

8           (v) **Payment Dates.** Interest shall be payable on dates acceptable to the Director  
9 of Finance. Principal shall be payable on dates acceptable to the Director of Finance, which shall  
10 include payment at the maturity of each Bond, in accordance with any Sinking Fund  
11 Requirements applicable to Term Bonds, and otherwise in accordance with any redemption or  
12 tender provisions.

13           (vi) **Final Maturity.** Each Bond shall mature no later than 40 years after its Issue  
14 Date.

15           (vii) **Redemption Prior to Maturity.** The Bond Sale Terms may include  
16 redemption and tender provisions, as determined by the Director of Finance in the Director's  
17 discretion, consistent with Section 8 of this ordinance and subject to the following:

18                   (A) **Optional Redemption.** The Director of Finance may designate any  
19 Bond as subject to optional redemption prior to its maturity, consistent with subsection 8(a) of  
20 this ordinance. Any Bond that is subject to optional redemption prior to maturity must be callable  
21 on at least one or more dates occurring not more than 10-1/2 years after the Issue Date.

22                   (B) **Mandatory Redemption.** The Director of Finance may designate any  
23 Bond as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in

1 principal payment amounts set forth in Sinking Fund Requirements, consistent with subsection  
2 8(b) of this ordinance.

3 (C) **Extraordinary Redemptions.** The Director of Finance may designate  
4 any Bond as subject to extraordinary optional redemption or extraordinary mandatory  
5 redemption upon the occurrence of an extraordinary event, as such event or events may be set  
6 forth in the applicable Bond Documents, consistent with subsection 8(c) of this ordinance.

7 (D) **Tender Options.** The Director of Finance may designate any Variable  
8 Interest Rate Bond as subject to tender options, as set forth in the applicable Bond Documents.

9 (viii) **Price.** The Director of Finance may approve in the Bond Sale Terms an  
10 aggregate purchase price for each Series of the Bonds that is, in the Director's judgment, the  
11 price that produces the most advantageous borrowing cost for the City, consistent with the  
12 parameters set forth in this ordinance and in any applicable bid documents.

13 (ix) **Other Terms and Conditions.**

14 (A) **Expected Life of Capital Facilities.** As of the Issue Date of each  
15 Series, the Director of Finance must find to the Director's satisfaction that the average expected  
16 life of the capital facilities to be financed with the proceeds (or allocable share of proceeds) of  
17 that Series exceeds the weighted average maturity of such Series (or share thereof) allocated to  
18 financing those capital facilities.

19 (B) **Parity Conditions Satisfied.** As of the Issue Date of each Series, the  
20 Director of Finance must find that the Parity Conditions have been met or otherwise satisfied, so  
21 that such Series is permitted to be issued as Parity Bonds.

22 (C) **Additional Terms, Conditions, and Agreements.** The Bond Sale  
23 Terms for any Series may provide for Bond Insurance, a Reserve Security, Qualified Letter of

1 Credit, credit enhancement, or any Payment Agreement as the Director of Finance may find  
2 necessary or desirable. The Bond Sale Terms for any Series may provide for multiple interest  
3 rate modes and may include provisions for conversion from any interest rate mode to any other  
4 mode. To that end, the Bond Sale Terms may include such additional terms, conditions, and  
5 covenants as may be necessary or desirable, including but not limited to: restrictions on  
6 investment of Bond proceeds and pledged funds (including any escrow established for the  
7 defeasance of the Bonds); provisions for the conversion of interest rate modes; provisions for the  
8 reimbursement of a credit enhancement provider or Qualified Counterparty; and requirements to  
9 give notice to or obtain the consent of a credit enhancement provider or a Qualified  
10 Counterparty. The Director of Finance is authorized to execute, on behalf of the City, such  
11 additional certificates and agreements as may be necessary or desirable to reflect such terms,  
12 conditions, and covenants.

13 (D) **Reserve Requirement.** The Bond Sale Terms must establish whether  
14 the Series is to be treated as Covered Parity Bonds and must establish the method of providing  
15 for the Reserve Requirement, consistent with Section 15 of this ordinance.

16 (E) **Tax Status of the Bonds.** The Director of Finance may determine that  
17 any Series of the Bonds may be designated or qualified as Tax-Exempt Bonds, Taxable Bonds,  
18 or Tax-Advantaged Bonds consistent with Section 22 of this ordinance.

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

20 (a) **Registration and Bond Registrar.** The Bonds shall be issued only in registered form  
21 as to both principal and interest and shall be recorded on the Bond Register. The Fiscal Agent is  
22 appointed to act as Bond Registrar for each Series of the Bonds, unless otherwise determined by  
23 the Director of Finance.

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

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

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

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

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

15           Upon the resignation of the Securities Depository from its functions as depository, or  
16 upon a determination by the Director of Finance to discontinue utilizing the then-current  
17 Securities Depository, the Director of Finance may appoint a substitute Securities Depository. If  
18 the Securities Depository resigns from its functions as depository and no substitute Securities  
19 Depository can be obtained, or if the Director of Finance determines not to utilize a Securities  
20 Depository, then the Bonds shall no longer be held in Book-Entry Form and ownership may be  
21 transferred only as provided in this ordinance.

22           Nothing in this ordinance shall prevent the Bond Sale Terms from providing that a Series  
23 of the Bonds shall be issued in certificated form without utilizing a Securities Depository, and

1 that the Bonds of such Series shall be registered as of their Issue Date in the names of the  
2 Owners thereof, in which case ownership may be transferred only as provided in this ordinance.

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

10 Section 7. **Payment of Bonds.**

11 (a) **Payment.** Each Bond shall be payable in lawful money of the United States of  
12 America on the dates and in the amounts as provided in the Bond Documents applicable to that  
13 Series. Principal of and interest on each Bond issued as a Parity Bond shall be payable solely out  
14 of the Parity Bond Account and shall not be a general obligation of the City. No Bonds of any  
15 Series shall be subject to acceleration under any circumstances.

16 (b) **Bonds Held In Book-Entry Form.** Principal of and interest on each Bond held in  
17 Book-Entry Form shall be payable in the manner set forth in the Letter of Representations.

18 (c) **Bonds Not Held In Book-Entry Form.** Interest on each Bond not held in Book-  
19 Entry Form shall be payable by electronic transfer on the interest payment date, or by check or  
20 draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the  
21 address appearing on the Bond Register on the Record Date. The City, however, is not required  
22 to make electronic transfers except pursuant to a request by a Registered Owner in writing  
23 received at least ten days prior to the Record Date and at the sole expense of the Registered

1 Owner. Principal of each Bond not held in Book-Entry Form shall be payable upon presentation  
2 and surrender of the Bond by the Registered Owner to the Bond Registrar.

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

4 (a) **Optional Redemption.** All or some of the Bonds may be subject to redemption prior  
5 to their stated maturity dates at the option of the City on the dates and on the terms set forth in  
6 the applicable Bond Documents.

7 (b) **Mandatory Redemption.** All or some of the Bonds of any Series may be designated  
8 as Term Bonds, subject to mandatory redemption in Sinking Fund Requirements, as set forth in  
9 the applicable Bond Documents. If not redeemed or purchased at the City's option prior to  
10 maturity, Term Bonds (if any) must be redeemed at a price equal to 100 percent of the principal  
11 amount to be redeemed, plus accrued interest, on the dates and in the years and Sinking Fund  
12 Requirements as set forth in the applicable Bond Documents.

13 If the City optionally redeems or purchases a principal portion of a Term Bond prior to its  
14 maturity, the principal amount so redeemed or purchased (irrespective of its redemption or  
15 purchase price) shall be credited against the remaining mandatory redemption installment  
16 payments for that Term Bond in the manner directed by the Director of Finance. In the absence  
17 of direction by the Director of Finance, credit shall be allocated to each mandatory redemption  
18 installment payment for that Term Bond on a pro rata basis.

19 (c) **Extraordinary Redemption.** All or some of the Bonds of any Series may be subject  
20 to extraordinary optional redemption or extraordinary mandatory redemption prior to maturity  
21 upon the occurrence of an extraordinary event, at the prices, in the principal amounts, and on the  
22 dates, all as set forth in the applicable Bond Documents.

1           **(d) Selection of Bonds for Redemption; Partial Redemption.** If fewer than all of the  
2 outstanding Bonds of a Series are to be redeemed at the option of the City, the Director of  
3 Finance shall select the maturity or maturities to be redeemed. If less than all of the principal  
4 amount of a maturity of the selected Series is to be redeemed and, if such Series is held in Book-  
5 Entry Form, the portion of such maturity to be redeemed shall be selected for redemption by the  
6 Securities Depository in accordance with the Letter of Representations. If the Series selected for  
7 redemption is not then held in Book-Entry Form, the portion of such maturity to be redeemed  
8 shall be selected by the Bond Registrar randomly in such manner as the Bond Registrar shall  
9 determine. All or a portion of the principal amount of any Bond that is to be redeemed may be  
10 redeemed in any applicable Authorized Denomination. If less than all of the outstanding  
11 principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar  
12 there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the  
13 option of the Registered Owner) of the same Series, maturity, and interest rate in any Authorized  
14 Denomination in the aggregate principal amount to remain outstanding.

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

17           Section 9. **Notice of Redemption; Rescission of Notice.** Unless otherwise set forth in the  
18 applicable Bond Documents, the City must cause notice of any intended redemption of Bonds to  
19 be given not fewer than 20 nor more than 60 days prior to the date fixed for redemption by first-  
20 class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address  
21 appearing on the Bond Register on the Record Date, and the requirements of this sentence shall  
22 be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is  
23 actually received by the Owner of any Bond. Interest on Bonds called for redemption shall cease

1 to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed  
2 when presented pursuant to the call.

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

9           Section 10. **Failure to Pay Bonds**. If any Bond is not paid when properly presented at its  
10 maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond  
11 Account and the other sources pledged in this ordinance, interest on that Bond at the same rate  
12 provided on that Bond from and after its maturity or redemption date until that Bond, including  
13 principal, redemption premium (if any), and interest, is paid in full or until sufficient money for  
14 its payment in full is on deposit in the Parity Bond Account and that Bond has been called for  
15 payment by giving notice of that call to the Registered Owner of that Bond. The exercise of  
16 remedies of Owners of the Bonds are limited as set forth in Section 25 of this ordinance.

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

22           Only Bonds bearing a certificate of authentication in substantially the following form  
23 (with the designation, year, and Series and other designation, if any, all adjusted consistent with

1 this ordinance and the Bond Sale Terms) and manually signed by the Bond Registrar shall be  
2 valid or obligatory for any purpose or entitled to the benefits of this ordinance: “This Bond is one  
3 of the fully registered The City of Seattle, Washington, [Water System Revenue Bonds], [Year],  
4 [Series and other designation, if any], described in [this ordinance].” The authorized signing of a  
5 certificate of authentication shall be conclusive evidence that the Bond so authenticated has been  
6 duly executed, authenticated, and delivered and is entitled to the benefits of this ordinance.

7         If any officer whose manual or facsimile signature appears on a Bond ceases to be an  
8 officer of the City authorized to sign bonds before the Bond bearing the officer’s manual or  
9 facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that  
10 Bond nevertheless may be authenticated, issued, and delivered and, when authenticated, issued,  
11 and delivered, shall be as binding on the City as though that person had continued to be an  
12 officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City  
13 by any person who, on the actual date of signing of the Bond, is an officer of the City authorized  
14 to sign bonds, although the person did not hold the required office on the Issue Date of that  
15 Series of the Bonds.

16         Section 12. **Construction Account; Deposit of Proceeds.** An account to be known as the  
17 “Water System Construction Subaccount, 2026” is created in the Water System Construction  
18 Account within the Water Fund. After depositing accrued interest (if any) into the Principal and  
19 Interest Subaccount and depositing amounts necessary to provide for the Reserve Requirement  
20 (if any) into the Reserve Subaccount, the remaining principal proceeds of the sale of a Series of  
21 the Bonds shall be deposited into the Construction Account (or such other fund or account as  
22 may be directed by the Director of Finance) to be used (a) to pay part of the costs of carrying out  
23 the Plan of Additions, and (b) to pay capitalized interest on (if necessary) and the costs of

1 issuance of the Series. Until needed to pay such costs, the City may temporarily invest principal  
2 proceeds and interest earned thereon in any Permitted Investments, and the investment earnings  
3 may be either (a) retained in the Construction Account to be spent for the purposes of that  
4 account, or (b) deposited in the Parity Bond Account, as determined by the Director of Finance.

5           Section 13. **Security for the Bonds; Parity with Outstanding Parity Bonds.** The  
6 Bonds shall be special limited obligations of the City payable from and secured solely by the Net  
7 Revenue (including all ULID Assessments, if any) and money in the Parity Bond Account and  
8 the subaccounts therein, except that money in the Reserve Subaccount shall secure only Covered  
9 Parity Bonds. The Net Revenue (including all ULID Assessments, if any) is pledged to make the  
10 payments into the Parity Bond Account required by this ordinance. This pledge constitutes a  
11 charge and lien upon such Net Revenue prior and superior to all other liens and charges  
12 whatsoever.

13           The Bonds shall be issued on parity with the Outstanding Parity Bonds and all Future  
14 Parity Bonds, without regard to date of issuance or authorization and without preference or  
15 priority of right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds  
16 or other obligations that are a charge or lien upon Net Revenue subordinate to the payments  
17 required to be made from Net Revenue into the Parity Bond Account and the subaccounts  
18 therein. The City covenants that, for as long as any Bond is outstanding, it will not issue any  
19 other revenue obligations (or create any special fund or account therefor), that will have any  
20 priority over, or that will rank on a parity with, the payments required in respect of the Parity  
21 Bonds, and that it will issue Future Parity Bonds only accordance with Section 17 of this  
22 ordinance.

1           The Bonds shall not constitute general obligations of the City, the State, or any political  
2 subdivision of the State or a charge upon any general fund or upon any money or other property  
3 of the City, the State, or any political subdivision of the State not specifically pledged by this  
4 ordinance.

5           Section 14. **Priority Expenditure of Gross Revenue; Flow of Funds**. Gross Revenue  
6 shall be deposited as received in the Water Fund and used for the following purposes only in the  
7 following order of priority:

8           (a) To pay Operating and Maintenance Expense;

9           (b) To make when due all payments into the Principal and Interest Subaccount required to  
10 be made in order to pay the interest on and principal of all Parity Bonds (including all net  
11 payments under Parity Payment Agreements), and to make payments due under any agreement  
12 with a provider of a Reserve Security which agreement requires those payments to be treated on  
13 a parity of lien with the Parity Bonds;

14           (c) To make all payments required to be made (i) into the Reserve Subaccount with  
15 respect to Covered Parity Bonds, and (ii) under any agreement with a provider of a Reserve  
16 Security, which agreement requires those payments to be treated on a parity of lien with the  
17 payments required to be made into the Reserve Subaccount;

18           (d) To make all payments required to be made into any revenue bond, note, warrant or  
19 other revenue obligation redemption fund, debt service account, or reserve account 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 the Parity Bonds; and

1 (e) Without priority, for any of the following purposes: to retire by redemption or  
2 purchase any outstanding revenue bonds or revenue obligations of the Municipal Water System;  
3 to make necessary additions, betterments, improvements, repairs, extensions, and replacements  
4 of the Municipal Water System; to pay City taxes or other payments in lieu of taxes payable  
5 from Gross Revenue; to make deposits to the Rate Stabilization Account; or for any other lawful  
6 Municipal Water System purposes.

7 Section 15. **Parity Bond Account**. A special account of the City known as the Parity  
8 Bond Account has been previously created and shall be maintained as a separate account within  
9 the Water Fund for the sole purpose of paying the principal of and premium, if any, and interest  
10 on the Parity Bonds as the same shall become due. The Parity Bond Account consists of the  
11 Principal and Interest Subaccount and the Reserve Subaccount and may additionally include such  
12 subaccounts as the Director of Finance may deem necessary, so long as the maintenance of such  
13 subaccounts does not conflict with the rights of the owners of Parity Bonds. Principal of,  
14 premium (if any), and interest on the Parity Bonds shall be payable out of the Parity Bond  
15 Account.

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

20 (i) Into the Principal and Interest Subaccount on or before each date on which  
21 interest on or principal of Parity Bonds (including Sinking Fund Requirements and net payments  
22 under any Parity Payment Agreements) shall become due and payable, an amount that will be  
23 sufficient, together with other money on deposit therein, to pay such principal, interest, Sinking

1 Fund Requirements, and net payments then due on Parity Payment Agreements as the same shall  
2 become due; and

3 (ii) Into the Reserve Subaccount, an amount necessary to provide for the Reserve  
4 Requirement within the time and in the manner required by this ordinance and the Bond Sale  
5 Terms. The amount necessary, if any, to satisfy the Reserve Requirement upon the issuance of a  
6 Series of the Bonds may be funded (A) on the Issue Date by a deposit of bond sale proceeds,  
7 available funds of the Municipal Water System, or a Reserve Security; or (B) in annual  
8 installments from Net Revenue so that the Reserve Requirement is fully funded by no later than  
9 the fifth anniversary of the Issue Date of such Series. The manner of funding the Reserve  
10 Requirement for the Bonds shall be set forth in the Bond Documents.

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

18 Until the defeasance or redemption of the 2012 Bonds and 2015 Bonds, to the  
19 extent required to permit the City to credit the amount of any existing Reserve Security against  
20 the amount needed to satisfy the Reserve Requirement for the outstanding 2012 Bonds and 2015  
21 Bonds, the City further agrees that upon receipt of a notice of cancellation of any Reserve  
22 Security that is then used to satisfy all or any part of the Reserve Requirement for the 2012  
23 Bonds or the 2015 Bonds, the City shall either (A) substitute a Reserve Security in the amount

1 required to make up the deficiency created in the Reserve Subaccount, or (B) create a special  
2 account in the Water Fund and deposit therein cash sufficient, together with other money and  
3 investments on deposit in the Reserve Subaccount allocated to satisfying the Reserve  
4 Requirement in respect of the 2012 Bonds and 2015 Bonds, to equal the Reserve Requirement  
5 for the 2012 Bonds and 2015 Bonds as of the date the cancellation becomes effective. Such  
6 deposits may be spread over three years in approximately equal monthly deposits (provided that  
7 the City reserves the right to deposit such amounts on any schedule that provides for  
8 accumulation of the necessary amount more quickly than would be accumulated under such a  
9 schedule). Amounts on deposit in that special account, if established, shall not be available to  
10 pay debt service on Parity Bonds or for any other purpose of the City and shall be transferred to  
11 the Reserve Subaccount on the effective date of the cancellation. Amounts remaining in that  
12 special account or in the Reserve Subaccount may be transferred back to the Water Fund and  
13 used for any purpose if and when a substitute Reserve Security is obtained. From and after the  
14 defeasance or redemption of the 2012 Bonds and 2015 Bonds, the foregoing paragraph shall no  
15 longer be of any force or effect.

16       **(b) Reserve Subaccount.** The Reserve Subaccount has been previously created and is  
17 maintained as a subaccount within the Parity Bond Account for the purpose of securing the  
18 payment of the principal of and interest on all Parity Bonds outstanding (including amounts due  
19 under any Parity Payment Agreements if required under such agreement). The City covenants  
20 that it will at all times, so long as any Covered Parity Bonds are outstanding, maintain the  
21 Reserve Subaccount at the Reserve Requirement (taking into account scheduled payments to  
22 fund the Reserve Requirement over time), as it is adjusted from time to time, except for  
23 withdrawals as authorized by this ordinance. Any withdrawals authorized below from

1 subaccounts within the Reserve Subaccount shall be made on a pro rata basis except if the  
2 provider of a Reserve Security requires all cash and investments in the Reserve Subaccount to be  
3 withdrawn before draws are made on the Reserve Security, or unless the City receives an opinion  
4 of Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the  
5 exclusion of interest on the Parity Bonds then outstanding from gross income for federal income  
6 tax purposes.

7           **(i) Use of Reserve Subaccount for Payment of Debt Service.** In the event of a  
8 deficiency in the Principal and Interest Subaccount to meet current installments of either  
9 principal (including Sinking Fund Requirements) or interest (including amounts payable under  
10 any Parity Payment Agreement), the Director of Finance may make withdrawals of money or  
11 proceeds of a Reserve Security in the Reserve Subaccount in the amounts necessary to meet  
12 maturing installments of either principal (including Sinking Fund Requirements) or interest  
13 (including net payments under Parity Payment Agreements) with respect to Covered Parity  
14 Bonds only. Any deficiency created in the Reserve Subaccount by reason of any such withdrawal  
15 or claim against a Reserve Security shall then be made up from the ULID Assessments and Net  
16 Revenue first available after making necessary provisions for the required payments into the  
17 Principal and Interest Subaccount.

18           **(ii) Application of Funds in Reserve Subaccount.** The money in the Reserve  
19 Subaccount may be applied to the payment of the last outstanding Covered Parity Bonds, and  
20 when the total amount in the Parity Bond Account (including investment earnings) equals the  
21 total amount of principal and interest for all then-outstanding Covered Parity Bonds to the last  
22 maturity thereof, no further payment need be made into the Parity Bond Account in respect of  
23 the Covered Parity Bonds. Money in the Reserve Subaccount (including investment earnings) in

1 excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest  
2 Subaccount and spent for the purpose of retiring Covered Parity Bonds or may be deposited in  
3 any other fund or account and spent for any other lawful Municipal Water System purpose.

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

20       **(d) Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside and  
21 pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth in this  
22 ordinance, the registered owner of any of the outstanding Parity Bonds may bring action against

1 the City for failure to make the required deposits to the Parity Bond Account only in accordance  
2 with Section 25 of this ordinance regarding Events of Default.

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

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

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

22 (c) **Sale or Disposition of the Municipal Water System**. The City may sell, transfer, or  
23 otherwise dispose of any of the works, plant, properties, facilities or other part of the Municipal

1 Water System or any real or personal property comprising a part of the Municipal Water System  
2 consistent only with one or more of the following:

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

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

12 (iii) The City in its discretion may carry out such a transfer if the proceeds from  
13 such transfer are used to acquire new useful operating facilities or properties of the Municipal  
14 Water System, or are used to retire outstanding Parity Bonds or other revenue obligations of the  
15 Municipal Water System, if, at the time of such transfer, the City has on file a certificate of both  
16 the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds  
17 to substantially all of the responsibilities of either office) demonstrating that, in such officers’  
18 opinions, upon such transfer and the use of proceeds of the transfer as proposed by the City, the  
19 remaining facilities of the Municipal Water System will retain their operational integrity and,  
20 based on the financial statements for the most recent fiscal year available, the proposed transfer  
21 would not prevent the Municipal Water System from complying with the Coverage Requirement  
22 during the five fiscal years following the fiscal year in which the transfer is to occur. The  
23 certificate shall take into account (A) the reduction in revenue and expenses, if any, resulting

1 from the transfer; (B) the use of any proceeds of the transfer for the redemption of Parity Bonds,  
2 (C) the estimate of revenue from customers anticipated to be served by any additions to and  
3 betterments and extensions of the Municipal Water System financed in part by the proposed  
4 portion of the proceeds of the transfer, and (D) any other adjustment permitted in the preparation  
5 of a certificate under subsection 17(a)(vi) of this ordinance. Before such a transfer, the City also  
6 must obtain confirmation from each of the Rating Agencies to the effect that the rating then in  
7 effect will not be reduced or withdrawn upon such transfer.

8           (d) **Books and Records.** The City will keep proper books, records, and accounts with  
9 respect to the operations, income, and expenditures of the Municipal Water System in  
10 accordance with generally accepted accounting practices relating to municipal utilities and any  
11 applicable rules and regulations prescribed by the State, and will cause those books, records, and  
12 accounts to be audited on an annual basis by the State Auditor (or, if such audit is not made by  
13 the State Auditor within 270 days after the close of any fiscal year of the City, by a certified  
14 public accountant selected by the City). It will prepare annual financial and operating statements  
15 as soon as practicable after the close of each fiscal year showing reasonable detail, including a  
16 balance sheet, an income statement, and a statement of cash flows or other such statement. Such  
17 statements shall be sent to the owner of any Parity Bond upon written request received by the  
18 City. The City may charge a reasonable cost for providing such financial statements.

19           (e) **Liens Upon the Municipal Water System.** Except as otherwise provided in this  
20 ordinance, the City will not at any time create or permit to accrue or to exist any lien or other  
21 encumbrance or indebtedness upon the Gross Revenue or any part thereof prior or superior to the  
22 lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be paid  
23 and discharged, any and all lawful claims for labor, materials or supplies that, if unpaid or not

1 discharged, might become a lien or charge upon the Gross Revenue or any part thereof, prior or  
2 superior to, or on a parity with, the lien of the Parity Bonds, or which might impair the security  
3 of the Parity Bonds.

4 **(f) Collection of Delinquent Accounts; No Free Service.** On at least an annual basis,  
5 the City will determine all accounts that are delinquent and will take such actions as the City  
6 determines are reasonably necessary to enforce payment of those delinquent accounts. Except to  
7 aid the poor or infirm and for fire-fighting purposes, it will not furnish or supply or permit the  
8 furnishing or supplying of any service or facility in connection with the operation of the  
9 Municipal Water System free of charge to any person, firm, or corporation, public or private.

10 **(g) Maintenance of Insurance.** The City will at all times carry fire and extended  
11 coverage, public liability and property damage, and such other forms of insurance with  
12 responsible insurers and with policies payable to the City on such of the buildings, equipment,  
13 works, plants, facilities, and properties of the Municipal Water System as are ordinarily carried  
14 by municipal or privately owned utilities engaged in the operation of like systems, and against  
15 such claims for damages as are ordinarily carried by municipal or privately owned utilities  
16 engaged in the operation of like systems, or it will self-insure or participate in an insurance pool  
17 or pools with reserves adequate, in the reasonable judgment of the City, to protect the Municipal  
18 Water System against loss.

19 **(h) Condemnation Awards and Insurance Proceeds.** If the City receives any  
20 condemnation awards or proceeds of an insurance policy in connection with any loss of or  
21 damage to any property of the Municipal Water System, it shall apply the condemnation award  
22 or insurance proceeds, in the City's sole discretion, either (i) to the cost of replacing or repairing

1 the lost or damaged properties, (ii) to the payment, purchase, or redemption of Parity Bonds, or  
2 (iii) to the cost of improvements to the Municipal Water System.

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

4           **(a) Issuance of Future Parity Bonds.** The City reserves the right to issue Future Parity  
5 Bonds and to enter into Parity Payment Agreements for any lawful purpose of the Municipal  
6 Water System (including for the purpose of refunding a portion of the then-outstanding Parity  
7 Bonds) only if, at the time of the issuance of such series of Future Parity Bonds (or upon the  
8 effective date of the Parity Payment Agreement), the following conditions are satisfied:

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

11                   (ii) The Bond Documents for the proposed Future Parity Bonds must provide that  
12 all ULID Assessments shall be paid directly into the Parity Bond Account.

13                   (iii) The Bond Documents for the proposed Future Parity Bonds must provide for  
14 the payment of the principal thereof and the interest thereon out of the Parity Bond Account.

15                   (iv) The Bond Documents for the proposed Future Parity Bonds must provide for  
16 the payment of any Sinking Fund Requirements from money in the Principal and Interest  
17 Subaccount.

18                   (v) For each series of Future Parity Bonds that is to be issued as a series of  
19 Covered Parity Bonds, the Bond Documents must provide for the deposit into the Reserve  
20 Subaccount of an amount (if any) necessary to fund the Reserve Requirement upon the issuance  
21 of those Future Parity Bonds (if any), which requirement may be satisfied: (A) by a deposit into  
22 the Reserve Subaccount, made on the Issue Date of such series, of proceeds of that series of  
23 Future Parity Bonds or other money legally available for such purpose; (B) by obtaining one or

1 more Reserve Securities (or a deposit of cash plus Reserve Securities) available to be drawn  
2 upon in specific amounts to be paid into the Reserve Subaccount and credited against the  
3 deposits required to be maintained in the Reserve Subaccount; or (C) by a deposit into the  
4 Reserve Subaccount of amounts necessary to fund the Reserve Requirement from ULID  
5 Assessments and Net Revenue within five years from the date of issuance of those Future Parity  
6 Bonds, in five approximately equal annual payments. Immediately prior to the issuance of Future  
7 Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined  
8 on the most recent annual financial report of the City applicable to the Municipal Water System,  
9 and the additional amounts, if any, required to be deposited into the Reserve Subaccount to  
10 satisfy the Reserve Requirement shall be based on that valuation.

11 (vi) There must be on file with the City a Parity Certificate as described in  
12 subsection 17(b) of this ordinance. However, if the proposed Future Parity Bonds (or any portion  
13 thereof) are to be issued for the purpose of refunding outstanding Parity Bonds (referred to as the  
14 “Refunding Parity Bonds”), no Parity Certificate shall be required as to that portion issued for  
15 refunding purposes if the Director of Finance finds and certifies that the Adjusted Annual Debt  
16 Service on the refunding portion of the proposed Refunding Parity Bonds is not more than  
17 \$5,000 greater than the Adjusted Annual Debt Service on the Parity Bonds to be refunded  
18 thereby. Alternatively, Refunding Parity Bonds may be issued upon delivery of a Parity  
19 Certificate.

20 (b) **Parity Certificate.** A Parity Certificate required under subsection 17(a)(vi) of this  
21 ordinance may be provided as follows:

22 (i) A certificate may be prepared and signed by the Director of Finance,  
23 demonstrating that during any 12 consecutive calendar months out of the immediately preceding

1 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for  
2 all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt  
3 service of the proposed Future Parity Bonds for that 12-month period was the Average Annual  
4 Debt Service for those proposed Future Parity Bonds); or

5 (ii) A certificate may be prepared and signed by both the Director of Finance and  
6 the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the  
7 responsibilities of either office), demonstrating that, in their opinion, Adjusted Net Revenue for  
8 the five fiscal years next following the earlier of (A) the end of the period during which interest  
9 on those Future Parity Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in  
10 which the Future Parity Bonds are issued, or (B) the date on which substantially all the new  
11 facilities financed with those Future Parity Bonds are expected to commence operations, such  
12 Adjusted Net Revenue, further adjusted as provided in subsections 17(b)(ii)(A) through  
13 17(b)(ii)(D) of this ordinance, will be at least equal to the Coverage Requirement. That  
14 certificate may take into account the following adjustments:

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

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

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

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

7 (c) **Other Provisions.** Nothing contained in this ordinance shall prevent the City from  
8 issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is  
9 not otherwise available, or revenue bonds that are a charge or lien upon Net Revenue subordinate  
10 to the charge or lien of the Parity Bonds, or from pledging to pay Net Revenue and/or  
11 assessments levied for ULID improvements constructed from the proceeds of subordinate lien  
12 bonds into a bond redemption fund created for the payment of the principal of and interest on  
13 subordinate lien bonds.

14 (d) **Effect of Issuance of Future Parity Bonds.** If the Parity Conditions are met and  
15 complied with at the time of the issuance of such Future Parity Bonds, then payments into the  
16 Parity Bond Account with respect to such Future Parity Bonds shall rank equally with the  
17 payments out of Net Revenue required to be made into the Parity Bond Account by this  
18 ordinance. Nothing set forth herein shall prevent the City from (i) issuing revenue bonds or other  
19 obligations that are a charge upon the Net Revenue junior and inferior to the payments required  
20 to be made therefrom into the Parity Bond Account for the payment of the Parity Bonds,  
21 provided that such subordinate bonds may not be subject to acceleration under any  
22 circumstances; or (ii) issuing Refunding Parity Bonds for the purpose of refunding Outstanding  
23 Parity Bonds, upon compliance with the Parity Conditions set forth in this section.

1           **(e) Reserve Requirement; Election to Designate Bonds as Covered Parity Bonds.**

2 Notwithstanding anything in this section to the contrary, in the Bond Documents relating to the  
3 issuance or sale of a series of Future Parity Bonds, the City may elect whether any series shall be  
4 deemed to be a series of Covered Parity Bonds. Any series that is not deemed to be Covered  
5 Parity Bonds shall not be secured by the amounts in the Reserve Subaccount and shall be  
6 excluded from the calculation of the Reserve Requirement.

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

19           Section 19. **Separate Utility Systems.** The City may create, acquire, construct, finance,  
20 own or operate one or more additional systems for water supply, transmission or other  
21 commodity or service relating to the Municipal Water System. The revenue of that separate  
22 utility system shall not be included in Gross Revenue and may be pledged to the payment of  
23 revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the

1 separate utility system. Neither Gross Revenue nor Net Revenue shall be pledged by the City to  
2 the payment of any obligations of a separate utility system except (a) as a Contract Resource  
3 Obligation, upon compliance with Section 20 of this ordinance, or (b) with respect to Net  
4 Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

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

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

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

16 (ii) There shall be on file a certificate of an Independent Utility Consultant stating  
17 that (A) the payments to be made by the City in connection with the Contract Resource  
18 Obligation are reasonable for the supply or transmission rendered; (B) the source of any new  
19 supply and any facilities to be constructed to provide the supply or transmission are sound from a  
20 water or other supply or transmission planning standpoint, are technically and economically  
21 feasible in accordance with prudent utility practice, and are likely to provide such supply or  
22 transmission no later than a date set forth in the Independent Utility Consultant's certification;  
23 and (C) the Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's

1 estimate of the payments to be made in accordance with the Contract Resource Obligation) for  
2 the five fiscal years following the year in which the Contract Resource Obligation is incurred, as  
3 such Adjusted Net Revenue is estimated by the Independent Utility Consultant in accordance  
4 with the provisions of and adjustments permitted in subsection 17(b)(ii) of this ordinance, will be  
5 at least equal to the Coverage Requirement.

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

8 (c) Nothing in this section shall be deemed to prevent the City from entering into other  
9 agreements for the acquisition of water supply, transmission or other commodity or service from  
10 existing facilities and from treating those payments as an Operating and Maintenance Expense.

11 Nothing in this section shall be deemed to prevent the City from entering into other agreements  
12 for the acquisition of water supply, transmission, or other commodity or service from facilities to  
13 be constructed and from agreeing to make payments with respect thereto, such payments  
14 constituting a charge and lien on Net Revenue subordinate to that of the Parity Bonds.

15 Section 21. **Refunding or Defeasance of Bonds.**

16 (a) **Bonds Designated as Refundable and Defeasible Bonds.** Each Series of the Bonds  
17 is designated as a series of “Refundable Bonds” for purposes of the Omnibus Refunding  
18 Ordinance and as “Defeasible Bonds” for purposes of the Omnibus Defeasance Ordinance.

19 (b) **Refunding; Defeasance.** The City may issue Refunding Parity Bonds pursuant to the  
20 laws of the State or use money available from any other lawful source (i) to pay when due the  
21 principal of, premium (if any), and interest on any Bond, or any portion thereof, included in a  
22 refunding or defeasance plan (the “Defeased Bonds”); (ii) to redeem and retire, release, refund,  
23 or defease the Defeased Bonds; and (iii) to pay the costs of such refunding or defeasance. If

1 money and/or Government Obligations maturing at a time or times and in an amount sufficient  
2 (together with known earned income from the investment thereof) to redeem and retire, release,  
3 refund, or defease the Defeased Bonds in accordance with their terms are set aside in a special  
4 trust fund or escrow account irrevocably pledged to such redemption, retirement, release,  
5 refunding, or defeasance (the “Trust Account”), then all right and interest of the Owners of the  
6 Defeased Bonds in the covenants of this ordinance and in Net Revenue and the funds and  
7 accounts pledged to the payment of such Defeased Bonds, other than the right to receive the  
8 funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter  
9 shall have the right to receive payment of the principal of and interest or redemption price on the  
10 Defeased Bonds from the Trust Account. After such a Trust Account is established and funded as  
11 set forth above, the Defeased Bonds shall be deemed to be no longer outstanding, and the  
12 Director of Finance may then apply any money in any other fund or account established for the  
13 payment or redemption of the Defeased Bonds to any lawful purpose.

14 **(c) Notice of Defeasance or Refunding.** Unless otherwise specified in the Bond  
15 Documents, notice of refunding or defeasance shall be given, and selection of Bonds for any  
16 partial refunding or defeasance shall be conducted, in the manner set forth in this ordinance for  
17 the redemption of Bonds.

18 **(d) Annual Debt Service Calculation Adjustments for Defeased Bonds.** If the  
19 refunding or defeasance plan provides (i) that the Defeased Bonds (or the Refunding Parity  
20 Bonds issued to redeem those Defeased Bonds) are to be secured by money and/or Government  
21 Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or  
22 Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then  
23 only the debt service on such Bonds as are not Defeased Bonds (and any Refunding Parity

1 Bonds, the payment of which is not so secured by the refunding plan) shall be included in the  
2 calculation of Annual Debt Service.

3 Section 22. **Federal Tax Matters**. The Bond Documents may include such additional  
4 terms and covenants relating to federal tax matters as the Director of Finance deems necessary or  
5 appropriate, including the following:

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

21 (b) **Taxable Bonds and Tax-Advantaged Bonds**. For each Series of the Bonds issued as  
22 Taxable Bonds or as Tax-Advantaged Bonds, the Director of Finance is authorized to make any  
23 required designations or elections in the Bonds and other Bond Documents. In addition, the

1 Director of Finance may execute additional written agreements and approve additional bond  
2 covenants on behalf of the City, all as the Director may deem necessary or appropriate in order to  
3 obtain, maintain, and administer such tax status. In the case of Tax-Advantaged Bonds, such  
4 additional covenants and agreements may include (without limiting the generality of the  
5 foregoing) those provisions as are necessary or convenient in order for the City (i) to receive  
6 from the United States Treasury any tax credit payment or other tax benefit the City may be  
7 eligible to receive in respect of such Tax-Advantaged Bond, and (ii) to ensure that such Series  
8 otherwise becomes and remains eligible for those tax advantages under the Code.

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

10           (a) **Preliminary Official Statement.** The Director of Finance and other appropriate City  
11 officials are directed to cause the preparation of and review the form of a preliminary official  
12 statement in connection with each sale of one or more Series to the public. For the sole purpose  
13 of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Director of Finance is  
14 authorized to deem that preliminary official statement final as of its date, except for the omission  
15 of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to  
16 potential purchasers of the Bonds of a preliminary official statement that has been deemed final  
17 in accordance with this subsection 23(a).

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

1 approves the distribution by the Purchaser of that final official statement to purchasers and  
2 potential purchasers of the Bonds.

3 (c) **Undertaking to Provide Continuing Disclosure.** To meet the requirements of  
4 paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for a Series of the  
5 Bonds, the Director of Finance is authorized to execute a written Continuing Disclosure  
6 Certificate with respect to that Series, in substantially the form attached to this ordinance as  
7 Exhibit B.

8 Section 24. **Supplemental or Amendatory Bond Documents.** This ordinance and the  
9 other applicable Bond Documents for any particular Series of the Bonds may not be  
10 supplemented or amended in any respect subsequent to the Issue Date of such Series, except in  
11 accordance with and subject to the provisions of this section.

12 (a) **Amendments Without Bond Owner Consent.** From time to time and at any time,  
13 without the consent of or notice to any owners of Parity Bonds, the City may supplement or  
14 amend the Bond Documents applicable to any Series of the Bonds for any of the purposes set  
15 forth in this subsection 24(a). Any such supplement or amendment may be passed, adopted, or  
16 otherwise approved by the City, without requiring the consent of the registered owners of any  
17 Parity Bonds, but may become effective only upon receipt by the City of an opinion of Bond  
18 Counsel stating that such supplement or amendment is authorized or permitted by this ordinance  
19 and, upon the effective date thereof, will be valid and binding upon the City in accordance with  
20 its terms, and will not adversely affect the exclusion from gross income for federal income tax  
21 purposes of interest on the affected Series of the Bonds, if such Series was issued and sold as  
22 Tax-Exempt Bonds. The types of supplements and amendments permitted under this subsection  
23 24(a) are as follows:

1 (i) To cure any formal defect, omission, inconsistency, or ambiguity in the Bond  
2 Documents for such Series in a manner not adverse to the owners of any Parity Bonds;

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

7 (iii) To add to the covenants and agreements of, and limitations and restrictions  
8 upon, the City in the Bond Documents, other covenants, agreements, limitations and restrictions  
9 to be observed by the City which are not contrary to or inconsistent with such Bond Documents  
10 as are theretofore in effect;

11 (iv) To confirm, as further assurance, any pledge under (and the subjection to any  
12 claim, lien, or pledge created or to be created by) such Bond Documents on any other money,  
13 securities, or funds;

14 (v) To alter the Authorized Denominations of a Series of the Bonds and to make  
15 correlative amendments and modifications to the applicable Bond Documents regarding (A)  
16 exchangeability of such Bonds for Bonds of different authorized denominations, (B) redemptions  
17 of portions of Bonds of particular authorized denominations, and (C) similar amendments and  
18 modifications of a technical nature;

19 (vi) To comply with any future federal law or interpretation to preserve the  
20 exclusion of the interest on any Series of the Bonds issued and sold as Tax-Exempt Bonds from  
21 gross income for federal income tax purposes and the entitlement of the City to receive from the  
22 United States Treasury any tax advantage or tax credit payment available in respect of any Series  
23 of the Bonds issued and sold as Tax-Advantaged Bonds;

1 (vii) To modify, alter, amend, or supplement the Bond Documents in any other  
2 respect which is not materially adverse to the owners of the Parity Bonds and which does not  
3 involve a change described in subsection 24(c) of this ordinance; and

4 (viii) To add to the covenants and agreements of (or limitations and restrictions  
5 upon) the City set forth in any Bond Documents, such additional or alternative covenants,  
6 agreements, limitations, or restrictions to be observed by the City as the City may determine are  
7 necessary or convenient to accommodate a provider of Qualified Insurance or provider of a  
8 Reserve Security and are not materially adverse to the owners of the Parity Bonds.

9 (b) **Amendments With Bond Owner Consent.** With the consent of registered owners of  
10 not less than 60 percent in aggregate principal amount of the Parity Bonds then outstanding, the  
11 City may pass, adopt, or otherwise approve any supplement or amendment (other than  
12 amendments requiring unanimous consent as set forth in subsection 24(c) of this ordinance) to  
13 any Bond Document that is deemed necessary or desirable by the City for the purpose of  
14 modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms  
15 or provisions contained in such Bond Document other than those terms and provisions described  
16 in subsection 24(c) of this ordinance.

17 (c) **Amendments Prohibited Except Upon Unanimous Consent.** Unless approved in  
18 writing by or on behalf of the registered owner of each Parity Bond then outstanding, nothing  
19 contained in this section shall permit, or be construed as permitting (i) a change in the times,  
20 amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond,  
21 (ii) a reduction in the principal amount or redemption price of any outstanding Parity Bond, (iii)  
22 a change in the method of determining the rate of interest thereon (other than a conversion to a  
23 new interest rate mode in accordance with the applicable Bond Documents), (iv) a preference or

1 priority of any Parity Bond over any other Parity Bond, or (v) a reduction in the percentage of  
2 the aggregate principal amount of the then-outstanding Parity Bonds required to effect a change  
3 under subsection 24(b) of this ordinance.

4       **(d) Notice to Bond Owners.** If at any time the City passes, adopts, or otherwise approves  
5 a supplement or amendment for any of the purposes of subsection 24(b) or 24(c) of this  
6 ordinance, the Bond Registrar shall cause notice of the proposed supplement or amendment to be  
7 given by first class mail (i) to all registered owners of the then-outstanding Parity Bonds, (ii) to  
8 each provider of Bond Insurance or a Reserve Security, and (iii) to each Rating Agency. Such  
9 notice shall briefly set forth the nature of the proposed supplement or amendment and shall state  
10 that a copy is on file at the office of the City Clerk for inspection by all owners of the then-  
11 outstanding Parity Bonds.

12       **(e) Effective Date; Consents.** Any supplement or amendment, substantially as described  
13 in the notice mailed pursuant to subsection 24(d) of this ordinance, may go into effect upon  
14 delivery to the Bond Registrar of (i) the required consents, in writing, of registered owners of the  
15 Parity Bonds, and (ii) an opinion of Bond Counsel stating that such supplement or amendment is  
16 authorized or permitted by this ordinance. Upon the effective date thereof, such supplement or  
17 amendment will be valid and binding upon the City in accordance with its terms and will not  
18 adversely affect the exclusion from gross income for federal income tax purposes of interest on  
19 any Tax-Exempt Bonds.

20       If registered owners of not less than the percentage of Parity Bonds required by this  
21 section shall have consented to and approved such a supplement or amendment, no owner of any  
22 Parity Bond shall have any right (i) to object to the passage, adoption, or approval of such  
23 supplement or amendment, (ii) to object to any of the terms and provisions contained therein or

1 the operation thereof, (iii) in any manner to question the propriety of the passage, adoption, or  
2 approval thereof, (iv) to enjoin or restrain the City from passing, adopting, or otherwise  
3 approving the same, or (v) to enjoin or restrain the City, any authorized official thereof, or the  
4 Bond Registrar from taking any action pursuant to the provisions thereof. For purposes of  
5 determining whether consents representing the requisite percentage of principal amount of Parity  
6 Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to  
7 be the principal amount. It shall not be necessary to obtain approval of the particular form of any  
8 proposed supplement, but it shall be sufficient if the consent shall approve the substance thereof.

9       **(f) Effect of Amendment or Supplement.** Upon the effective date of any amendment or  
10 supplement, this ordinance (or the relevant Bond Document, if not set forth in this ordinance)  
11 shall be deemed to be modified and amended in accordance therewith, and the respective rights,  
12 duties, and obligations of the City and all owners of Parity Bonds then outstanding shall  
13 thereafter be determined, exercised, and enforced in accordance with and subject in all respects  
14 to such modifications and amendments. All the terms and conditions of any such supplement or  
15 amendment shall be deemed to be a part of this ordinance and the Bond Documents for any and  
16 all purposes.

17       **(g) Special Amendments.** If and to the extent that it is determined that the written  
18 consent of Registered Owners of the Bonds is required under subsection 24(b) or 24(c) of this  
19 ordinance, the Registered Owners from time to time of the Bonds, by taking and holding the  
20 same, are hereby deemed to have consented to any supplement or amendment to the Bond  
21 Documents effecting any one or more of the following changes:

22               **(i)** When calculating “Annual Debt Service” to permit or require any tax credit  
23 payments (or other similar payments) in respect of any Tax-Advantaged Bonds expected to be

1 received by the City during a given period to be credited against amounts required to be paid in  
2 respect of interest on the Parity Bonds in that period, or

3 (ii) To permit or require tax credit payments (or similar payments) in respect of  
4 Tax-Advantaged Bonds to be deposited into the Principal and Interest Subaccount and credited  
5 against the Net Revenue otherwise required to be deposited into the Principal and Interest  
6 Subaccount; and

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

13 Section 25. **Defaults and Remedies.**

14 (a) **Events of Default.** Each of the following shall constitute an Event of Default with  
15 respect to the Bonds:

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

18 (ii) If the City defaults in the observance and performance of any other of the  
19 covenants, conditions and agreements on the part of the City set forth in this ordinance or the  
20 applicable Bond Documents (except as otherwise provided in this ordinance or in such Bond  
21 Documents) and such default or defaults have continued for a period of six months after the City  
22 has received from the Bond Owners' Trustee (as defined in this section) or from the registered  
23 owners of not less than 25 percent in principal amount of the Parity Bonds a written notice

1 specifying and demanding the cure of such default. However, if the default in the observance and  
2 performance of any other of the covenants, conditions and agreements is one which cannot be  
3 completely remedied within the six months after written notice has been given, it shall not be an  
4 Event of Default with respect to the Bonds as long as the City has taken active steps within the  
5 six months after written notice has been given to remedy the default and is diligently pursuing  
6 such remedy.

7         Notwithstanding anything in this section to the contrary, the failure of the City or any  
8 obligated person to comply with the Continuing Disclosure Certificate shall not constitute an  
9 Event of Default, and the sole remedy of any holder of a Bond shall be to seek an order of  
10 specific performance from an appropriate court to compel the City to comply with the  
11 Continuing Disclosure Certificate.

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

1 writing signed and acknowledged by such registered owners of the Parity Bonds or by their  
2 attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security and  
3 indemnity as may be reasonable against the costs, expenses, and liabilities that may be incurred  
4 in the performance of its duties.

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

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

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

21         Nothing contained in this section shall, in any event or under any circumstance, be  
22 deemed to authorize the acceleration of the maturity of principal on the Parity Bonds, and the  
23 remedy of acceleration is expressly denied to the registered owners of the Parity Bonds under

1 any circumstances including, without limitation, upon the occurrence and continuance of an  
2 Event of Default.

3 Any action, suit, or other proceeding instituted by the Bond Owners' Trustee hereunder  
4 shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or  
5 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond  
6 Owners' Trustee without the possession of any of those Parity Bonds and without the production  
7 of the same at any trial or proceedings relative thereto except where otherwise required by law.

8 Any such suit, action, or proceeding instituted by the Bond Owners' Trustee shall be brought for  
9 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions  
10 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding  
11 the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true  
12 and lawful trustee of the respective registered owners of those Parity Bonds, with authority to  
13 institute any such action, suit, or proceeding; to receive as trustee and deposit in trust any sums  
14 becoming distributable on account of those Parity Bonds; to execute any paper or documents for  
15 the receipt of money; and to do all acts with respect thereto that the registered owner himself or  
16 herself might have done in person. Nothing in this ordinance shall be deemed to authorize or  
17 empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any owner of the  
18 Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of  
19 any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the  
20 claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy,  
21 reorganization, or other proceeding to which the City is a party.

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

4                   (i) To the payment of the charges, expenses, advances, and compensation of the  
5 Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements, and  
6 compensation of its agents and attorneys;

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

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

20           **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee shall  
21 not be liable except for the performance of such duties as are specifically set forth in this  
22 ordinance. During an Event of Default, the Bond Owners' Trustee shall exercise such of the  
23 rights and powers vested in it hereby, and shall use the same degree of care and skill in its

1 exercise, as a prudent person would exercise or use under the circumstances in the conduct of  
2 that person's own affairs. The Bond Owners' Trustee shall have no liability for any act or  
3 omission to act hereunder except for the Bond Owners' Trustee's own negligent action, its own  
4 negligent failure to act or its own willful misconduct. The duties and obligations of the Bond  
5 Owners' Trustee shall be determined solely by the express provisions of this ordinance, and no  
6 implied powers, duties or obligations of the Bond Owners' Trustee shall be read into this  
7 ordinance.

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

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

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

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

23                   (i) An Event of Default has happened and is continuing; and

1 (ii) A Bond Owners' Trustee has been appointed; and

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

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

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

11 (vi) The Bond Owners' Trustee has refused or neglected to comply with such  
12 request within a reasonable time.

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

16 Section 26. **General Authorization**. In addition to the specific authorizations in this  
17 ordinance, the Mayor and the Director of Finance and each other appropriate officer of the City  
18 are each authorized and directed to do everything such officer may judge necessary, appropriate,  
19 or desirable in order to carry out the terms and provisions of, and complete the transactions  
20 contemplated by, this ordinance. In particular and without limiting the foregoing:

21 (a) The Director of Finance, in the Director's discretion and without further action by the  
22 City Council, (i) may issue requests for proposals to provide underwriting services or financing  
23 facilities (including, without limitation, Qualified Insurance, a Qualified Letter of Credit, or other

1 credit support or liquidity facility), and may execute engagement letters and other agreements  
2 with underwriters and other financial institutions (including providers of liquidity or credit  
3 support) based on responses to such requests; (ii) may select and make decisions regarding the  
4 Bond Registrar, fiscal or paying agents, and any Securities Depository for each Series of the  
5 Bonds; (iii) may take any and all actions necessary or convenient to provide for the conversion of  
6 interest rate modes for any Series in accordance with the applicable Bond Documents; and (iv)  
7 may take such actions on behalf of the City as are necessary or appropriate for the City to  
8 designate, qualify, or maintain the tax-exempt treatment with respect to any Series issued as Tax-  
9 Exempt Bonds, to receive from the United States Treasury any available tax credit payments or  
10 other tax advantages available in respect of any Series issued as Tax-Advantaged Bonds, and to  
11 otherwise receive any other federal tax benefits relating to any Series of the Bonds that are  
12 available to the City; and

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

1           Section 27. **Severability**. The provisions of this ordinance are declared to be separate and  
2 severable. The invalidity of any clause, sentence, paragraph, subdivision, section, subsection, or  
3 portion of this ordinance, or the invalidity of its application to any person or circumstance, does  
4 not affect the validity of the remainder of this ordinance or the validity of its application to other  
5 persons or circumstances.

6           Section 28. **Ratification of Prior Acts**. Any action consistent with the authority of this  
7 ordinance taken after its passage and prior to its effective date is ratified and confirmed.

8           Section 29. **Section Headings**. Section headings in this ordinance are nonsubstantive.

1 Section 30. **Effective Date.** This ordinance shall take effect as provided by Seattle  
2 Municipal Code Sections 1.04.020 and 1.04.070.

3 Passed by the City Council the 21st day of November, 2025,  
4 and signed by me in open session in authentication of its passage this 21st day of  
5 November, 2025.

6   
7 President \_\_\_\_\_ of the City Council

8  Approved /  returned unsigned /  vetoed this 24th day of November, 2025.

9   
10 Bruce A. Harrell, Mayor

11 Filed by me this 24th day of November, 2025.

12   
13 Scheereen Dedman, City Clerk

14 (Seal)

15 Attachments:  
16 Exhibit A – Outstanding Parity Bonds  
17 Exhibit B – Form of Continuing Disclosure Certificate

1  
2

**EXHIBIT A**  
**OUTSTANDING PARITY BONDS**

Issue Name	Dated Date	Original Par Amount	Bond Legislation		
			New Money Ord.	Refunding Ord.	Bond Sale Res.
Water System Refunding Revenue Bonds, 2012	05/30/2012	\$238,770,000	--	Ord. 121939, as amended by Ord. 122837	Res. 31382
Water System Improvement and Refunding Revenue Bonds, 2015	06/10/2015	\$ 340,840,000	Ord. 124340	Ord. 124339	Res. 31586
Water System Improvement and Refunding Revenue Bonds, 2017	01/25/2017	\$ 194,685,000	Ord. 125183	Ord. 124339, as amended by Ord. 125183	Res. 31726
Water System Improvement and Refunding Revenue Bonds, 2021 (Green Bonds)	06/17/2021	\$ 82,220,000	Ord. 125713, as amended by Ord. 126225	Ord. 125714	--
Water System Improvement and Refunding Revenue Bonds, 2022 (Green Bonds)	07/28/2022	\$ 93,260,000	Ord. 126483	Ord. 125714	--
Water System Improvement Revenue Bonds, 2024	06/06/2024	\$ 68,765,000	Ord. 126716, as amended by Ord. 126942	--	--
Water System Improvement and Refunding Revenue Bonds, 2025	05/19/2025	\$ 230,810,000	Ord. 127148	Ord. 125714, as amended by Ord. 126483	

3

**EXHIBIT B**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events.

The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

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

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices

1 or determinations with respect to the tax status of the Bonds, or other material events affecting the tax  
2 status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls  
3 (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;  
4 (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if  
5 material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as  
6 such “Bankruptcy Events” are defined in the Rule; (13) the consummation of a merger, consolidation,  
7 or acquisition involving the City or the sale of all or substantially all of the assets of the City other than  
8 in the ordinary course of business, the entry into a definitive agreement to undertake such an action or  
9 the termination of a definitive agreement relating to any such actions, other than pursuant to its terms,  
10 if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if  
11 material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants,  
12 events of default, remedies, priority rights, or other similar terms of a financial obligation of the City,  
13 any of which affect holders of the Bonds, if material; and (16) any default, event of acceleration,  
14 termination event, modification of terms, or other similar event under the terms of a financial obligation  
15 of the City, any of which reflect financial difficulties.

16 For purposes of this Undertaking, the term “financial obligation” shall mean a debt  
17 obligation; derivative instrument entered into in connection with, or pledged as security or a source of  
18 payment for, an existing or planned debt obligation; or a guarantee of either a debt obligation or a  
19 derivative instrument entered into in connection with, or pledged as security or a source of payment  
20 for, an existing or planned debt obligation. The term “financial obligation” does not include municipal  
21 securities as to which a final official statement has been provided to the MSRB consistent with the  
22 Rule.

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

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

4                   (i)    Shall consist of (1) annual financial statements of the Water System prepared  
5 in accordance with applicable generally accepted accounting principles applicable to governmental  
6 units (except as otherwise noted therein), as such principles may be changed from time to time and as  
7 permitted by applicable state law; (2) a statement of outstanding bonded debt secured by Net Revenue  
8 of the Water System; (3) debt service coverage ratios; (4) general customer statistics, such as number  
9 and type of customers and revenues by customer class; and (5) current water rates;

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

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

17           (c)    Amendment of Undertaking. This Undertaking is subject to amendment after the  
18 primary offering of the Bonds without the consent of any Owner or holder of any Bond, or of any  
19 broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,  
20 under the circumstances and in the manner permitted by the Rule, including:

21                   (i)    The amendment may only be made in connection with a change in  
22 circumstances that arises from a change in legal requirements, change in law, or change in the identity,  
23 nature, or status of the City, or type of business conducted by the City;

1           (ii)     The Undertaking, as amended, would have complied with the requirements of  
2 the Rule at the time of the primary offering, after taking into account any amendments or interpretations  
3 of the Rule, as well as any change in circumstances; and

4           (iii)    The amendment does not materially impair the interests of holders, as  
5 determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar  
6 with federal securities laws), or by an approving vote of bondholders pursuant to the terms of the Bond  
7 Ordinance at the time of the amendment.

8           The City will give notice to the MSRB of the substance (or provide a copy) of any amendment  
9 to this Undertaking and a brief statement of the reasons for the amendment. If the amendment changes  
10 the type of annual financial information to be provided, the annual financial information containing  
11 the amended financial information will include a narrative explanation of the effect of that change on  
12 the type of information to be provided.

13          (d)     Beneficiaries. This Undertaking shall inure to the benefit of the City and any Owner  
14 of Bonds, and shall not inure to the benefit of or create any rights in any other person.

15          (e)     Termination of Undertaking. The City’s obligations under this Undertaking shall  
16 terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In  
17 addition, the City’s obligations under this Undertaking shall terminate if those provisions of the Rule  
18 that require the City to comply with this Undertaking become legally inapplicable in respect of the  
19 Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other  
20 counsel familiar with federal securities laws delivered to the City, and the City provides timely notice  
21 of such termination to the MSRB.

22          (f)     Remedy for Failure to Comply with Undertaking. As soon as practicable after the City  
23 learns of any material failure to comply with this Undertaking, the City will proceed with due diligence  
24 to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply  
25 with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any Owner

1 of a Bond shall be to take such actions as that Owner deems necessary, including seeking an order of  
2 specific performance from an appropriate court, to compel the City or other obligated person to comply  
3 with this Undertaking.

4 (g) Designation of Official Responsible to Administer Undertaking. The Director of  
5 Finance of the City (or such other officer of the City who may in the future perform the duties of that  
6 office) or the Director’s designee is the person designated, in accordance with the Bond Ordinance, to  
7 carry out this Undertaking of the City in respect of the Bonds set forth in this section and in accordance  
8 with the Rule, including, without limitation, the following 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)(ii) has occurred,  
12 assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating  
13 any required notice of its occurrence;

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

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 carrying  
20 out this Undertaking; and

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