



Legislation Details (With Text)

File #: CB 120686 **Version:** 1 **Name:** CB 120686
Type: Ordinance (Ord) **Status:** Passed
In control: City Clerk

On agenda: 11/21/2023
Final Action: 12/1/2023 **Ord. No.** Ord 126941

Title: AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds in one or more series for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing parameters for the bond sale terms including conditions, covenants, and other sale terms; describing the lien of those bonds; and ratifying and confirming certain prior acts.

Sponsors: Teresa Mosqueda

Indexes:

Attachments: 1. Ex A – Outstanding Drainage and Wastewater Parity Bonds, 2. Ex B – Form of Continuing Disclosure Agreement, 3. Summary and Fiscal Note, 4. Signed Ordinance 126941, 5. Affidavit of Publication

Date	Ver.	Action By	Action	Result
12/1/2023	1	City Clerk	attested by City Clerk	
12/1/2023	1	Mayor	returned	
12/1/2023	1	Mayor	Signed	
11/29/2023	1	City Clerk	submitted for Mayor's signature	
11/21/2023	1	City Council	passed	Pass
11/14/2023	1	Select Budget Committee	pass	Pass
10/24/2023	1	City Council	referred	
10/19/2023	1	Council President's Office	sent for review	
10/18/2023	1	City Clerk	sent for review	
9/26/2023	1	Mayor	Mayor's leg transmitted to Council	

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds in one or more series for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing parameters for the bond sale terms including conditions, covenants, and other sale terms; describing the lien of those bonds; and

ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle (the “City”) owns, maintains, and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the “Drainage and Wastewater System”), which Drainage and Wastewater 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, betterments to, and/or extensions of the Drainage and Wastewater System (the “Plan of Additions”) as described in this ordinance, and has a need 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 drainage and wastewater revenue bonds (as identified in Exhibit A to this ordinance, 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 Drainage and Wastewater System on a parity of lien with those Outstanding Parity Bonds (“Future Parity Bonds”), upon satisfaction of certain conditions (the “Parity Conditions”); and

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

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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

“**Accreted Value**” means, with respect to any Capital Appreciation Bond, (a) as of any Valuation Date, the amount determined for such Valuation Date in accordance with the applicable Parity Bond Documents, and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation

Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and (B) the difference between the Accreted Values for such Valuation Dates.

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

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

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

“**Annual Debt Service**” for any calendar year means the sum of the amounts required in such calendar year to pay the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; the principal of all outstanding Serial Bonds due in such calendar year; and the Sinking Fund Requirements, if any, for such calendar year. Additionally, for purposes of calculating and determining compliance with the Coverage Requirement, the Reserve Requirement and the conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements, the following shall apply:

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

applicable Parity Bond Documents.

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

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

(d) **Interest on Parity Bonds with Respect to Which a Payment Agreement Is in Force.** Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement. For example, if the net economic effect of the Payment Agreement and a series of Parity Bonds otherwise bearing interest at a variable rate is to produce an obligation bearing interest at a fixed interest rate, the relevant series of bonds shall be treated as fixed interest rate bonds. And if the net economic effect of the Payment Agreement and a series of Parity Bonds otherwise bearing interest at a fixed rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in or determined pursuant to the applicable Parity Bond Documents, plus Payment Agreement Payments, minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that

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

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

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

(ii) **If City Is Obligated to Make Payments Based on Variable Rate Index.** If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, it shall be assumed that payments by the City will be based

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

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

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

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

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

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

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

“Bond” means one of the Drainage and Wastewater System revenue bonds issued pursuant to this ordinance.

“Bond Counsel” means a lawyer or a firm of lawyers, selected by the City, of nationally recognized

standing in matters pertaining to bonds issued by states and their political subdivisions.

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

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

“Bond Purchase Contract” means a written offer to purchase a Series of the Bonds, pursuant to certain Bond Sale Terms, which offer has been accepted by the City in accordance with this ordinance. In the case of a competitive sale, the Purchaser’s bid for a Series, together with the official notice of sale and a Pricing Certificate confirming the Bond Sale Terms, shall comprise the Bond Purchase Contract.

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

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

“Bond Sale Terms” means the terms and conditions for the sale of a Series of the Bonds approved by

the Director of Finance consistent with the parameters set forth in Section 5 of this ordinance, including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining the interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms, conditions or covenants. In connection with a negotiated sale or private placement, the Bond Sale Terms shall be set forth in the Bond Purchase Contract; in connection with a competitive sale, the Bond Sale Terms shall be set forth in a Pricing Certificate.

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

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

“Capital Improvement Program” or **“CIP”** means those portions of the City’s “2024-2029 Capital Improvement Program” relating to the Drainage and Wastewater System, adopted by the City in conjunction with approval of the 2024 budget, together with any previously adopted capital improvement program of the

City. For purposes of this ordinance, the CIP includes all amendments, updates, supplements or replacements that may be adopted from time to time by ordinance.

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

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

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

“**Construction Account**” means the account or subaccount created in the Drainage and Wastewater Construction Account within the Drainage and Wastewater Fund for the deposit of proceeds of the Bonds, pursuant to Section 12 of this ordinance.

“**Continuing Disclosure Agreement**” means, for each Series sold in an offering subject to federal securities regulations requiring a written undertaking to provide continuing disclosure, a continuing disclosure agreement entered into pursuant to Section 23 of this ordinance, in substantially the form attached to this ordinance as Exhibit B.

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

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

“**Covered Parity Bonds**” means all Outstanding Parity Bonds, each Series of the Bonds, and each series of Future Parity Bonds. *From and after the Reserve Covenant Date, the term “Covered Parity Bonds” shall exclude each series of Parity Bonds for which the applicable Bond Documents provide that, from and after the Reserve Covenant Date, such series shall no longer be treated as a series of Covered Parity Bonds and shall no longer be secured by the amounts in the Reserve Subaccount.*

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

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

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

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

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

“Event of Default” has the meaning assigned to that term in subsection 25(a) of this ordinance.

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

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

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

to be paid into the Parity Bond Account in accordance with Section 15 of this ordinance. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with the Parity Conditions.

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

“**Gross Revenue**” means (a) all income, revenues, receipts, and profits derived by the City through the ownership and operation of the Drainage and Wastewater System; (b) the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Drainage and Wastewater System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Drainage and Wastewater System. Gross Revenue does not include: (a) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenue; (b) investment income set aside for or earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (c) any gifts, grants, donations, or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations, or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenue hereunder; (d) the proceeds of any borrowing for capital improvements (or the refinancing thereof); (e) the proceeds of any liability or other insurance, including but not limited to insurance proceeds compensating the City for the loss of a capital asset, but excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues; (f) general *ad valorem* taxes, excise taxes and special assessments (other than ULID Assessments), including

interest and penalties thereon; and (g) earnings of any separate utility system that may be created, acquired, or constructed by the City pursuant to Section 19 of this ordinance.

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

“Omnibus Defeasance Ordinance” means Ordinance 126223, as amended at any time, authorizing the defeasance of Defeasible Bonds, or any future ordinance pursuant to which the Bonds (or any Series of the Bonds) are designated as Defeasible Bonds.

“Omnibus Refunding Ordinance” means Ordinance 125455, as amended at any time, authorizing the issuance of Refunding Parity Bonds, or any future ordinance pursuant to which the Bonds (or any Series of the Bonds) are designated as “Refundable Bonds.”

“Operating and Maintenance Expense” means all expenses incurred by the City in causing the Drainage and Wastewater System to be operated and maintained in good repair, working order, and condition, including without limitation: (a) deposits, premiums, assessments or other payments for insurance, if any, on

the Drainage and Wastewater System; (b) payments into pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations in accordance with Section 20 of this ordinance; (e) payments made to another person or entity for treatment or disposal of sewage or other commodity or service; and (f) payments with respect to any other expenses of the Drainage and Wastewater System that are properly treated as Operating and Maintenance Expense under generally accepted accounting principles applicable to municipal corporations, including payments (other than payments out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the Drainage and Wastewater System) into reasonable reserves for items of operating or maintenance expense the payment of which is not immediately required. Operating and Maintenance Expense does not include: depreciation, amortization, or other similar recognitions of non-cash expense items made for accounting purposes only including non-cash pension expense; taxes levied or imposed by the City, or payments in lieu of City taxes; payments of claims or judgments; or capital additions or capital replacements of the Drainage and Wastewater System.

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

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

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

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

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

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

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

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

“Parity Conditions” means: (a) for purposes of establishing that a Series of the Bonds may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on parity with a Series of the Bonds, the conditions described in subsection (a) of this definition, together with the conditions set forth in Section 17 of this ordinance.

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

“Payment Agreement” means a written agreement entered into by the City and a Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of managing or reducing the City’s exposure to fluctuations or levels of interest rates, or for other interest rate, investment, or asset or

liability management purposes, and that provides for (i) an exchange of payments based on interest rates, or ceilings or floors on such payments; (ii) options on such payments; (iii) any combination of the foregoing; or (iv) any similar device. A Payment Agreement may be entered into on either a current or forward basis. A Payment Agreement must be entered into in connection with (or incidental to) the issuance, incurring, or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money (which may include leases, installment purchase contracts, or other similar financing agreements or certificates of participation in any of the foregoing).

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

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

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

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

“Pricing Certificate” means a certificate executed by the Director of Finance as of the pricing date confirming the Bond Sale Terms for the sale of a Series of Bonds to the Purchaser in a competitive sale, in

accordance with the parameters set forth in Section 5 of this ordinance.

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

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

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

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

“Qualified Letter of Credit” means any letter of credit, standby bond purchase agreement, or other liquidity facility issued by a financial institution for the account of the City in connection with the issuance of any Parity Bonds, which institution maintains an office, agency or branch in the United States and, as of the time of issuance of such instrument, is rated in one of the two highest rating categories (without regard to any gradations within such rating categories) by at least two nationally recognized rating agencies.

“Rate Stabilization Account” means the account of that name created in the Drainage and Wastewater Fund pursuant to Ordinance 118974.

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

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

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

“**Refundable Bonds**” means Parity Bonds that may be refunded pursuant to the Omnibus Refunding Ordinance. Each Series of the Bonds issued pursuant to this ordinance is designated as a series of Refundable Bonds.

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

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

“**Reserve Covenant Date**” means the earlier of: (a) the date on which the City has obtained consents of the requisite percentage of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: Drainage and Wastewater Revenue Bonds, 2009A (Taxable Build America Bonds - Direct Payment), Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2014, and Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2016.

“**Reserve Requirement**” means the least of (a) Maximum Annual Debt Service on all Parity Bonds

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

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

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

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

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

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

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

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

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

“**Sinking Fund Requirement**” means, for any calendar year, the principal amount and premium, if any,

of Term Bonds required to be purchased, redeemed, paid at maturity or paid into any Sinking Fund Account for such calendar year, as established pursuant to the Bond Documents relating to such Term Bonds.

“State” means the State of Washington.

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

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

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

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

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

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

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

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

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

account.

“**Valuation Date**” means, with respect to any Capital Appreciation Bond, the date or dates, determined as set forth in the Parity Bond Documents relating to the relevant series of Parity Bonds, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

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

“**Variable Interest Rate Bond**” means, for any period of time, any Parity Bond that bears interest at a Variable Interest Rate during that period. A Parity Bond shall not be treated as a Variable Interest Rate Bond if the net economic effect of: (a) interest rates on a particular series of Parity Bonds, as set forth in the applicable Bond Documents, and (b) either (i) interest rates on another series of Parity Bonds issued at substantially the same time, or (ii) a Payment Agreement related to that particular series of Parity Bonds, is to produce obligations that bear interest at a fixed rate. A Parity Bond with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

Section 2. **Adoption of Plan of Additions**. The City specifies, adopts, and orders the Plan of Additions to be carried out as generally provided for in the documents comprising the Plan of Additions. The estimated cost of the Plan of Additions, as near as may be determined, is declared to be \$957 million, of which

approximately \$95 million is expected to be financed from proceeds of the Bonds and investment earnings thereon.

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

(a) **The Bonds.** The City is authorized to issue Drainage and Wastewater System revenue bonds, payable from the sources described in Section 13 of this ordinance, in the maximum principal amount stated in Section 5 of this ordinance, to provide funds (a) to pay part of the cost of carrying out the Plan of Additions; (b) to provide for the Reserve Requirement (if necessary); (c) to capitalize interest on (if necessary) and pay the costs of issuance of the Bonds; and (d) for other Drainage and Wastewater System purposes approved by ordinance. The Bonds may be issued in one or more Series and may be combined with other Drainage and Wastewater System revenue bonds (including Refunding Parity Bonds) authorized separately. The Bonds shall be designated Drainage and Wastewater System Revenue Bonds, shall be numbered separately, and shall have any name, year, series, or other labels as deemed necessary or appropriate by the Director of Finance.

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

Section 4. **Manner of Sale of Bonds.** The Director of Finance may provide for the sale of each Series of the Bonds by competitive sale, negotiated sale, limited offering, or private placement and may select and enter

into agreements with remarketing agents or providers of liquidity with respect to Variable Interest Rate Bonds. The Purchaser of each Series shall be chosen through a selection process acceptable to the Director of Finance. The Director of Finance is authorized to specify a date and time of sale and a date and time for the delivery of each Series; in the case of a competitive sale, to provide an official notice of sale including bid parameters and other bid requirements, and to provide for the use of an electronic bidding mechanism; to determine matters relating to a forward or delayed delivery of the Bonds; and to determine such other matters and take such other action as, in the Director's determination, may be necessary, appropriate, or desirable in order to carry out the sale of each Series. Each Series must be sold on Bond Sale Terms consistent with the parameters set forth in Section 5 of this ordinance.

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

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

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

(i) **Maximum Principal Amount.** The maximum aggregate principal amount of all Series of the Bonds authorized by this ordinance is not to exceed \$95 million.

(ii) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the Director of Finance. The initial Issue Date (without restricting any reissuance date with respect to a Series of Variable Interest Rate Bonds) may be no later than December 31, 2026.

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

(iv) **Interest Rate(s).** Each Bond shall bear interest from its Issue Date or from the most recent date to which interest has been paid or duly provided, whichever is later, unless otherwise provided in the Bond Documents. Each Series of the Bonds shall bear interest at one or more fixed interest rates or Variable Interest Rates. The true interest cost for any fixed rate Series may not exceed a rate of 10 percent per annum. The Bond Documents for any Series may provide for multiple interest rates and interest rate modes, and may provide conditions and mechanisms for the Director of Finance to effect a conversion from one mode to another. Nothing in this ordinance shall be interpreted to prevent the Bond Documents for any Series from including a provision for adjustments to interest rates during the term of the Series upon the occurrence of certain events specified in the applicable Bond Documents.

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

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

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

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

(B) **Mandatory Redemption.** The Director of Finance may designate any Bond as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in principal payment amounts set forth in the Sinking Fund Requirements, consistent with subsection 8(b) of this ordinance.

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

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

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

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

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

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

(C) **Additional Terms, Conditions, and Agreements.** The Bond Sale Terms for any Series may provide for Bond Insurance or other credit enhancement, a Reserve Security, Qualified Letter of Credit, or Payment Agreement as the Director of Finance may find necessary or desirable. The Bond Sale Terms for any Series may provide for multiple interest rate modes and may include provisions for conversion from any interest rate mode to any other interest rate mode. To that end, the Bond Sale Terms may include such additional terms, conditions, and covenants as may be necessary or desirable, including but not limited to:

restrictions on investment of Bond proceeds and pledged funds (including any escrow established for the defeasance of the Bonds), provisions for the conversion of interest rate modes, provisions for the reimbursement of a credit enhancement provider or Qualified Counterparty, and requirements to give notice to or obtain the consent of a credit enhancement provider or a Qualified Counterparty. The Director of Finance is authorized to execute, on behalf of the City, such additional certificates and agreements as may be necessary or desirable to reflect such terms, conditions, and covenants.

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

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

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

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

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

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

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

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

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

Upon the resignation of the Securities Depository from its functions as depository, or upon a

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

Nothing in this ordinance shall prevent the Bond Sale Terms from providing that a Series of the Bonds shall be issued in certificated form without utilizing a Securities Depository, and that the Bonds of such Series shall be registered as of their Issue Date in the names of the Owners thereof, in which case ownership may be transferred only as provided in this ordinance.

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

Section 7. **Payment of Bonds.**

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

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

(c) **Bonds Not Held in Book-Entry Form.** Interest on each Bond not held in Book-Entry Form shall be payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed

on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City, however, is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not held in Book-Entry Form shall be payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

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

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

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

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

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

(d) **Selection of Bonds for Redemption; Partial Redemption.** If fewer than all of the outstanding Bonds of a Series are to be redeemed at the option of the City, the Director of Finance shall select the maturity

or maturities to be redeemed. If less than all of the principal amount of a maturity of the selected Series is to be redeemed and if such Series is held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected for redemption by the Securities Depository in accordance with the Letter of Representations. If the Series is not then held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected by the Bond Registrar at random in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any applicable Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

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

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

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

Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

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

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

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

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

sign bonds, although the person did not hold the required office on the Issue Date of that Series of the Bonds.

Section 12. **Construction Account; Deposit of Proceeds**. An account to be known as the Drainage and Wastewater Construction Subaccount, 2024 is created in the Drainage and Wastewater Construction Account within the Drainage and Wastewater Fund. After depositing accrued interest (if any) into the Principal and Interest Subaccount and depositing amounts (if any) necessary to provide for the Reserve Requirement (if any) into the Reserve Subaccount, the remaining principal proceeds of the sale of a Series of the Bonds shall be deposited into the Construction Account (or such other fund or account as may be directed by the Director of Finance) to be used (a) to pay part of the costs of carrying out the Plan of Additions, and (b) to pay capitalized interest on (if necessary) and the costs of issuance of the Series. Until needed to pay such costs, the City may temporarily invest principal proceeds and interest earned thereon in any Permitted Investments, and the investment earnings may be either (a) retained in the Construction Account to be spent for the purposes of that account, or (b) deposited in the Parity Bond Account, as determined by the Director of Finance.

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

The Bonds shall be issued on parity with the Outstanding Parity Bonds and all Future Parity Bonds, without regard to date of issuance or authorization and without preference or priority of right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds or other obligations that are a charge or lien upon Net Revenue subordinate to the payments required to be made from Net Revenue into the Parity Bond Account and the subaccounts therein. The City covenants that, for as long as any Bond is outstanding, it will not issue

any other revenue obligations (or create any special fund or account therefor) that will have any priority over, or that will rank on a parity with, the payments required in respect of the Parity Bonds, and that it will issue Future Parity Bonds only accordance with Section 17 of this ordinance.

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

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

(a) To pay Operating and Maintenance Expense;

(b) To make all payments into the Principal and Interest Subaccount required to be made in order to pay the interest on and principal of all Parity Bonds (including all net payments under Parity Payment Agreements) when due;

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

(d) To make all payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account, or reserve account created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

(e) Without priority, to any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Drainage and Wastewater System; to make necessary

additions, betterments, improvements, repairs, extensions, and replacements of the Drainage and Wastewater System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenue; to make deposits to the Rate Stabilization Account; or for any other lawful purpose of the Drainage and Wastewater System.

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

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

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

(ii) Into the Reserve Subaccount, an amount necessary to provide for the Reserve Requirement within the time and in the manner required by this ordinance and the Bond Sale Terms. The amount necessary, if any, to satisfy the Reserve Requirement upon the issuance of a Series of the Bonds may be funded (A) on the Issue Date, by a deposit of Bond sale proceeds, available funds of the Drainage and Wastewater System, or a

Reserve Security; or (B) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by no later than the fifth anniversary of the Issue Date of such Series. The manner of funding the Reserve Requirement for the Bonds shall be set forth in the Bond Documents.

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

(b) **Reserve Subaccount.** The Reserve Subaccount has been previously created and is maintained as a subaccount within the Parity Bond Account for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding (including amounts due under any Parity Payment Agreements if required under such agreement). The City covenants that it will at all times, so long as any Covered Parity Bonds are outstanding, maintain the Reserve Subaccount at the Reserve Requirement (taking into account scheduled payments to fund the Reserve Requirement over time), as it is adjusted from time to time, except for withdrawals as authorized by this ordinance. Any withdrawals authorized below from subaccounts within the Reserve Subaccount shall be made on a *pro rata* basis except if the provider of a Reserve Security requires all cash and investments in the Reserve Subaccount to be withdrawn before draws are made on the Reserve Security, or unless the City receives an opinion of Bond Counsel to the effect that such *pro rata* withdrawal is not required to maintain the exclusion of interest on the then outstanding Parity Bonds issued as Tax-Exempt Bonds from gross income for federal income tax purposes.

(i) **Use of Reserve Subaccount for Payment of Debt Service.** In the event of a deficiency in the Principal and Interest Subaccount to meet current installments of either principal (including Sinking Fund Requirements) or interest (including amounts payable under any Parity Payment Agreement), the Director of

Finance may make withdrawals of money or proceeds of a Reserve Security in the Reserve Subaccount. ***From and after the Reserve Covenant Date, the Reserve Subaccount shall secure the payment of principal of and interest on Covered Parity Bonds only and the withdrawals authorized by this paragraph shall be limited to the amounts necessary to meet maturing installments of either principal (or Sinking Fund Requirements) or interest (including net payments under Parity Payment Agreements) with respect only to Covered Parity Bonds.*** Any deficiency created in the Reserve Subaccount by reason of any such withdrawal or claim against a Reserve Security shall then be made up from Net Revenue (including all ULID Assessments, if any) first available after making necessary provisions for the required payments into the Principal and Interest Subaccount.

(ii) **Application of Funds in Reserve Account.** The money in the Reserve Subaccount may be applied to the payment of the last outstanding Covered Parity Bonds, and when the total amount in the Parity Bond Account (including investment earnings) equals the total amount of principal of and interest on for all then outstanding Covered Parity Bonds to the last maturity thereof, no further payment need be made into the Parity Bond Account in respect of the Covered Parity Bonds. Money in the Reserve Subaccount (including investment earnings) in excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest Subaccount and spent for the purpose of retiring Covered Parity Bonds or may be deposited in any other fund or account and spent for any other lawful Drainage and Wastewater System purpose.

(c) **Investment of Money in Parity Bond Account.** All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal of and/or interest on the Parity Bonds be invested at a yield that would cause any Series issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be

deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount. Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings that are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

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

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

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

(b) **Establishment and Collection of Rates and Charges.** The City will establish, maintain, revise as necessary, and collect rates and charges for services and facilities provided by the Drainage and Wastewater System so that the Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement.

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

(c) Sale or Disposition of Drainage and Wastewater System.

(i) The City will not sell, lease, mortgage or in any manner encumber or dispose of all of the property of the Drainage and Wastewater System unless provision is made for the payment into the Parity Bond Account of an amount sufficient to pay the principal of (including redemption premium, if any) and interest on all Parity Bonds then outstanding.

(ii) Notwithstanding the foregoing, the City may sell, transfer, or otherwise dispose of a portion of any of the works, plant, properties, facilities or other part of the Drainage and Wastewater System, or any real or personal property comprising a part of the Drainage and Wastewater System consistent with one or more of the following:

(A) The City in its discretion may carry out such a transfer if provision is made for replacement of the transferred portion of the Drainage and Wastewater System, or for payment into the Parity Bond Account of the total amount of Gross Revenue received from the transferred portion of the Drainage and Wastewater System, which shall not be less than an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding as (x) the Gross Revenue available for debt service for such outstanding bonds for the 12 months preceding such transfer from the transferred portion of the Drainage and Wastewater System bears to (y) the Gross Revenue available for debt service for the then-outstanding Parity Bonds from the entire Drainage and Wastewater System of the City for the same period. Any such money so paid into the Parity Bond Account shall be used to retire such Parity Bonds at the earliest possible date; or

(B) The City in its discretion may carry out such a sale, transfer, or disposition (each, a

“transfer”) if the aggregate depreciated cost value of the facilities or property being transferred under this subsection in any fiscal year comprises no more than 5 percent of the total assets of the Drainage and Wastewater System; or

(C) The City in its discretion may carry out such a transfer if the proceeds from such transfer are used to acquire new useful operating facilities or properties of the Drainage and Wastewater System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Drainage and Wastewater System, if, at the time of such transfer, the City has on file a certificate of both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office) demonstrating that, in such officers’ opinions, upon such transfer and the use of proceeds of the transfer as proposed by the City, the remaining facilities of the Drainage and Wastewater System will retain their operational integrity and, based on the financial statements for the most recent fiscal year available, the proposed transfer would not prevent the Drainage and Wastewater System from complying with the Coverage Requirement during the five fiscal years following the fiscal year in which the transfer is to occur. The certificate shall take into account (A) the reduction in revenue and expenses, if any, resulting from the transfer; (B) the use of any proceeds of the transfer for the redemption of Parity Bonds, (C) the estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Drainage and Wastewater System financed in part by the proposed portion of the proceeds of the transfer, and (D) any other adjustment permitted in the preparation of a certificate under subsection 17(b). Before completing any such transfer, the City must also obtain confirmation from each Rating Agency then supplying a rating on the Bonds at the request of the City to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer, unless such Rating Agency no longer offers a rating confirmation service as part of its business.

Nothing in this covenant shall prevent the City from transferring facilities or property that are no longer necessary, material or useful to the operation of the Drainage and Wastewater System or that have become

unserviceable, inadequate, obsolete, or unfit to be used in the operation of the Drainage and Wastewater System.

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

Section 17. **Future Parity Bonds.**

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

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

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

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

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

(v) For each series of Future Parity Bonds that is to be issued as a series of Covered Parity Bonds, the Bond Documents must provide for the deposit into the Reserve Subaccount of an amount, if any, necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds, which requirement may be satisfied: (A) by a deposit into the Reserve Subaccount, made on the issue date of such series, of proceeds of that series of Future Parity Bonds or other money legally available for such purpose; (B) by obtaining one or more Reserve Securities (or a deposit of cash plus Reserve Securities) available to be drawn upon in specific amounts to be paid into the Reserve Subaccount and credited against the deposits required to be maintained in the Reserve Subaccount; or (C) by a deposit into the Reserve Subaccount of amounts necessary to fund the Reserve Requirement from Net Revenue (including all ULID Assessments, if any) within five years from the date of issuance of those Future Parity Bonds, in five approximately equal annual payments. Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined on the most recent annual financial report of the City applicable to the Drainage and Wastewater System, and the additional amounts, if any, required to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be based on that valuation.

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

(b) **Parity Certificate.** A Parity Certificate required under subsection 17(a)(vi) may be provided as

follows:

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

(ii) A certificate may be prepared and signed by both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office), demonstrating that, in the opinion of each officer, Adjusted Net Revenue for the five fiscal years next following the earlier of (A) the end of the period during which interest on those Future Parity Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in which the Future Parity Bonds are issued, or (B) the date on which substantially all the new facilities financed with those Future Parity Bonds are expected to commence operations, such Adjusted Net Revenue, further adjusted as provided in paragraphs (1) through (4) of this subsection, will be at least equal to the Coverage Requirement. That certificate may take into account the following adjustments:

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

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

(3) An estimate of net revenue from customers anticipated to be served by facilities or improvements financed in substantial part by those Future Parity Bonds (or additional Parity Bonds expected to

be issued during the five-year period); and

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

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

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

(e) **Reserve Requirement; Election Not to Designate Bonds as Covered Parity Bonds.**

Notwithstanding anything in this section to the contrary, in the Bond Documents relating to the issuance or sale of a series of Future Parity Bonds, the City may elect that, from and after the Reserve Covenant Date, such series shall not be deemed to be a series of Covered Parity Bonds, shall not be secured by the amounts in the Reserve Subaccount, and shall be excluded from the calculation of the Reserve Requirement.

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

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

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

(a) The City may determine, and may agree under a Contract Resource Obligation to provide, that all payments under that Contract Resource Obligation (including payments prior to the time that drainage and wastewater services or other commodity or service is being provided, or during a suspension or after

termination of supply or service) shall be an Operating and Maintenance Expense if the following requirements are met at the time such a Contract Resource Obligation is entered into:

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

(ii) There shall be on file a certificate of an Independent Utility Consultant stating that (A) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the commodity or service rendered; (B) any facilities to be constructed to provide the commodity or service are sound from a drainage and wastewater services or other commodity or service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide such commodity or service no later than a date set forth in the Independent Utility Consultant's certification; and (C) Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Adjusted Net Revenue is estimated by the Independent Utility Consultant in accordance with the provisions of and adjustments permitted in subsection 17(b)(ii), will be at least equal to the Coverage Requirement.

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

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

Section 21. **Refunding and Defeasance of the Bonds.**

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

(b) **Refunding; Defeasance.** The City may issue Refunding Parity Bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal of, premium (if any), and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan (the “Defeased Bonds”); (ii) to redeem and retire, release, refund, or defease the Defeased Bonds; and (iii) to pay the costs of such refunding or defeasance. If money and/or Government Obligations maturing at a time or times and in an amount sufficient (together with known earned income from the investment thereof) to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “Trust Account”), then all right and interest of the Owners of the Defeased Bonds in the covenants of this ordinance and in Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter shall have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. After such a Trust Account is established and funded as set forth above, the Defeased Bonds shall be deemed to be no longer outstanding, and the Director of Finance may then apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purpose.

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

(d) **Annual Debt Service Calculation Adjustments for Defeased Bonds.** If the refunding or defeasance plan provides (i) that the Defeased Bonds (or the Refunding Parity Bonds issued to redeem those

Defeased Bonds) are to be secured by money and/or Government Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then only the debt service on such Bonds as are not Defeased Bonds (and any Refunding Parity Bonds, the payment of which is not so secured by the refunding plan) shall be included in the calculation of Annual Debt Service.

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

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

(b) **Taxable Bonds; Tax Credit Subsidy Bonds**. For each Series of the Bonds issued as Taxable Bonds or as Tax Credit Subsidy Bonds, the Director of Finance is authorized to make provision in the Bonds and other Bond Documents, to execute additional written agreements, and to make additional covenants on behalf of the

City, all as the Director may deem necessary or appropriate in order to obtain, maintain, and administer such tax status. In the case of Tax Credit Subsidy Bonds, such additional covenants and agreements may include (without limiting the generality of the foregoing) those necessary in order for the City (i) to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of such Tax Credit Subsidy Bonds, and (ii) to ensure that such Series otherwise become and remain eligible for tax benefits under the Code.

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

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

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

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

Section 24. **Supplemental or Amendatory Bond Documents.** This ordinance and the other applicable

Bond Documents for any particular Series of the Bonds may not be supplemented or amended in any respect subsequent to the Issue Date of such Series, except in accordance with and subject to the provisions of this section.

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

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

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

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

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

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

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

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

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

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

(c) **Amendments Prohibited Except upon Unanimous Consent.** Unless approved in writing by or on

behalf of the registered owner of each Parity Bond then outstanding, nothing contained in this section shall permit, or be construed as permitting, (i) a change in the times, amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond, (ii) a reduction in the principal amount or redemption price of any outstanding Parity Bond, (iii) a change in the method of determining the rate of interest thereon (other than a conversion to a new interest rate made in accordance with the applicable Bond Documents), (iv) a preference or priority of any Parity Bond over any other Parity Bond, or (v) a reduction in the percentage of the aggregate principal amount of the then-outstanding Parity Bonds required to effect a change under subsection 24(b).

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

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

If registered owners of not less than the percentage of Parity Bonds required by this section shall have consented to and approved such a supplement or amendment, no owner of any Parity Bond shall have any right

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

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

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

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

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

and Interest Subaccount; and

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

Section 25. **Defaults and Remedies.**

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

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

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

Notwithstanding anything in this section to the contrary, the failure of the City or any obligated person to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default, and the sole remedy of any holder of a Bond in that case shall be to seek an order of specific performance from an

appropriate court to compel the City to comply with the Continuing Disclosure Agreement.

(b) **Bond Owners' Trustee.** So long as such Event of Default has not been remedied, a trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of 25 percent in principal amount of the then outstanding Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee appointed under the provisions of this subsection shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds then outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized. The Bond Owners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

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

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

(c) **Suits at Law or in Equity.** Upon the occurrence of an Event of Default and during the continuance thereof, the Bond Owners' Trustee may, and upon the written request of the registered owners of not less than

25 percent in principal amount of the Parity Bonds then outstanding shall, take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or set forth in any of the Parity Bond Documents.

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

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

owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

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

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

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

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

(e) **Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of that person's own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or

its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into this ordinance.

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

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

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

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

- (i) An Event of Default has happened and is continuing; and
- (ii) A Bond Owners' Trustee has been appointed; and
- (iii) Such owner previously shall have given to the Bond Owners' Trustee written notice of the Event of Default on account of which such suit, action, or proceeding is to be instituted; and
- (iv) The registered owners of 25 percent in principal amount of the Parity Bonds then outstanding, after the occurrence of such Event of Default, have made written request of the Bond Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute such suit, action, or proceeding; and

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

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

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

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

(a) The Director of Finance, in the Director's discretion and without further action by the City Council, (i) may issue requests for proposals to provide underwriting services or financing facilities (including, without limitation, Qualified Insurance, a Qualified Letter of Credit, or other credit support or liquidity facility), and may execute engagement letters and other agreements with underwriters and other financial institutions (including providers of liquidity or credit support) based on responses to such requests; (ii) may select and make decisions regarding the Bond Registrar, fiscal or paying agents, and any Securities Depository for each Series of the Bonds; (iii) may take any and all actions necessary or convenient to provide for the conversion of interest rate modes for any Series in accordance with the applicable Bond Documents; and (iv) may take such actions on behalf of the City as are necessary or appropriate for the City to designate, qualify, or maintain the tax-exempt treatment with respect to any Series issued as Tax-Exempt Bonds, to receive from the United States Treasury the applicable Tax Credit Subsidy Payments with respect to any Series issued as Tax Credit Subsidy Bonds, and to otherwise receive any other federal tax benefits relating to any Series of the Bonds that are

available to the City; and

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

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

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

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

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

Passed by the City Council the _____ day of _____, 2023, and signed by
me in open session in authentication of its passage this _____ day of _____, 2023.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2023.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2023.

Scheereen Dedman, City Clerk

(Seal)

Attachments:

Exhibit A - Outstanding Drainage and Wastewater System Parity Bonds

Exhibit B - Form of Continuing Disclosure Agreement