

ORIGINAL

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 2845

AN ORDINANCE of the City of Bellevue, Washington, relating to its waterworks utility, including the sanitary sewerage system and the storm and surface water utility of the City herein combined into such waterworks utility as a part thereof; specifying and adopting a system or plan of additions to and betterments and extensions of the waterworks utility; declaring the estimated cost thereof as nearly as may be; providing for the issuance of \$11,460,000 par value of "Water and Sewer Revenue Bonds, 1980," of the City to obtain the funds with which to pay the costs of carrying out such system or plan and portions of the original system or plan of the storm and surface water utility as specified and adopted by Ordinance No. 2003 as supplemented by the system or plan of additions and betterments to and extensions thereof adopted and approved by Ordinance No. 2798; fixing the date, form, denomination, interest rates, maturities, terms and covenants of such bonds; and providing for the sale and delivery of such bonds to Foster & Marshall Inc. of Seattle, Washington.

WHEREAS, pursuant to Ordinance No. 2169, as amended by Ordinance No. 2181, the sanitary sewerage system of the City of Bellevue, Washington (the "City"), was combined with and became a part of the waterworks utility of the City, and such combined systems are maintained and operated jointly, and the words "Waterworks Utility of the City" shall hereinafter mean the combined water distribution system and sanitary sewerage system of the City and the storm and surface water utility of the City created and established by Ordinance No. 2003 hereinafter combined with and made a part of such "Waterworks Utility of the City," together with all additions thereto and betterments and extensions thereof hereafter made; and

WHEREAS, the City Council has determined it to be in the best interests of the City that certain improvements be made to the Waterworks Utility of the City consisting of the construction and installation of water mains, reservoir improvements, pump station improvements and future development improvements, and that a contribution be made to the City of Seattle, Washington, for the Tolt East Side supply line and that certain portions of the original system or plan of the storm and surface water utility specified and adopted by Ordinance No. 2003 as supplemented by the system or plan of additions and betterments to and extensions of the original system or plan of

the storm and surface water utility as adopted by approved by Ordinance No. 2798 be carried out; and

WHEREAS, pursuant to Ordinance No. 2328 passed August 16, 1976, the City heretofore issued its \$7,155,000 par value of "Water and Sewer Revenue Refunding Bonds, 1976," for the purpose of obtaining a part of the funds with which to accomplish the refunding, defeasance, payment and retirement of its then outstanding "Water and Sewer Revenue Refunding Bonds, 1975," and "Water and Sewer Revenue Bonds, 1975"; and

WHEREAS, by Section 11 of Ordinance No. 2328 the City reserved the right, for the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Waterworks Utility of the City pursuant to a plan or plans of additions and betterments thereto thereafter adopted, to issue additional revenue bonds therefor (therein called "Parity Bonds") and to make payments into the "Water and Sewer Revenue Bond Redemption Fund, 1976," created by Ordinance No. 2328 for the payment of the "Water and Sewer Revenue Refunding Bonds, 1976," and any Parity Bonds, from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor as required by such Ordinance No. 2328, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by Ordinance No. 2328 to be made into the "Water and Sewer Revenue Bond Redemption Fund, 1976," and the Reserve Account created therein if the following conditions and requirements are met and complied with at the time of the issuance of such Parity Bonds:

"(a) That at the time of issuance of such Parity Bonds, there shall not be a deficiency in the Bond Fund, including the "Reserve Account" therein.

"(b) That the ordinance providing for the issuance of such Parity Bonds shall provide that all assessments and interest thereon which may be levied in any utility local improvement district hereafter created for the purpose of paying in whole or in part the principal of and interest on such Parity Bonds shall be paid directly into the Bond Fund.

"(c) That in the event there shall be included in such Parity Bonds any Term Bonds, the ordinance providing for the issuance of such Parity Bonds shall provide for a schedule of mandatory payments to be made into the "Principal and Interest Account" of the Bond Fund, the sum of which shall be sufficient to pay the Term Bonds at maturity.

"(d) That the ordinance authorizing any Parity Bonds shall provide for the payment of the principal of and interest thereon out of the Bond Fund and shall further provide that the 'Reserve Account' be increased, in not less than substantially equal monthly payments, within a period of five years after the date of issuance of such Parity Bonds to an amount equal to the average annual principal and interest requirements on all Parity Bonds, including the Refunding Bonds; provided, however, that in the event such Parity Bonds are issued for the purpose of refunding outstanding Refunding Bonds and/or Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained as a reserve for such refunding Parity Bonds or used to retire outstanding bonds pursuant to the refunding plan, in which event such reserve amount shall be replaced in the same manner and within the same time as required for additional Parity Bonds. In computing such "average annual principal and interest requirements," there shall be included the amounts required to be paid into the "Principal and Interest Account" of the Bond Fund in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds.

"(e) That at the time of the issuance of such Parity Bonds, the City shall have on file a certificate from an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities, showing that in his professional opinion, the Revenue of the Waterworks Utility of the City, after deducting Operating and Maintenance Expense, together with Utility Local Improvement District Assessments hereafter collected, which will be available in each succeeding year for the payment of the principal of and interest on all outstanding bonds payable out of such Revenue and Assessments and payable out of the Bond Fund and Parity Bonds to be issued, will be equal to the Coverage Requirement established by Section 8(b).

In determining whether the City is able to comply with the terms of the parity conditions, the following adjustments may be made to the historical net operating revenue for any twelve consecutive months out of the immediately preceding 24-month period:

(a) Any rate change that has taken place or been approved may be reflected.

(b) Revenue may be added from customers actually added to the utility subsequent to the twelve-month period.

(c) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the bonds to be issued.

(d) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate.

(e) Actual or reasonably anticipated changes in the Operating and Maintenance Expense subsequent to such twelve-month period shall be added or deducted, as is applicable;

and

WHEREAS, the City Council has determined that the improvements hereinafter described should be carried out and that it is necessary to issue and sell water and sewer revenue bonds in the principal sum of \$11,460,000 par value to obtain the funds with which to pay the cost thereof; and

WHEREAS, Foster & Marshall Inc. of Seattle, Washington, has submitted an offer to purchase such additional water and sewer revenue bonds on the terms and conditions hereinafter set forth; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN, as follows:

Section 1. As used in this ordinance the following words shall have the following meanings:

a. "City" shall mean the City of Bellevue, Washington, a duly organized noncharter code city.

b. "Bonds" shall mean the "Water and Sewer Revenue Bonds, 1980," authorized to be issued by this ordinance.

c. "Bond Fund" shall mean the "Water and Sewer Revenue Bond Redemption Fund, 1976," created by Ordinance No. 2328 for the payment of the Refunding Bonds, 1976, and any Parity Bonds which will include the Bonds.

d. "Operating and Maintenance Expense" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition, including payments of premiums for insurance on such Waterworks Utility, payments to be made to the Municipality of Metropolitan Seattle, a municipal corporation, for

sewage treatment and disposal, payments to the City of Seattle, Washington, for water purchased, and any State-imposed taxes, but excluding any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

e. "Outstanding Bonds" shall mean the remaining outstanding water revenue bonds and sewer revenue bonds heretofore issued by the five special purpose districts whose assets have been acquired by the City and which the City has agreed to pay, which then outstanding bonds were more particularly described in Ordinance No. 2169, and provision for the payment, retirement and refunding of which has been made by Ordinance No. 2169, as amended by Ordinance No. 2181.

f. "Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Bonds pursuant to the provisions of Section 11 of Ordinance No. 2328 and Section 16 of this ordinance, the payment of the principal of and interest on which constitutes a lien and charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments on a parity with the lien and charge upon such Revenue and Assessments for the Refunding Bonds, 1976, and the Bonds.

g. "Refunding Bonds, 1976" shall mean the "Water and Sewer Revenue Refunding Bonds, 1976," issued pursuant to Ordinance No. 2328.

h. "Revenue of the Waterworks Utility of the City" shall mean all the earnings and revenue received by the Waterworks Utility of the City from any source whatsoever, except Utility Local Improvement District Assessments, general ad valorem taxes, grants from the state or federal governments, proceeds from the sale of City property and bond proceeds.

i. "Term Bonds" shall mean any bonds of any Parity Bonds maturing in any year, the principal of which is greater than 1.25 times the average annual principal amount of all bonds maturing in the three years immediately preceding the year in which the Term Bonds of the Parity Bonds mature.

j. "Utility Local Improvement District Assessments" shall mean all utility local improvement district assessments and installments thereof, plus interest and penalties thereon, heretofore levied and pledged by the boards of commissioners of the respective special purpose districts to be paid into the bond redemption funds of the Outstanding Bonds, and hereafter collected, together with all assessments in and payments received in any other utility local improvement district created by the City Council to secure the payment of any Parity Bonds, including the Refunding Bonds, 1976, and the Bonds, and pledged to be paid into the Bond Fund.

k. "Waterworks Utility of the City" shall mean the combined water distribution system and sanitary sewerage system of the City, as combined by Ordinance No. 2169, as amended by Ordinance No. 2181, and the storm and surface water system of the City combined therewith by this ordinance, together with all additions thereto and betterments and extensions thereof hereafter made or constructed.

Section 2. Pursuant to RCW 35.67.331 the storm and surface water utility of the City created and established by Ordinance No. 2003 is hereby combined with and made a part of the Waterworks Utility of the City.

Section 3. The City specifies and adopts a system or plan for making additions to and betterments and extensions of the Waterworks Utility of the City consisting of the construction and installation of the following water system improvements:

Group A Strengthen Low Hydraulic Systems

A-1 Modifications at Pikes Peak Reservoir allow filling from NE 40th Booster Station

A-2 Strengthen the capacity of the NE 40th Pump Station

A-3 Phased Improvements for New Eastmont 820 Reservoir

Group B Improve Reservoir Equalization Capability

B-1 Modify Lake Hills Pump Station 520 Operating Area

B-2 Flow Control through Bell-Red Meter

B-3 Additional Supply to Clyde Hill 335 zone

B-5 New PRV's in Bellefield Office Park

Group C Eliminate Somerset - Seattle Meter

Group D Interconnect and Pump Station Improvements

D-1 New PRV at Newport Pump Station

D-2 New Mains in College Hill Zone

D-3 New pump station improvements to Parksite and Horizon View #1 P.S.

D-4 Bellevue Airport 520 zone, New mains

Group E Grid Improvements

E-1 Add Pump to Clyde Hill Pump Station

E-2 & E-3 Grid Improvements NW of Bellevue Square

E-4 Grid Improvements to Medina - Clyde Hill area

E-5 & E-6 Grid Improvements to 1,000 HGL Horizon View - 3 Zone

E-7 Modifications to establish new Forest Hill 850 Zone

E-8 Modifications to establish new 720 North Zone

- E-9 Join Sammamish 400 and 520 Zones
- E-10 Strengthen Sammamish 400 & 520 Zones
- E-11 Improve Old 450 & 400 Zones
- E-12 Join Sammamish 270 North and South Zone

Group F Future Development Improvements

- F-1 Provide service to 520 Zone south of College Hill
- F-2 Strengthen the 1080 Zone Cost Horizon View-3
- F-3 Expand 1,000 Zone to Serve Somerset South Development
- F-4 Grid Improvements to 1,000 Zone in Somerset
- F-5 Modifications to 1,080 East Horizon View - 3
- F-6 Strengthen 1,080 Zone West Horizon View -3
- F-10 Improve Gridding in 148th NE Industrial Area
- F-11 Provide Service to Area South of WD 117

Group Z Other Distribution Improvements

- Z-1 Sammamish Reservoir
- Z-2 Steel Main Replacement

and there shall also be included in the foregoing a contribution by the City to the City of Seattle, Washington, for the Tolt East Side supply line construction.

There shall be included the acquisition and installation of all valves, fittings and other necessary appurtenances, and there shall also be included the performance of all work as may be incidental and necessary to the foregoing construction and installation.

The City may modify the details of the foregoing system or plan where, in its judgment, it appears advisable if such modifications do not substantially alter the purpose herein set forth.

Section 4. The following portion of the original system or plan of the storm and surface water utility of the City as specified and adopted by Ordinance No. 2003, as supplemented by the system or plan of additions and betterments to and extensions thereof as adopted and approved by Ordinance No. 2798 is hereby ordered to be carried out:

Land shall be acquired for regional in-stream detention pools and conveyance system improvements shall be constructed and installed.

Section 5. The life of the foregoing additions to and betterments and extensions of the Waterworks Utility of the City is hereby declared to be at least thirty (30) years.

Section 6. The cost of acquiring, constructing and making the foregoing additions to and betterments and extensions of the Waterworks Utility of the City, including the cost of carrying out the storm and surface water improvements, shall be paid from the proceeds received from the issuance and sale of the Bonds in the amount of \$11,460,000.

Section 7. For the purpose of providing the money required to pay the cost of carrying out the system or plan of additions to and betterments and extensions of the Waterworks Utility of the City specified and adopted in Section 3 of this ordinance and hereby ordered to be carried out and the portion of the original system or plan of the storm and surface water utility of the City ordered to be carried out by Section 4 of this ordinance, the City shall issue the Bonds in the aggregate principal amount of \$11,460,000. The Bonds shall be dated May 1, 1980; bear interest at the rates hereinafter set forth payable on November 1, 1980, and semiannually thereafter on each succeeding May 1 and November 1, interest to maturity being evidenced by coupons to be attached to the Bonds with full obligation on the part of the City to pay interest at the coupon rate for each such bond from and after the bond maturity or call date until such bond, both principal and interest, shall have been paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund hereinafter referred to and such bond has been duly called for redemption. The Bonds shall be numbered, shall bear interest and shall mature on May 1 of each year as follows:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturity Years</u>
1 to 8	\$ 40,000	7.25%	1981
8 to 16	40,000	9.25%	1982
17 to 25	45,000	9.25%	1983
26 to 35	50,000	9.25%	1984
36 to 46	55,000	9.25%	1985
47 to 66	100,000	9.25%	1986
67 to 89	115,000	9.25%	1987
90 to 114	125,000	9.25%	1988
115 to 142	140,000	9.00%	1989
143 to 172	150,000	8.50%	1990
173 to 206	170,000	7.60%	1991
207 to 243	185,000	7.60%	1992
244 to 285	210,000	7.70%	1993
286 to 330	225,000	7.80%	1994
331 to 380	250,000	7.90%	1995
381 to 437	285,000	8.00%	1996
438 to 499	310,000	8.10%	1997
500 to 567	340,000	8.20%	1998

568 to 643	380,000	8.30%	1999
644 to 728	425,000	8.40%	2000
729 to 822	470,000	8.50%	2001
823 to 926	520,000	8.60%	2002
927 to 1042	580,000	8.60%	2003
1043 to 1170	640,000	8.70%	2004
1171 to 1312	710,000	8.70%	2005
1313 to 1469	785,000	8.75%	2006
1470 to 1644	875,000	8.75%	2007
1645 to 1838	970,000	8.80%	2008
1839 to 2053	1,075,000	8.80%	2009
2054 to 2292	1,195,000	8.80%	2010

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York, solely out of the Bond Fund, and shall be a valid claim of the holder thereof only as against such Bond Fund and the amount of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to such fund, and shall not be a general obligation of the City.

Section 8. Bonds Nos. 1 to 243, inclusive, maturing May 1, 1981, through May 1, 1992, shall be issued without the right or option of the City to call the same for redemption prior to their respective maturity dates. The City reserves the right to call for prior redemption Bonds Nos. 244 to 2292, inclusive, maturing May 1, 1993, through May 1, 2010, in inverse numerical order at the following call prices per each \$100 par value thereof plus accrued interest if called on the following dates:

On May 1, 1992, or November 1, 1992, at \$103.00;
On May 1, 1993, or November 1, 1993, at \$102.00;
On May 1, 1994, or November 1, 1994, at \$101.00;
On May 1, 1995, or any interest payment
date thereafter at \$100.00.

Notice of any call for redemption of the Bonds prior to their stated maturity dates shall be published once in a newspaper of general circulation within the City, and once in a financial newspaper printed in the English language and published at least weekly in the Borough of Manhattan, City and State of New York, not less than thirty nor more than forty-five days prior to the date of redemption. Notice of such intended redemption shall also be mailed to Foster & Marshall Inc., at its main office in Seattle, Washington, or to the successor in business of such corporation, if any, at its main office. In addition, such redemption notice shall be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or to their successors, if any. The mailing of such notice to such New York firms shall not be a condition precedent to the redemption of such Bonds. Interest on any Bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The City reserves the right to purchase any or all of the Bonds in the open market at any time at a price not in excess of \$103.00 per each \$100.00 par value if purchased prior to November 1, 1992, and thereafter not in excess of the call price applicable at the time of purchase plus accrued interest.

Section 9. The Bond Fund has heretofore been created and established in the office of the Director of Finance of the City by Ordinance No. 2328 and has heretofore been divided into two accounts, namely, a "Principal and Interest Account" and a "Reserve Account."

So long as any Bonds are outstanding and unpaid, the Director of Finance of the City shall set aside and pay into the Principal and Interest Account in such fund, in addition to the amounts to be paid into such Account for the outstanding Refunding Bonds, 1976, out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments a fixed amount, without regard to any fixed proportion, namely, monthly, on or before the 28th day of each month beginning with the month of May 1980, such amount as is equal to 1/6th of the next ensuing six months' requirements for interest on the Bonds and 1/12th of the amount of principal of the Bonds becoming payable on the next ensuing principal payment date.

Section 10. The Director of Finance of the City shall set aside and pay into the "Reserve Account" in the Bond Fund out of the principal proceeds received from the sale of the Bonds the sum of \$722,980.00 and on or before the first day of each month beginning with the month of June, 1980, out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments in 60 substantially equal monthly payments such additional amounts as will, together with the amounts required to be accumulated therein for the outstanding Refunding Bonds, 1976, and the amount capitalized from the principal proceeds received from the sale of the Bonds, be sufficient to accumulate by May 1, 1985, a total amount not less than the average annual debt service requirements for the Refunding Bonds, 1976, and the Bonds.

The "Reserve Account" in the Bond Fund may be accumulated from any other moneys which the City may have available for such purpose in addition to using such Revenue and Assessments therefor.

When such required amount has been paid into the "Reserve Account" in the Bond Fund, the City will at all times, except for withdrawals therefrom as authorized herein, maintain that amount therein until there is a sufficient amount in the Bond Fund, including the "Reserve Account" therein, to pay the principal of and interest on all outstanding bonds payable out of the Bond Fund to the final maturity thereof at which time the money in the Bond Fund, including the "Reserve Account" therein, may be used to pay such principal and interest.

In the event there shall be a deficiency in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, on any outstanding bonds payable out of the Bond Fund, such deficiency shall be made up from the "Reserve Account" by the withdrawal of cash therefrom for that purpose. Any deficiency created

in the "Reserve Account" by reason of any such withdrawal shall then be made up from the Revenue of the Waterworks Utility of the City and/or Utility Local Improvement District Assessments first available after making necessary provisions for the required payments into the Bond Fund.

All money in the "Reserve Account" may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in United States Government obligations having a guaranteed market, or in United States Government obligations maturing not later than the last maturity of any outstanding bonds that are payable out of the Bond Fund. Interest earned on any such investments shall be deposited in and become a part of the Bond Fund.

If the City shall fail to set aside and pay into the Bond Fund the amounts which it has obligated itself by this section to set aside and pay therein, the holder of any Bond may bring suit against the City to compel it to do so.

Section 11. The City Council of the City hereby finds:

(1) That the Bonds are being issued for the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of and making capital improvements to the Waterworks Utility of the City pursuant to the plan of additions and betterments herein specified, adopted and ordered to be carried out;

(2) That at the time of the issuance of the Bonds there is not and will not be a deficiency in the Bond Fund, including the Reserve Account therein;

(3) That no Utility Local Improvement District Assessments are levied in connection with the issuance of the Bonds;

(4) That no Term Bonds are included in the Bonds;

(5) That provision is herein made for the payment of the principal of and interest on the Bonds out of the Bond Fund and further provision is made for the accumulation of the required additional amounts in the "Reserve Account" in the Bond Fund; and

(6) That at the time of the issuance of the Bonds, the City will have on file a certificate from Larry Wade, of Hammond, Collier Wade-Livingston & Associates, an independent, licensed professional engineer experienced in the design, construction and operation of municipal utilities showing that in his professional opinion, the Revenue of the Waterworks Utility of the City, after deducting

Operating and Maintenance Expense, together with Utility Local Improvement District Assessments hereafter collected which will be available in each succeeding year for the payment of the principal and interest on all outstanding bonds payable out of such Revenue and Assessments and payable out of the Bond Fund, including the Bonds to be issued, will be equal to the coverage requirement established by Section 8(b) of Ordinance No. 2328.

The conditions and requirements set forth in Section 11 of Ordinance No. 2328 having been met and complied with, or will be met and complied with at the time of the issuance of the Bonds, the Bonds shall, therefore, be issued on a parity with the outstanding Refunding Bonds, 1976.

Section 12. By Ordinance No. 2169, as amended by Ordinance No. 2181, provision has been irrevocably made for the payment and retirement of all of the Outstanding Bonds. The Revenue of the Waterworks Utility of the City and all Utility Local Improvement District Assessments hereafter collected are hereby pledged to the payments to be made into the Bond Fund as aforesaid, and the Refunding Bonds, 1976, and the Bonds shall constitute a lien and charge upon such Revenue and Utility Local Improvement District Assessments prior and superior to any other liens and charges whatsoever, subject only to Operating and Maintenance Expense and to the payment and retirement of the Outstanding Bonds.

Section 13. In the judgment of the City Council the Revenue of the Waterworks Utility of the City at the rates to be charged for water and sanitary sewage disposal service and storm and surface water drainage service furnished on the entire utility, together with Utility Local Improvement District Assessments, will be more than sufficient to meet all Operating and Maintenance Expense and to permit the setting aside into the Bond Fund out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments hereafter collected of amounts sufficient to pay the interest on the Refunding Bonds, 1976, and the Bonds as such interest becomes payable and to pay and redeem all of such bonds at maturity. The City Council and corporate authorities of the City further hereby declare that in creating the Bond Fund and in fixing the amounts to be paid into the same as aforesaid they have exercised due regard for the Operating and Maintenance Expense, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments than in the judgment of the City Council will be available over and above such Operating and Maintenance Expense and debt service requirements of such Refunding Bonds, 1976, and the Bonds, and that no portion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments has previously been pledged for any indebtedness other than the Outstanding Bonds to be refunded or otherwise paid and retired as stated above.

Section 14. The City further hereby covenants and agrees with the owner and holder of each of the Bonds as follows:

(a) All Utility Local Improvement District Assessments hereafter collected by the King County Comptroller, as ex officio treasurer for the issuers of the Outstanding Bonds, shall be transferred to the Director of Finance of the City for deposit in the Bond Fund and all Utility Local Improvement District Assessments hereafter collected by the Director of Finance of the City shall be paid into the Bond Fund and may be used to pay the principal of and interest on the Refunding Bonds, 1976, the Bonds and/or such Parity Bonds, without such assessments or installments thereof or interest thereon being particularly allocated to the payment of the principal and interest on any particular issue of bonds payable out of the Bond Fund. However, nothing in this ordinance or in this section shall be construed to prohibit the City from issuing water and sewer revenue bonds junior in lien to such Refunding Bonds, 1976, the Bonds and/or Parity Bonds and pledging as security for their payment assessments levied in any utility local improvement district which may have been specifically created to pay part or all of the costs of improvements to the Waterworks Utility of the City for which such junior lien bonds were specifically issued.

(b) It will establish, maintain and revise as necessary, and collect such rates and charges for water and sanitary sewage disposal service and for storm and surface water drainage service so long as any Refunding Bonds, 1976, the Bonds and/or Parity Bonds are outstanding as will, together with any Utility Local Improvement District Assessments hereafter collected, make available in each succeeding year for the payment of the principal of and interest on such bonds then outstanding an amount equivalent to at least 1.25 times the average annual debt service requirements, both principal and interest, of such bonds, after deducting Operating and Maintenance Expense from the Revenue of the Waterworks Utility of the City. This subparagraph shall hereinafter be called the "Coverage Requirement." In determining whether the "Coverage Requirement" is or will be satisfied by the City, there shall be deemed to be included within the principal amount of bonds maturing in any year the amounts required to be paid into the "Principal and Interest Account" of the Bond Fund in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds.

(c) It will at all times maintain and keep the Waterworks Utility of the City in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Waterworks Utility of the City unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all bonds payable out of the Bond Fund at any time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of such Waterworks Utility of the City that is used, useful and material to the operation thereof, unless provision is made for replacement thereof, or for payment into the Bond Fund of the total amount of revenue received which shall not be less than an amount which shall bear the same ratio to the amount of outstanding bonds payable out of the Bond Fund as the revenue available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the utility sold, leased, encumbered or disposed of bears to the revenue available for debt service for such bonds from the entire utility for the same period. Any such moneys so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(e) It will while any of the Bonds remains outstanding keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to its Waterworks Utility of the City, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statement of such utility in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year and it will grant any holder or holders of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the entire Waterworks Utility of the City and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Bonds, it will also furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(f) It will not furnish water or sanitary sewage disposal service or storm and surface water drainage service to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts and all delinquent Utility Local Improvement District Assessments.

(g) It will carry the types of insurance, including self-insurance, on the properties of the Waterworks Utility of the City in the amounts normally carried by private water and sewer companies engaged in the operation of water and sewerage systems, and the cost of such insurance shall be considered a part of Operating and Maintenance Expense of such utility. If, as, and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of such Utility on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(h) It will pay all Operating and Maintenance Expense of the Waterworks Utility of the City and otherwise meet the obligations of the City as herein set forth.

(i) It will make no use of the proceeds of the Bonds or other funds of the City at any time during the term of the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

Section 15. The Bonds shall be printed on good bond paper with lithographed borders in a form consistent with this ordinance, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the City Clerk, or a Deputy City Clerk on her behalf, and the coupons shall bear the facsimile signatures of the Mayor and the City Clerk or Deputy City Clerk as the case may be. The seal of the City shall be either impressed on each Bond or reproduced on the lower border thereof, and if so reproduced, such seal is hereby adopted as the seal of the City for such bonds being issued.

Section 16. The City covenants with the owner and holder of each of the Bonds for as long as any of the same is outstanding that it will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will have any priority over or which will rank on a parity with the payment required by this ordinance to be made out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to be paid into the Bond Fund, except it reserves the right for

First, the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Waterworks Utility of the City pursuant to a plan or plans of additions and betterments thereto hereafter adopted, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding water and sewer revenue bonds of the City

to issue additional and/or refunding revenue bonds therefor (herein called "Parity Bonds") and to make payments into the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor as required, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by this ordinance to be made into the Bond Fund and "Reserve Account" created therein, if the conditions and requirements set forth in Section 11 of Ordinance No. 2328 are met and complied with at the time of issuance of such Parity Bonds.

Nothing contained in this section shall prevent the City from issuing revenue bonds or warrants, the payment of the principal of and interest on which is a charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments junior and inferior to the payments required to be made out of such Revenue into the Bond Fund.

Section 17. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have funds available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or "Government Obligations," as hereinafter defined, sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the Revenue of the Waterworks Utility of the City, Utility Local Improvement District Assessments, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged to be paid from the Bond Fund without priority, shall thereupon cease and become void and the City may then apply any money in any fund or account established for the payment or redemption of such Bonds or coupons to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued be secured by cash and/or "Government Obligations" pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or "Government Obligations" are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the Coverage Requirement. For the purposes of this section, "Government Obligations" shall mean any direct obligations of, and any obligations the payment of principal of and interest on which is guaranteed by, the United States of America, and which are otherwise lawful investments of the City at the time of such investment.

Section 18. By Ordinance No. 2169, as amended by Ordinance No. 2181, there has been created and established in the office of the Director of Finance of the City a special fund designated the "Waterworks Utility Revenue Fund." The Revenue of the Waterworks Utility of the City shall be deposited as received in the "Waterworks Utility Revenue Fund" and shall be used, paid out and distributed in the following order of priority:

(a) To meet Operating and Maintenance Expense.

(b) To meet the required payments into the Bond Fund for all bonds payable out of the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments, including the amounts required to be paid into the "Principal and Interest Account" of the Bond Fund in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds, and payments necessary to make up any deficiency in the Reserve Account of the Bond Fund created by authorized withdrawals therefrom.

(c) To meet the debt service requirements for any water and sewer revenue bonds hereafter issued for the payment of which the lien and charge upon the Revenue of the Waterworks Utility of the City will be junior to the prior lien and charge thereon for payments to be made into the Bond Fund.

(d) To redeem and retire any water and sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds in the open market at a price not in excess of the price at which those bonds would be redeemed at the next call date, and to make necessary additions, betterments, repairs, extensions and replacements of the Waterworks Utility of the City and other

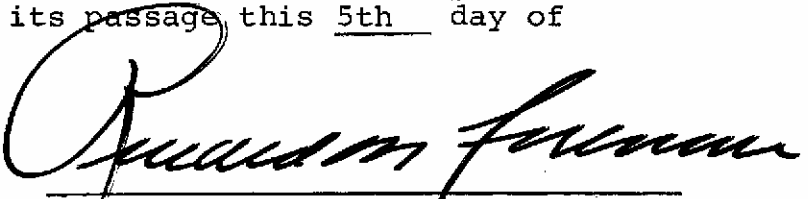
purposes proper to its maintenance and operation, including the payment of any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

Section 19. Foster & Marshall Inc. of Seattle, Washington, has submitted an offer to purchase the Bonds at a price of \$ 97.80 per each \$100.00 principal amount, plus accrued interest from the date of issuance to the date of delivery of the Bonds to the purchaser, the City to furnish the printed Bonds and the unqualified approving legal opinion of Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, without cost to the purchaser. Bond counsel shall not be required to review and shall express no opinion concerning the completeness or accuracy of any official statement, offering circular, or other sales material issued or used in connection with the Bonds, and bond counsel's opinion shall so state. The City Council, being of the opinion that it is for the best interests of the City that such offer be accepted, hereby accepts the same. The Bonds shall, therefore, immediately upon their execution and delivery to the Director of Finance of the City be delivered to the purchaser upon payment therefor in accordance with its offer.

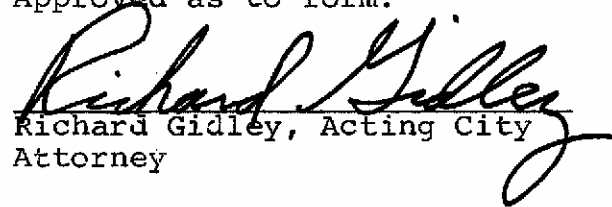
After the deposit in the "Reserve Account" in the Bond Fund of the reserve amount as specified in Section 10 of this ordinance, the balance of the principal proceeds from the sale of the Bonds shall be deposited in the "Utility Capital Improvement Fund No. 480" created and established in the office of the Director of Finance by Ordinance No. 2840 and approximately \$ 6,151,100.00 thereof shall be used for the purpose of paying the costs of carrying out the improvements ordered in Section 4 of this ordinance, and the remaining balance of such principal proceeds shall be used for the purpose of paying the costs of carrying out the improvements ordered by Section 3 of this ordinance with the costs of the issuance and sale of the Bonds allocated proportionately to the costs of such improvements. The accrued interest received shall be deposited in the "Principal and Interest Account" in the Bond Fund. Pending the expenditure of such principal proceeds from the sale of the Bonds, such proceeds may be invested in any legal investment and the investment income received may be retained in the "Utility Capital Improvement Fund No. 480" and used for the purposes of such fund or may be transferred to the Bond Fund.

Section 20. This ordinance shall take effect and be in force five days after its passage and legal publication.


PASSED by the City Council this 5th day of May, 1980,
and signed in authentication of its passage, this 5th day of
May, 1980.


Richard M. Foreman, Mayor

Approved as to form:


Richard Gidley, Acting City
Attorney

Attest:


Patricia K. Weber, City Clerk

Published: May 10, 1980