

ORDINANCE NO. 1721

ORIGINAL

AN ORDINANCE OF THE CITY OF REDMOND, WASHINGTON, RELATING TO THE WATER SUPPLY AND DISTRIBUTION SYSTEM OF THE CITY; PROVIDING FOR THE ISSUANCE OF \$5,105,000 WATER AND SEWER REVENUE REFUNDING BONDS, 1993, TO ADVANCE REFUND ALL OF THE CITY'S WATER AND SEWER REVENUE BONDS, 1988; FIXING THE DATE, DENOMINATIONS, TERMS, REDEMPTION AND REGISTRATION PRIVILEGES, MATURITIES, INTEREST RATES AND COVENANTS OF SUCH BONDS; PROVIDING FOR THE DISPOSITION OF THE SALE PROCEEDS OF SUCH BONDS; AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT; PROVIDING FOR THE SALE AND DELIVERY OF SUCH BONDS TO SEATTLE-NORTHWEST SECURITIES CORPORATION, SEATTLE, WASHINGTON; AND AMENDING SECTIONS 3 OF ORDINANCE NO. 1235, AS PREVIOUSLY AMENDED BY SECTION 12 OF ORDINANCE NO. 1452.

WHEREAS, the City of Redmond, Washington (the "City"), now owns, maintains and operates its combined water and sewerage systems, which combined systems comprise the Waterworks Utility of the City; and

WHEREAS, pursuant to Ordinance No. 1235, the City heretofore issued its \$1,765,000 principal amount of Water and Sewer Revenue Refunding Bonds, 1985 (the "1985 Bonds"), for the purpose of obtaining part of the funds with which to accomplish the refunding, payment and retirement of the then-outstanding Water and Sewer Revenue Refunding Bonds, 1977; and

WHEREAS, pursuant to Ordinance No. 1452, the City issued and sold its \$4,500,000 principal amount of Water and Sewer Revenue Bonds, 1988 (the "1988 Bonds"), as Parity bonds, as permitted pursuant to Ordinance No. 1235, for the purpose of making capital improvements to the Waterworks Utility; and

WHEREAS, all of the 1988 Bonds are currently outstanding;
and

WHEREAS, pursuant to Chapter 39.53 RCW, the City is authorized to sell and issue, without an election, revenue bonds of the City to advance refund all of the 1988 Bonds; and

WHEREAS, the City reserved the right to defease the 1988 Bonds; and

WHEREAS, the advance refunding and defeasance of the 1988 Bonds will provide a debt service savings to the City; and

WHEREAS, the City deems it necessary and advisable that \$5,105,000 in aggregate principal amount of revenue refunding bonds now be issued as "Parity Bonds," as permitted pursuant to Ordinance No. 1235 to provide funds for the advance refunding and defeasance of the 1988 Bonds; and

WHEREAS, Seattle-Northwest Securities Corporation has offered to purchase such revenue refunding bonds; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DO
ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in the recitals and Sections 1 through 24 of this Ordinance, the following words shall have the following meanings:

(a) "Annual Debt Service" shall mean, in any year, that year's total of principal and interest requirements for the then-outstanding bonds (except the principal maturity of Term Bonds) to which the term "Annual Debt Service" refers, plus any mandatory sinking fund or mandatory bond redemption requirement

for that year, less all capitalized interest payable that year from such bonds.

(b) "Average Annual Debt Service" shall mean, in any year, the sum of the remaining Annual Debt Service of the then-outstanding bonds to which the term "Average Annual Debt Service" refers divided by the number of years such bonds are scheduled to remain outstanding.

(c) "Bond Fund" shall mean the "Water and Sewer Revenue Refunding Bond Fund, 1985," created by Section 3 of Ordinance No. 1235 for the purpose of paying and securing the principal of and interest on the Bonds and any Parity Bonds.

(d) "Bonds" shall mean the \$5,105,000 aggregate principal amount of "Water and Sewer Revenue Refunding Bonds, 1993," authorized to be issued by this Ordinance.

(e) "Bond Register" shall mean the registration books of the Registrars on which are maintained the names and addresses of the Owners of the Bonds.

(f) "City" shall mean the City of Redmond, Washington, a noncharter code city of the State of Washington.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(h) "Escrow Obligations" shall mean those certain noncallable direct obligations of the United States of America listed on Schedule 1 attached to the Escrow Agreement.

(i) "Government Obligations" shall mean those government obligations defined by RCW 39.53.010 as it now reads or hereafter

may be amended and which are otherwise lawful investments of the City at the time of such investment.

(j) "1977 Bond Fund" shall mean the "Redmond Water and Sewer Revenue Refunding Bond Fund, 1977," created by Ordinance No. 787 to secure the payment of the Water and Sewer Revenue Refunding Bonds, 1977, and any bonds issued on a parity therewith.

(k) "1985 Bonds" shall mean the outstanding "Water and Sewer Revenue Refunding Bonds, 1985," of the City, dated February 1, 1985, and issued pursuant to Ordinance No. 1235.

(l) "1988 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1988," of the City dated November 1, 1988, and issued pursuant to Ordinance No. 1452.

(m) "Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service which shall become due in any future year on any outstanding Bonds and Parity Bonds.

(n) "Operating and Maintenance Expense" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility to be operated and maintained in good repair, working order and condition and all payments made to another agency for treatment or disposal of sewage or acquisition of water, but excluding depreciation and any City-imposed utility taxes or payments in lieu of taxes.

(o) "Owner" shall mean the person named as the registered owner of a Bond on the Bond Register.

(p) "Parity Bonds" shall mean any and all revenue bonds of the City issued after the date of the issuance of the 1985 Bonds

pursuant to the provisions of Section 12 of Ordinance No. 1235, the payment of the principal of and interest on which constitutes a lien and charge upon the Revenue of the Waterworks Utility and ULID Assessments on a parity with the lien and charge upon such Revenue and ULID Assessments for the 1985 Bonds.

(q) "Principal and Interest Account" shall mean the account of that name created in the Bond Fund by Section 3 of Ordinance No. 1235 for the payment of the principal of and interest on the Bonds and any Parity Bonds.

(r) "Purchase Agreement" shall mean the Purchase Agreement for the Bonds, dated March 16, 1993, by and between the Purchaser and the City.

(s) "Purchaser" shall mean Seattle-Northwest Securities Corporation, the purchaser of the Bonds.

(t) "Refunding Plan" shall mean the advance refunding and defeasance of the 1988 Bonds and the payment of certain "incidental costs and costs related to the sale and issuance" (as defined in RCW 39.46.070) of the Bonds.

(u) "Registrars" shall mean the fiscal agencies of the State of Washington in Seattle, Washington, and New York, New York, as the same may be designated from time to time.

(v) "Reserve Account" shall mean the account of that name created in the Bond Fund by Section 3 of Ordinance No. 1235 for the purpose of securing the payment of the principal of and interest on the Bonds and any Parity Bonds.

(w) "Reserve Requirement" shall mean the amount equal to the Average Annual Debt Service of all bonds payable from the Bond Fund.

(x) "Revenue of the Waterworks Utility" shall mean all the earnings and revenue received by the Waterworks Utility from any source whatsoever, except assessments in any ULID of the City, general ad valorem taxes, grants from the state or federal governments, proceeds from the sale of the City property and bond proceeds.

(y) "Sinking Fund Installments" or "Sinking Fund Installment" shall mean, in any one year, the principal of Bonds or Parity Bonds designated in the ordinances authorizing their respective issuance and sale as Sinking Fund Installments for that year.

(z) "ULID" shall mean utility local improvement district.

(aa) "ULID Assessments" shall mean all ULID assessments and installments thereof, plus interest and penalties thereon, heretofore payable into the 1977 Bond Fund and those levied in any ULID created to secure the payment of any Parity Bonds and pledged to be paid into the Bond Fund.

(bb) "Waterworks Utility" shall mean the combined water supply and distribution system and sanitary sewage disposal system of the City, together with all additions thereto and betterments and extensions thereof heretofore or hereafter made.

Section 2. Finding; Purpose, Authorization and Description of Bonds. The City hereby finds that it will realize debt service savings by the advance refunding and defeasance of the

1988 Bonds. The City hereby authorizes the sale and issuance of its "Water and Sewer Revenue Refunding Bonds, 1993" as Parity Bonds, as permitted pursuant to Ordinance No. 1235, for the purpose of providing part of the funds necessary to accomplish the Refunding Plan.

The Bonds shall be in the aggregate principal amount of \$5,105,000; shall be dated April 1, 1993; shall be issued in fully registered form as to both principal and interest; shall be in the denomination of \$5,000 each or any integral multiple thereof within a single maturity; shall be numbered separately in such manner and with any additional designation as the Registrars deem necessary for purposes of identification; shall bear interest at the rates set forth below; and shall mature on December 1 in each of the years and in the principal amounts, as set forth below:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
1994	\$ 75,000	3.000%
1995	80,000	3.300
1996	85,000	3.600
1997	170,000	3.850
1998	340,000	4.100
1999	350,000	4.300
2000	365,000	4.375
2001	385,000	4.600
2002	400,000	4.750
2003	420,000	4.900
2004	440,000	5.000
2005	460,000	5.150
2006	485,000	5.400
2007	510,000	5.600
2008	540,000	5.700

The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date to which interest has been paid

or duly provided for, whichever is later, payable on December 1, 1993, and semiannually thereafter on June 1 and December 1 of each year to the maturity or earlier redemption thereof. If any Bond is duly presented for payment upon maturity or earlier redemption and is not paid, then interest thereon shall continue to accrue thereafter at the rate stated therein until such Bond is paid.

The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-105.

Section 3. Place, Manner and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by check or draft mailed by the Registrars (or, if approved by the City Finance Director, by wire transfer) on or before the interest payment date, to the Owners, at the addresses for such Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Owners at the principal corporate trust office of either Registrar.

Section 4. Redemption and Open Market Purchase. The Bonds maturing in the years 1994 through 2003, inclusive, shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 2004, are subject to optional redemption beginning on December 1, 2003, in whole at any time or in part on any date (maturities to be selected by the City and by lot within a maturity in such manner as the Registrar shall

determine), at par plus accrued interest to the date fixed for redemption.

Any Bond in the principal amount of greater than \$5,000 may be partially redeemed in any integral multiple of \$5,000. In such event, upon surrender of such Bond at the principal corporate trust office of either Registrar, a new Bond or Bonds (at the option of the Owner) of the same maturity and interest rate and in the aggregate principal amount remaining unredeemed shall be authenticated and delivered to the Owner, without charge to the Owner therefor, in any denomination authorized by this Ordinance and selected by the Owner.

Notice of any such intended redemption shall be given by or on behalf of the City not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of each Bond to be redeemed at the address appearing on the Bond Register on the day the notice is mailed. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the Owner of any Bond. In addition, such redemption notice shall be mailed within the same time period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation (at their respective offices in New York, New York) or their successors, and to such other persons, including registered securities depositories, and with such additional information as the City Finance Director shall deem appropriate, but such additional notice shall not be a condition precedent to the redemption of such Bonds.

If such notice to the Owners shall have been given and the City shall have set aside sufficient money for the payment of all Bonds called for redemption on the date fixed for redemption, the Bonds so called shall cease to accrue interest after such redemption date, and all such Bonds shall be deemed not to be outstanding hereunder for any purpose, except that the Owners thereof shall be entitled to receive payment of the redemption price and interest accrued on the principal of the Bonds to the redemption date from the money set aside for such purpose.

The City reserves the right to purchase any or all of the Bonds on the open market at any time and at any price.

All Bonds redeemed or purchased by the City shall be surrendered to the Registrars for cancellation.

Section 5. Payment of Bonds From Bond Fund. The principal of and interest on the Bonds is payable only from the Bond Fund. In addition to the amounts required to be deposited in the Bond Fund pursuant to Ordinance No. 1235, so long as any Bonds are outstanding, the City obligates and binds itself to set aside and pay into the Bond Fund all assessments and interest thereon which may be levied in any ULID created for the purpose of paying in whole or in part the principal of and interest on the Bonds.

Section 6. Form of Bonds. The Bonds shall be printed or lithographed on good bond paper in a form consistent with this Ordinance and Washington law.

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile or manual signatures of

the Mayor and the City Clerk and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the City before said Bonds shall have been authenticated or delivered by the Registrars or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the City by such persons who, at the actual date of execution of such Bond shall be the proper officer of the City, although at the original date of such Bond such persons were not such officers of the City.

Section 8. Authentication and Delivery of Bonds by Registrars. The Registrars are authorized and directed, on behalf of the City, to authenticate and deliver Bonds initially issued or transferred or exchanged in accordance with the provisions of such Bonds and this Ordinance.

Only such Bonds as shall bear thereon a "Certificate of Authentication" manually executed by an authorized representative of the Registrars shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Ordinance.

The Registrars shall be responsible for their representations contained in the Certificate of Authentication on the Bonds.

Section 9. Registration, Transfer and Exchange. The Registrars shall keep, or cause to be kept, at the principal corporate trust office of either or both of them, the Bond Register.

The City and each Registrar, in its discretion, may deem and treat the Owner of each Bond as the absolute owner thereof for all purposes, and neither the City nor the Registrars shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 3 hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 3 hereof shall be valid and effectual to satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

The registered ownership of any Bond may be transferred, but no such transfer of any Bond shall be valid unless it is surrendered at any principal corporate trust office of the Registrars, with the assignment form appearing on such Bond duly executed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrars duly executed by, the Owner or such Owner's duly authorized agent, in a manner satisfactory to the Registrars. Upon such surrender, the Registrars shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Owner or transferee therefor (other than any governmental fees or taxes

payable on account of such transfer), a new Bond or Bonds (at the option of the new Owner), naming as Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, of the same maturity and interest rate, for the same aggregate principal amount, and in any authorized denomination selected by the new Owners, in exchange for such surrendered and cancelled Bond.

Any Bond may be surrendered at the principal corporate trust office of the Registrars and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same maturity and interest rate, in any authorized denomination as selected by the Owner. The Registrars shall not be obligated to transfer or exchange any Bond during the fifteen days preceding any principal or interest payment or redemption date.

Either Registrar may become the Owner of any Bond with the same rights it would have if it were not the Registrars and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the Bonds.

The City covenants that, until all Bonds shall have been surrendered and cancelled, it shall maintain a system of recording the ownership of each Bond that complies with the provisions of the Code.

Section 10. Lost, Stolen or Destroyed Bonds. If any Bond becomes mutilated, lost, stolen or destroyed, the Registrars may authenticate and deliver a new Bond of the same interest rate and

maturity and of like tenor and effect in substitution therefor, all in accordance with applicable law. If such mutilated, lost, stolen or destroyed Bond has matured, the City may, at its option, pay the same without the surrender thereof. However, no such substitution or payment shall be made unless and until the applicant shall furnish (a) evidence satisfactory to the Registrars of the destruction or loss of the original Bond and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by or on behalf of the City. No substitute Bond shall be furnished unless the applicant shall reimburse the City and the Registrars for their respective expenses in the furnishing thereof. Any such substitute Bond so furnished shall be equally and proportionately entitled to the security of this Ordinance with all other Bonds issued hereunder.

Section 11. Covenants of the City. The City covenants and agrees with the Owner of each of the Bonds as follows:

(a) It will establish, maintain, revise as necessary and collect such rates and charges for water and sanitary sewage disposal service furnished which, together with ULID Assessments which will be collected in any such year and other revenue available therefor, will produce Revenue of the Waterworks Utility available for debt service each calendar year, after payment of Operating and Maintenance Expense, at least equal to 1.25 times the Annual Debt Service in any year thereafter on all outstanding Bonds and Parity Bonds actually payable from the Revenue of the Waterworks Utility (the "Coverage Requirement").

(b) It will at all times maintain and keep the Waterworks Utility 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.

(c) It will collect promptly all ULID Assessments. Such assessment may be used to pay the principal or interest on any bonds payable out of the Bond Fund without those

assessments being particularly allocated to the payment of principal of or interest on any particular series of Bonds or Parity Bonds.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Waterworks Utility unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding bonds payable from the Bond Fund, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Waterworks Utility 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 from the Bond Fund as the Revenue of the Waterworks Utility available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, mortgage, encumbrance or disposal from the portion of the Waterworks Utility sold, leased, encumbered or disposed of bears to the Revenue of the Waterworks Utility available for debt service for such bonds for the same period. Any such money so paid into the Bond Fund shall be used to retire outstanding bonds payable therefrom at the earliest possible date and until being so used may be invested to the same extent and in the same manner as provided for the investment of money in the Reserve Account in the Bond Fund.

(e) It will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility, and it will furnish the Owner(s) of the Bonds or any subsequent Owner(s) thereof, at the written request of such Owner(s), complete operating and income statements of the Waterworks utility in reasonable detail covering any calendar year not more than 120 days after the close of such calendar year and it will grant any Owner(s) of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the entire Waterworks Utility and all records, accounts and data of the City relating thereto. Upon request of any Owner of any of the Bonds, it also will furnish to such Owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(f) It will not furnish any service of the Waterworks Utility to any customer whatsoever free of charge and will take prompt legal action to enforce collection of all delinquent accounts.

(g) It will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the City as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of water and sewer systems to the full insurable value thereof, and also will carry adequate public liability insurance (and war risk insurance if available at reasonable rates) at all times. The premiums on such insurance policies are declared to be a normal part of Operating and Maintenance Expense.

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

(i) It will use, pay out and distribute the Revenue of the Waterworks Utility, other than money deposited in bond redemption funds, in the following order of priority:

(1) To pay Operating and Maintenance Expense;

(2) To meet the required debt service payments on the Bonds and any Parity Bonds by making payments into the Principal and Interest Account;

(3) To make required payments into the Reserve Account; and

(4) To meet the required debt service on any water and sewer revenue bonds issued having a charge and lien on the Revenue of the Waterworks Utility junior to the Bonds and any Parity Bonds; to redeem and retire any than outstanding water and sewer revenue bonds or to purchase any or all of those bonds in the open market as provided in those bonds in the open market as provided in this ordinance; to make necessary betterments and replacements of or repairs, additions or extensions to the Waterworks Utility; or for any other lawful purpose.

(j) 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 payments required by Ordinance No. 1235 and this ordinance to be made out of the Revenue of the Waterworks Utility and ULID Assessments, nor will it issue Parity Bonds, except as permitted pursuant to Section 12 of Ordinance No. 1235, as amended by Section 13 of Ordinance No. 1452.

Section 12. Tax Exemption Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion of the interest on the Bonds from gross income of the recipients thereof for purposes of federal income taxation, and will take or require to be taken such acts as may be permitted by, and as may from time to time be required under, applicable law to continue the exclusion of the interest on the Bonds from gross income of the recipients thereof for purposes of federal income taxation. Without limiting the generality of the foregoing, the City will not invest or make or permit any use of the proceeds of the Bonds or of its other money at any time during the term of the Bonds which will cause such Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

The City covenants that it shall calculate or cause to be calculated, and shall rebate to the United States, all earnings from the investment of the Bond proceeds that are in excess of the amount that would have been earned had the yield in such investments been equal to the yield in the Bonds, plus income derived from such excess earnings, to the extent and in the manner required by Section 148 of the Code.

The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer the arbitrage certifications of which may not be relied upon.

The City will take no actions and will make no use of the proceeds of the Bonds or any other funds held under this

Ordinance which would cause any Bond to be treated as a "private activity bond" (as defined in Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in Section 103(a) of the Code, unless the tax exemption thereof is not affected.

The City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265 of the Code (relating to the deduction by financial institutions of the interest incurred to carry tax-exempt debt), and authorizes and directs the proper City officials to execute and deliver all documents necessary to evidence such designation to any and all interested parties. The City further covenants not to issue more than \$10,000,000 of such "qualified tax-exempt obligations" during 1993.

The covenants of this Section 12 shall survive any defeasance of this Ordinance and defeasance and payment of any Bonds to the extent required by the Code to continue the exclusion of the interest on the Bonds from gross income.

Section 13. Defeasance. If money and/or Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of all of the principal of and interest on all or a designated portion of the Bonds, when due in accordance with their respective terms or upon the earlier redemption thereof in accordance with a refunding plan adopted by the City, are set

aside in a special fund (hereinafter called the "trust account") to effect such payment or redemption and are pledged irrevocably for the purpose of effecting such payment or redemption, then no further payments need be made into the Bond Fund for the payment of the principal of and the interest on such Bonds, the Owners thereof shall cease to be entitled to any lien, benefit or security of this Ordinance, in the Revenue of the Waterworks Utility, ULID Assessments and funds and accounts obligated to the payment of such Bonds, except for the covenants in Section 12 of this Ordinance which shall survive the defeasance hereof until the actual payment of the Bonds and except for the right to receive the money and the principal and interest proceeds on the obligations set aside in the trust account, and such Bonds shall no longer be deemed to be outstanding hereunder.

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 or other legal investments pending the prior redemption of those Bonds being refunded, and if such refunding plan also provides that certain cash and/or Government Obligations or other legal investments are pledged irrevocably for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 14. Sale of Bonds. The Purchaser has presented the Purchase Agreement to the City pursuant to which the Purchaser has offered to purchase the Bonds, under the terms and conditions provided in the Purchase Agreement, which written Purchase Agreement is on file with the City Clerk and is incorporated herein by this reference. The City Council finds that entering into the Purchase Agreement is in the best interests of the City, and therefore accepts the offer contained in the Purchase Agreement and authorizes and directs the execution of the Purchase Agreement on behalf of the City by the Mayor.

The Bonds will be printed at City expense and will be delivered to the Purchaser in accordance with the Purchase Agreement, with the approving legal opinion of Riddell, Williams, Bullitt & Walkinshaw, bond counsel, Seattle, Washington, relative to the issuance of the Bonds, printed on each Bond. Bond counsel has not been engaged to review or express any opinion concerning the completeness or accuracy of the official statement or other disclosure documentation used in connection with the offer or sale of the Bonds by any person, and bond counsel's opinion shall so state. Bond counsel has not been retained to monitor, and shall not be responsible for monitoring, the City's compliance with any federal law or regulations to maintain the tax-exempt status of the interest on the Bonds.

Section 15. Delivery of Bonds; Temporary Bonds. The proper City officials are authorized and directed to approve and/or execute all documents, including, but not limited to, the final official statement pertaining to the Bonds, and to do everything

necessary for the preparation and delivery of a transcript of proceedings pertaining to the Bonds, and the printing, execution and delivery of definitive Bonds to the Purchaser, each without unreasonable delay.

If definitive Bonds are not ready for delivery by the date established for closing (the "Closing"), the City Finance Director, upon the approval of the Purchaser, may cause to be issued and delivered to the Purchaser one or more temporary Bonds with appropriate omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and subject to the same benefits and provisions of this Ordinance with respect to the payment, security and obligation thereof as definitive Bonds authorized hereby. Such temporary Bond or Bonds shall be exchangeable without cost to the Owners thereof for definitive Bonds when the latter are ready for delivery.

Section 16. Call of 1988 Bonds for Redemption. The City hereby calls the 1988 Bonds for redemption on January 1, 1997, at a redemption price of par plus accrued interest to the date of redemption, which call for redemption shall become irrevocable upon delivery of the Bonds at Closing.

The proper City officials are hereby authorized and directed to give or cause to be given such notice as may be required, at the time and in the manner required pursuant to Ordinance No. 1452 in order to effect the redemption of the 1988 Bonds as set forth above.

Section 17. Escrow Agreement. The Escrow Agreement between the City and Seattle-First National Bank (the "Escrow Trustee"),

in substantially the same form as the draft dated March 1, 1993, on file with the City Clerk is hereby approved in order to accomplish the defeasance of the 1988 Bonds. The Mayor is authorized and directed to (a) execute said Escrow Agreement, on behalf of the City, and to cause the same to be delivered to the Escrow Trustee on or before Closing, with such changes as the Mayor deems to be in the best interests of the City; and such execution and delivery of the Escrow Agreement shall evidence irrevocably the approval of the executed Escrow Agreement by the City; and (b) authorize and direct the Escrow Trustee to deliver notice of redemption of the 1988 Bonds in accordance with the Escrow Agreement.

Section 18. Acquisition of Escrow Obligations. The proper City officials shall, at or prior to closing, pay for and obtain delivery of any Escrow Obligations which are to be purchased in the open market pursuant to the Refunding Plan; and shall, prior to closing, deliver or cause to be delivered to the Federal Reserve Bank in Seattle, Washington, subscriptions for any Escrow Obligations which are to be acquired from the United States Bureau of Public Debt pursuant to the Refunding Plan. The maturing principal of and the interest on such Escrow Obligations, together with the Initial Cash to be provided to the Escrow Trustee pursuant to the Refunding Plan, shall be sufficient to pay all of the principal of and interest to become due on the 1988 Bonds from the date of closing to and including January 1, 1997, when due, and to redeem on said date all of the

remaining outstanding 1988 Bonds at a redemption price of par plus accrued interest to the redemption date.

The Escrow Trustee shall designate in any such subscriptions that all the principal of and interest on the Escrow Obligations subscribed for with the United States Bureau of Public Debt shall be payable to the Escrow Trustee. Such subscriptions may be amended as permitted by federal law.

Section 19. Verification of Sufficiency of Escrow. The City Finance Director is authorized and directed to obtain, prior to Closing, independent verification from a firm of certified public accountants that, among other things, the cash flow scheduled to be received from the Escrow Obligations deposited with the Escrow Trustee, together with any uninvested initial cash, shall be sufficient to make the payments of interest and redemption price of the 1988 Bonds as described in Section 4 of the Escrow Agreement. At Closing, if there has been any change in Escrow Obligations or cash deposited with the Escrow Trustee under this Ordinance and the Escrow Agreement, the City Finance Director shall cause the sufficiency of the Escrow Account to be reverified in such manner as she shall deem necessary.

Section 20. Application of Bond Proceeds. The City shall apply the proceeds from the sale of the Bonds as follows:

(a) The accrued interest on the Bonds shall be deposited immediately into the Principal and Interest Account of the Bond Fund;

(b) The net principal proceeds of the Bonds shall be paid immediately to the Escrow Trustee for application to the payment

of part of the costs of the Refunding Plan, as provided in the Escrow Agreement.

Section 21. Preliminary Official Statement Declaration.

For the sole purpose of the Purchaser's compliance with federal Securities and Exchange Commission Rule 15c2-12(b)(1), the City hereby deems the Preliminary Official Statement pertaining to the Bonds, dated March 8, 1993, final as of its date, except for the omission of information on offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the Bonds dependent on such matters.

Section 22. Amendment to Section 3 of Ordinance No. 1235, as Previously Amended by Section 12 of Ordinance No. 1452.

Capitalized terms used in this Section 21 which are defined in Ordinance No. 1235 shall have the meanings set forth in Ordinance No. 1235.

Section 3 of Ordinance No. 1235, as previously amended by Section 12 of Ordinance No. 1452, is hereby amended to read as follows:

The Bond Fund is created in the office of the City Finance Director as a special fund of the City to be known as the "Water and Sewer Revenue Refunding Bond Fund, 1985," which fund is divided into two accounts, a Principal and Interest Account and a Reserve Account. So long as any Bonds and/or Parity Bonds are outstanding against the Bond Fund, the City obligates and binds itself to set aside and pay into the Bond Fund out of the Revenue

of the Waterworks Utility certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, by the effective date of this ordinance and thereafter on or before the 10th day of each month, beginning with February, 1985, an amount which, together with ULID Assessment collections and other money on deposit therein, equals (1) one-sixth of the Revenue of the Waterworks Utility required to pay the interest to become due and payable on the Bonds and Parity Bonds outstanding on the next interest payment date, and (2) one-twelfth of the Revenue of the Waterworks Utility required to pay principal and any Mandatory Sinking Fund Installments of the Bonds and Parity Bonds on the next principal payment date; and

(b) Into the Reserve Account, the amount on deposit in the Reserve Account of the 1977 Bond Fund and such additional amounts in substantially equal annual payments so that by no later than February 1, 1990, an amount equal to Average Annual Debt Service with respect to the 1985 Bonds shall be on deposit in such Reserve Account.

In addition to the amounts required to be deposited in the Bond Fund pursuant to Ordinance No. 1235, the City obligates and binds itself to set aside and pay into the Reserve Account, out of the Revenue of the Waterworks Utility such additional amounts in substantially equal payments so that by no later than November 1, 1993 an amount equal to Average Annual Debt Service with respect to all outstanding 1985 Bonds and any outstanding Parity Bonds shall be on deposit in such Reserve Account.

The City covenants and agrees that it will at all times maintain in the Reserve Account an amount equal to the Reserve Requirement, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay the principal of and interest on all outstanding bonds payable from the Bond Fund, at which time the money in the Reserve Account may be used to pay any such principal and interest so long as the money left remaining on deposit in the Reserve Account is no less than the Reserve Requirement of the remaining outstanding bonds payable from the Bond Fund.

The money and investments in the Reserve Account shall be valued at least once a year on the basis of their fair market value, including all accrued but unpaid interest on investments. If the value of the money and investments in the Reserve Account exceeds the Reserve Requirement, the excess shall be transferred to the Principal and Interest Account until the total amount on deposit therein equals the amount necessary to pay the principal of and interest coming due on the Bonds and any Parity Bonds the 12 months next succeeding the date of such transfer; and the balance, if any, shall be deemed an overpayment and transferred from the Reserve Account to the Waterworks Utility to become part of the Revenue of the Waterworks Utility.

In the event there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either principal of or interest on any of the Bonds or any Future Parity Bonds, such deficiency shall be made up from the Reserve Account

by the withdrawal of cash therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal will then be made up from the Revenue of the Waterworks Utility and from ULID Assessment payments which shall be first available after making necessary provisions for the required payments into the Principal and Interest Account.

All money in the Bond Fund 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 Government Obligations or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding bonds payable from the Bond Fund (for investments in the Reserve Account). In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal and/or interest on the Bonds be invested at a yield which would 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. Income from investments in the Principal and Interest Account shall be deposited in that account except as may otherwise be provided in any ordinance authorizing the issuance of Parity Bonds. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement of all bonds payable from the Bond Fund,

and thereafter shall be deposited in the Principal and Interest Account.

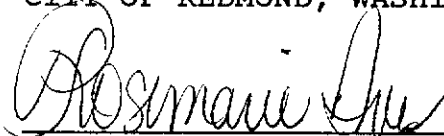
It is declared that in creating the Bond Fund and in fixing the amounts to be paid into it as aforesaid, the City Council has had due regard for Operating and Maintenance Expense, and declares that the City Council is not setting aside into the Bond Fund a greater amount than in its judgment will be available over and above such Operating and Maintenance Expense.

If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding bonds payable out of the Bond Fund may bring action against the City and compel the setting aside and payment.

Section 23. Contract; Savings Clause. The covenants contained in this Ordinance and in the Bonds shall constitute a contract between the City and the Owner of each and every Bond. If any one or more of the covenants or agreements provided in this Ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction and after final appeal (if any appeal be taken) to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Ordinance and shall in no way affect the validity of the other provisions of this Ordinance or of the Bonds.

Section 24. Effective Date. This Ordinance shall take effect from and after its passage and five days following its publication or posting as required by law.

CITY OF REDMOND, WASHINGTON



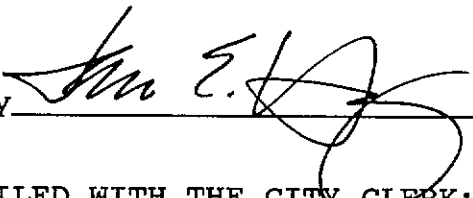
MAYOR, ROSEMARIE IVES

ATTEST/AUTHENTICATED:

Sandra P. Marion
for CITY CLERK, DORIS A. SCHAIBLE

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

By 

FILED WITH THE CITY CLERK:	March 10, 1993
PASSED BY THE CITY COUNCIL:	March 16, 1993
SIGNED BY THE MAYOR:	March 16, 1993
PUBLISHED:	March 21, 1993
EFFECTIVE DATE:	March 26, 1993
ORDINANCE NO. <u>1721</u>	