

ORDINANCE NO. 1452

AN ORDINANCE OF THE CITY OF REDMOND, WASHINGTON, RELATING TO THE WATER SUPPLY AND DISTRIBUTION SYSTEM OF THE CITY; PROVIDING FOR THE CONSTRUCTION, ACQUISITION AND INSTALLATION OF CERTAIN CAPITAL IMPROVEMENTS THERETO; PROVIDING FOR THE ISSUANCE OF \$4,500,000 PRINCIPAL AMOUNT OF "WATER AND SEWER REVENUE BONDS, 1988," OF THE CITY FOR THE PURPOSE OF PAYING PART OF THE COSTS OF MAKING SUCH CAPITAL IMPROVEMENTS; FIXING THE DATE, FORM, TERMS, INTEREST RATES, MATURITIES AND COVENANTS OF SUCH BONDS; PROVIDING FOR THE ESTABLISHMENT OF A CONSTRUCTION FUND; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF THE SALE OF THE BONDS; PROVIDING FOR THE SALE AND DELIVERY OF SUCH BONDS TO SEATTLE-NORTHWEST SECURITIES CORPORATION OF SEATTLE, WASHINGTON; AND AMENDING SECTIONS 3 AND 12 OF ORDINANCE NO. 1235.

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 par value 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, the City Council has determined it to be in the best interests of the City and its residents that certain capital improvements be made to the Waterworks Utility; and

WHEREAS, the City Council has determined it to be in the best interests of the City and its residents to pay for part of the costs of making such capital improvements through the issuance of a series of "Parity Bonds," as permitted pursuant to Ordinance No. 1235; and

WHEREAS, Seattle-Northwest Securities Corporation, Seattle, Washington, has submitted an offer to purchase such bonds; NOW THEREFORE,

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

Section 1. As used in the recitals and Sections 1 through 11 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 \$4,500,000 par value of "Water and Sewer Revenue Bonds, 1988," authorized to be issued by this ordinance.

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

(f) "Bond Registrar" 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.

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

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

(i) "Construction Fund" shall mean the "Waterworks Utility Construction Fund, 1988," created by Section 6 of this ordinance.

(j) "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.

(k) "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.

(l) "1985 Bonds" shall mean the outstanding "Water and Sewer Revenue Refunding Bonds, 1985," of the City issued under date of February 1, 1985, pursuant to Ordinance No. 1235, of which \$1,495,000 principal amount is outstanding.

(m) "1988 Project" shall mean the capital improvements to the Waterworks Utility described in Section 2 of this ordinance.

(n) "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.

(o) "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.

(p) "Owner" means the person named as the registered owner of a Bond on the Bond Register.

(q) "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.

(r) "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.

(s) "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.

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

(u) "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 City property and bond proceeds.

(v) "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.

(w) "Term Bond Maturity Year" shall mean any calendar year in which the bonds of any one issue or series now or hereafter scheduled to mature (regardless of any reservation of prior redemption rights) is more than 1.25 times the average annual principal maturity of the bonds of such issue or series for the three maturity years immediately preceding such year and, with respect to the Bonds, shall mean calendar year 2009.

(x) "Term Bonds" shall mean those outstanding bonds of any single issue or series scheduled to mature in any Term Bond Maturity Year and, with respect to the Bonds, shall mean those Bonds maturing in the year 2009.

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

(z) "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.

(aa) "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. The City intends to construct, acquire and install capital improvements to the Waterworks Utility, including, but not limited to, the following:

Water Projects

N.E. 24th, Master Meter & Extension  
Six Million Gallon Reservoir (with Bellevue)  
Avondale Project, Phase II, III  
Automatic Meter System  
Seattle Intertie, Phase I  
Avondale, N.E. 79th to Redmond Way  
N.E. 80th, 168th - 169th N.E.  
159th Pl. N.E., N.E. 109th-112th  
N.E. 99th, 163-166 N.E.  
163rd N.E., N.E. 99-100th  
N.E. 100th, 161-163rd N.E.  
Easement, 172nd N.E. to Booster Sta.  
167th N.E., N.E. 92-95th

Sewer Projects

East Lake Sammamish, Phase II  
Avondale Project Phase I, II, III  
Northern Drainage Basin

All of the foregoing shall be in accordance with the plans and specifications therefor prepared by the City Engineer, and may be modified by the City Council in its discretion as long as such modification does not affect the purpose of the improvement. Other capital improvements identified in the City's comprehensive water and sanitary sewer plans may be added to the foregoing list or substituted for projects noted above, or projects may be deleted from the foregoing list, in any case, by the City Council in its discretion.

Section 3. For the purpose of providing a part of the money required to pay the costs of constructing, acquiring and installing the capital improvements described in Section 2 hereof, together with the incidental costs and costs related to the sale and issuance of the Bonds, the City shall issue the Bonds as Parity

Bonds, as permitted pursuant to Ordinance No. 1235, in the aggregate principal amount of \$4,500,000. The Bonds shall be dated November 1, 1988; shall be in the denomination of \$5,000 each or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purpose of identification; 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 July 1, 1989, and on each January 1 and July 1 of each year thereafter to the maturity or earlier redemption thereof, at the rate of 7.55% per annum; and shall mature on January 1, 2009.

If any Bond is not paid upon proper presentment at its maturity or redemption date, the City shall be obligated to pay interest at the same rate for each such Bond from and after its maturity or redemption date until such Bond, both principal and interest, is paid in full.

Upon surrender thereof to the Bond Registrar, the Bonds may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Such exchange or transfer shall be without cost to the Owner or transferee.

The Bonds shall be issued only in registered form as to both principal and interest and recorded in the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each Bond and the principal amount and number of Bonds held by each Owner.

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 (or, if approved by the City Finance Director, by wire transfer) on the interest payment date to the Owners at the addresses 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 registered owners at either office of the Bond Registrar. The Bonds shall be payable solely out of the Bond Fund and shall not be general obligations of the City.

The Bonds are Term Bonds and, if not previously purchased by the City in the open market or optionally redeemed as set forth below, are subject to mandatory redemption by lot (in such manner as the Bond Registrar shall determine), at par plus accrued interest, on January 1 of the following years and in the following Sinking Fund Installments:

<u>Year</u>	<u>Sinking Fund Installment</u>
1997	\$ 70,000
1998	245,000
1999	260,000
2000	280,000
2001	300,000
2002	320,000
2003	345,000
2004	370,000
2005	395,000
2006	425,000
2007	460,000
2008	495,000
2009*	535,000

\*Scheduled maturity

The Bonds are also subject to redemption at the option of the City on and after January 1, 1997, in whole at any time, or in part on any interest payment date (by lot in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date of redemption. Upon the optional redemption of a portion of the principal amount of the Bonds, the Sinking Fund Installments therefor shall be reduced pro rata to the nearest \$5,000 (any odd bond being credited to an installment at the option of the City) to reflect the amount of the Bonds remaining outstanding.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may be redeemed. If

less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the Owner, without charge therefor, a new Bond or Bonds, at the option of the Owner, of like maturity and interest rate in any of the denominations authorized by this ordinance.

Notice of any such intended redemption shall be given 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 such 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, and Standard & Poor's Corporation at their 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 mailings shall not be a condition precedent to the redemption of such Bonds.

If such notice shall have been given and the City shall have set aside, on the date fixed for redemption, sufficient money for the payment of all Bonds called 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 purposes, except that the Owners thereof shall be entitled to receive payment of the redemption price and accrued interest to the redemption date from the money set aside for such purpose.

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

Section 4. 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 5. The Construction Fund is hereby created in the office of the City Finance Director as a special fund of the City to be known as the "Waterworks Utility Construction Fund, 1988." Immediately upon receipt of payment in full for the Bonds (a) any accrued interest received shall be deposited in the Principal and Interest Account, and (b) the principal proceeds of the Bonds shall be deposited into the Construction Fund. Money in the Construction Fund may be temporarily invested in such obligations as may be lawful for the investment of City moneys.

The principal proceeds of the Bonds and any interest and profit received from the deposit or investment of such proceeds shall be applied and used solely for the purpose of paying the costs of the Project, including, but not limited to, payment of the costs of property acquisition, site preparation and demolition; development, design engineering, architectural, planning, financial, legal, relocation and other services lawfully incurred incident to accomplishment of the Project; construction of the Project; and the incidental costs and costs related to the sale and issuance of the Bonds. If any money remains in the Construction Fund after payment of such costs, such money shall be transferred to the Principal and Interest Account and applied to payment of the principal of or interest on the Bonds and any Parity Bonds.

Section 6. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance and state law, shall be signed on behalf of the City with the facsimile or manual signatures of the Mayor and City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

Only such Bonds as shall bear thereon a "Certificate of Authentication" manually executed by an authorized representative the Bond Registrar 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.

In case either or both of the officers who shall have executed any Bond shall cease to be such officer or officers of the City before the Bond so signed shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bond nevertheless may be authenticated, delivered and issuance, and upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond also may be signed on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although on the original date of such Bond such persons were not such officers of the City.

Section 7. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the City.

The Bond Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become an Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depositary 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 Bond Owners.

Section 8. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 9. 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 assessments 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 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 the 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 Washington law and as may from time to time be required under applicable law to continue the exclusion of the interest on the Bonds from the 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 would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(j) If all the proceeds of the Bonds have not been spent within six months from the date of issuance of the Bonds, it will calculate or cause to be calculated, and shall rebate to the United States, all earnings from the investment of Bond proceeds that are in excess of the amount that would have been earned had the yield on such investments been equal to the yield on the Bonds, plus income derived from such excess earnings, to the extent and in the manner required by Section 148 of the Code.

(k) It 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.

(l) 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.

(m) It will not issue more than \$10,000,000 of "qualified tax-exempt obligations," as defined in Section 265 of the Code (relating to the deduction by financial institutions of the interest incurred to carry tax-exempt debt) during 1988. The City hereby designates the Bonds as "qualified tax-exempt obligations" for such purposes 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.

(n) 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 hereby.

Section 10. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, to pay the principal of and interest on the Bonds of such portion thereof included in the refunding plan as the same become due and payable and to refund such then outstanding Bonds and to pay the costs of refunding, and shall have set aside irrevocably in a special fund for an pledged to such payment and refunding, money and/or Government Obligations or other legal investments sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account"), and shall make irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the owners of the Bonds to be so retired or refunded (hereinafter collectively called the "defeased Bonds") in the covenants of this ordinance, in the Revenue of the Waterworks Utility, ULID Assessments and funds and accounts obligated to the payment of such Bonds, other than the right to receive the funds so set aside and pledged thereupon shall cease and become void, except such owners shall have the right to receive

payment of the principal of and interest on the defeased Bonds from the trust account. After the establishing and full funding of such trust account, the City then may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other bonds then outstanding.

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 11. Seattle-Northwest Securities Corporation of Seattle, Washington, has presented a Bond Purchase Agreement (the "Purchase Contract") to the City whereunder Seattle-Northwest Securities Corporation has offered to purchased the Bonds under the terms and conditions provided in the Purchase Contract, which written Purchase Contract is on file with the City Clerk and is incorporated herein by this reference. The City Council finds that entering into the Purchase Contract is in the City's best interest and therefore accepts the offer contained in the Purchase Contract and authorizes the execution of the Purchase Contract by City officials.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Purchase Contract offer with the approving legal opinion of Riddell, Williams, Bullitt & Walkinshaw, bond counsel of Seattle, Washington, relative

to the issuance of the Bonds, printed on each bond. Bond counsel shall not be required to review or express any 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. 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.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to Seattle-Northwest Securities Corporation and for the proper application and use of the proceeds of the sale thereof.

Section 12. Capitalized terms used in this Section 12 which are defined in Ordinance No. 1235 shall have the meanings set forth in Ordinance No. 1235.

Section 3 of Ordinance No. 1235 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, (~~the Reserve Requirement~~) 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 both the 1985 Bonds and the 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.

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. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirements 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 13. Capitalized terms used in this Section 13 which are defined in Ordinance No. 1235 shall have the meanings set forth in Ordinance No. 1235.

Section 12 of Ordinance No. 1235 is hereby amended to read as follows:

The City further covenants with the Owner of each of the Bonds for as long as any of the same is outstanding that it will not create any special fund of 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 this ordinance to be made out of the Revenue of the Waterworks Utility and ULID Assessments, nor will it issue Parity Bonds, except that 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 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 Bonds or Parity Bonds,

to issue additional and/or refunding revenue bonds therefor, and to make payments into the Bond Fund from the Revenue of the Waterworks Utility and ULID Assessments sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor as hereinafter required, which payments may rank equally with the payments out of the Revenue of the Waterworks Utility and ULID Assessments required to be made into the Bond Fund by this ordinance, if the following conditions and requirements are met and complied with at the time of the issuance of such Parity Bonds:

(a) At the time of issuance of such Parity Bonds, there shall not be a deficiency in either the Principal and Interest Account or the Reserve Account;

(b) The ordinance providing for the issuance of such Parity Bonds shall provide that 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 of such Parity Bonds shall be paid directly into the Bond Fund;

(c) Each ordinance providing for the issuance of such Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund((-))i

(d) The ordinance authorizing any Parity Bonds shall require that the Reserve Account be increased within a period of five years after the date of issuance

of the Parity Bonds to an amount equal to the Average Annual Debt Service on all bonds payable from the Bond Fund, including the Parity Bonds proposed to be issued((-)); and

(e) 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/her/its professional opinion, the ((annual)) historical Revenue of the Waterworks Utility for any twelve consecutive months out of the 24 months immediately preceding the date of such certificate which is available for debt service on the Bonds, Parity Bonds then outstanding and the Parity Bonds proposed to be issued ((for each year)), together with ULID Assessments which will be collected in any such year, shall be at least equal to the Coverage Requirement for each calendar year after the issuance of such proposed Parity Bonds.

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 Revenue of the Waterworks Utility for any twelve consecutive months out of the immediately preceding 24-month period:

(i) Any rate change that has taken place or been adopted may be reflected;

(ii) Revenue may be added from customers actually added to the Waterworks Utility subsequent to the twelve-month period;

(iii) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the Parity Bonds to be issued; and

(iv) Revenue may be added from customers reasonably anticipated to be added to the Waterworks Utility where service is available, if the annual income thus determined shall only be increased annually for three calendar years following the issuance of the Parity Bonds, and if the aggregate of such estimate of additional customers may does exceed the actual aggregate of new customers during the three calendar years immediately preceding the issuance of such Parity Bonds.

Nothing contained in the provisions for Parity Bonds shall prevent the City from issuing revenue bonds or other obligations having a junior lien on the Revenue of the Waterworks Utility or from pledging the payment of assessments in any ULID into a bond, note or warrant redemption fund or account created to pay and secure the payment of the principal of and interest on such junior lien obligations as long as such assessments are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such junior lien obligations. Neither

shall anything contained in this ordinance prevent the City from issuing revenue bonds to refund maturing revenue obligations of the City for the payment of which money is not otherwise available.

Section 14. The covenants contained in this ordinance shall constitute a contract between the City and the Owners of each and every Bond. The City unconditionally covenants that it will keep and perform all of the covenants of the Bonds and this ordinance. If any one or more of the provisions of this ordinance shall be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining provisions of this ordinance or the Bonds, and this ordinance and the Bonds shall be construed and enforced as if such unconstitutional or invalid provision had not been contained herein.

Section 15. This ordinance shall take effect from and after its passage and five days following its publication as required by law.

CITY OF REDMOND, WASHINGTON

*Doreen Marchione*  
MAYOR, DOREEN MARCHIONE

ATTEST/AUTHENTICATED:

*Doris A. Schaible*  
CITY CLERK, DORIS A. SCHAIBLE

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

By *Greg C. Martin*

FILED WITH THE CITY CLERK:	10-20-88
PASSED BY THE CITY COUNCIL:	10-25-88
SIGNED BY THE MAYOR:	10-25-88
PUBLISHED:	10-30-88
EFFECTIVE DATE:	11-4-88
ORDINANCE NO.:	<u>1452</u>

DSG:cgp  
10/19/88