

CITY OF REDMOND, WASHINGTON

ORDINANCE NO. 420

AN ORDINANCE specifying and adopting a system or plan of additions to and betterments and extensions of the waterworks utility of the City of Redmond, Washington, including the system of sewerage as a part thereof; declaring the estimated cost thereof as near as may be; providing for the issuance of \$500,000 par value of "Water and Sewer Refunding and Construction Revenue Bonds, 1967," for the purpose of obtaining funds (a) to pay the cost of carrying out said system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted herein, (b) to pay the cost of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in Ordinance No. 373, and (c) to pay, retire and refund all outstanding "Water and Sewer Revenue Bonds, 1957," and "Water and Sewer Revenue Bonds, 1960," of the City; fixing the form, date, maturities, interest rates, covenants and terms of the "Water and Sewer Refunding and Construction Revenue Bonds, 1967"; creating a special construction fund; providing for the deposit and investment of the proceeds received from the sale of such bonds; and providing for the sale of such bonds to Foster & Marshall Inc. of Seattle, Washington.

WHEREAS, the Town of Redmond, Washington, (now a city of the third class, having advanced in classification from a fourth class town), by Ordinance No. 149, passed by the Town Council and approved by the Mayor on August 8, 1951, issued and sold \$66,000 par value of "Water Revenue Bonds, 1951," dated August 1, 1951, of which issue there are now outstanding bonds in the total principal sum of \$15,000, \$3,000 par value of which bonds mature on August 1, 1967, and the remaining \$12,000 par value of such bonds are subject to call for prior redemption on August 1, 1967, at par, plus accrued interest, and, as hereinafter set forth, the City will have on hand by March 1, 1967, sufficient moneys in the "Water Revenue Bond Fund, 1951," to pay all of said bonds, including interest thereon, on August 1, 1967; and

WHEREAS, the Town (now City) of Redmond, by Ordinance No. 200, passed by the Town Council and approved by the Mayor on March 27, 1957, specified and adopted a system or plan for a system of sewerage

for the Town and provided that the system of sewerage to be acquired , including all additions, betterments and extensions thereof, should become a part of the waterworks utility of the Town, said combined waterworks system and sewerage system, including all additions thereto and betterments and extensions thereof at any time made, being hereinafter referred to as the "waterworks utility of the City," and authorized the issuance and sale of water and sewer revenue bonds in an amount not to exceed \$305,000 par value, which bonds were issued pursuant to Ordinance No. 206, adopted November 13, 1957, under date of December 1, 1957, as "Water and Sewer Revenue Bonds, 1957," and there are now outstanding bonds in the total principal sum of \$277,000 and such bonds are subject to call for prior redemption on December 1, 1967, upon terms of par and accrued interest plus a premium of 2 1/2% of the principal amount thereof; and

WHEREAS, by section 11 of said Ordinance No. 206, the Town (now City) of Redmond reserved the right to issue additional water and sewer revenue bonds, which shall constitute a charge and lien upon the gross revenues of the waterworks utility of the City on a parity with said "Water and Sewer Revenue Bonds, 1957," provided the following conditions shall be met and complied with at the time of the issuance of such additional bonds:

"a. That all payments required to be made into the bond redemption fund for the outstanding 'Water Revenue Bonds, 1951,' dated August 1, 1951, shall have been made;

"b. That all payments required by this ordinance and any ordinance hereafter enacted pertaining to said 'Water and Sewer Revenue Bonds, 1957,' shall have been made into the Bond Fund;

"c. That the revenues of the said waterworks utility, including the sewerage system to be acquired as a part thereof, plus the additional revenues reasonably anticipated to be received as a result of the making of the improvements in connection

with which the additional revenue bonds are proposed to be issued, shall be and be deemed sufficient, after the payment of normal operation and maintenance costs and taxes, to equal at least 1.40 times the average annual principal and interest requirements of all then outstanding water revenue bonds and/or water and sewer revenue bonds, including the bonds of the issue authorized herein and of the additional water and sewer revenue bonds proposed to be so issued. Such determination of the sufficiency of the revenues shall be made and certified to by either a professional engineer or a certified public accountant experienced in municipal utilities and licensed to practice in the State of Washington; provided, however, that this certificate shall not be required in the event that the additional bonds proposed to be so issued are issued for the purpose of refunding outstanding water and sewer revenue bonds and the average annual debt service requirements of such proposed additional revenue bonds are not increased over the requirements for the bonds being so refunded; and

"d. That the ordinance authorizing the issuance of such additional bonds shall provide that an amount equal to the average annual debt service of the additional bonds proposed to be issued shall be accumulated as a reserve in the bond redemption fund created for such additional bonds or in a separate reserve fund, such amount to be accumulated by monthly deposits commencing not later than one month after the date of issuance of the bonds and to be accumulated within five years after the date of issuance; provided, however, that in the case of refunding bonds the ordinance authorizing the issuance of such refunding bonds shall provide that the moneys in the Reserve Account for the bonds to be refunded shall be transferred to the Reserve Account or a separate reserve fund for the refunding bonds or that the moneys in the Reserve Account for the bonds to be refunded shall be used to redeem such bonds, in which event an amount equal to the average annual debt service for the refunding bonds proposed to be issued shall be accumulated as a reserve in the same manner and within the same times as set forth herein for additional revenue bonds." ; and

WHEREAS, pursuant to Ordinance No. 238, \$47,000 par value of "Water and Sewer Revenue Bonds, 1960," were issued and sold under date of March 1, 1960, on a parity of lien with said "Water and Sewer Revenue Bonds, 1957," in accordance with the provisions of Section 11 of said Ordinance No. 206, to provide the funds necessary to carry out the system or plan of additions to and betterments and extensions of the waterworks utility of the City, as adopted in said Ordinance No. 238, all of which bonds are presently outstanding and are subject to call for prior redemption on September 1, 1967, upon terms of par and accrued interest plus a premium of 1 1/2% of the principal amount thereof; and

WHEREAS, pursuant to Ordinance No. 294, passed by the City Council and approved by the Mayor on September 27, 1962, the City heretofore issued and sold \$625,000 par value of "Water and Sewer Revenue Bonds, 1962, Series A," to obtain the funds with which to pay the cost of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, adopted by Ordinance No. 260, and the cost of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, adopted by Ordinance No. 289, as amended by Ordinance No. 293, which bonds were issued under date of October 1, 1962, on a parity with the outstanding "Water and Sewer Revenue Bonds, 1957," and the outstanding "Water and Sewer Revenue Bonds, 1960," pursuant to the provisions of section 11 of Ordinance No. 206; and

WHEREAS, by Ordinance No. 373, passed by the City Council and approved by the Mayor on April 27, 1965, the City specified and adopted a system or plan of additions to and betterments and extensions of the waterworks utility of the City, and provided for the issuance of not to exceed \$625,000 par value of water and sewer revenue bonds to obtain the funds with which to pay the cost thereof and the City thereafter made temporary loans from its "Water and Sewer Fund" in an aggregate amount in excess of \$82,000 to obtain the funds with which to carry out a portion of the improvements included in said system or plan of additions to and betterments and extensions of the waterworks utility of the City; and

WHEREAS, the City now desires to adopt a system or plan of additions to and betterments and extensions of the waterworks utility of the City consisting of additional sanitary sewage collection lines, a new water main and a new well and to pay the cost thereof out of the proceeds to be received from the issuance and sale of water and sewer revenue bonds of the City; and

WHEREAS, the City Council believes that it is in the best interest of the City to refund the outstanding "Water and Sewer Revenue Bonds, 1957," and the outstanding "Water and Sewer Revenue Bonds, 1960," by issuing refunding water and sewer revenue bonds whereby an interest

savings may be realized by the City, which refunding bonds shall be combined with the revenue bonds required to finance the system or plan of additions to and betterments and extensions of the waterworks utility of the City herein adopted and to reimburse the Water and Sewer Fund for advances made to finance a part of the improvements constructed pursuant to Ordinance No. 373, such combined refunding and construction revenue bonds to be issued on a parity of lien with the outstanding "Water and Sewer Revenue Bonds, 1962, Series A"; and

WHEREAS, the City Council hereby finds and declares that all payments required to be made into the bond redemption fund for outstanding "Water Revenue Bonds, 1951," and all payments required to be made into the "Town of Redmond Water and Sewer Revenue Bond Fund, 1957," for the outstanding "Water and Sewer Revenue Bonds, 1957," and into the "Town of Redmond Water and Sewer Revenue Bond Fund, 1960," for the outstanding "Water and Sewer Revenue Bonds, 1960," have been made into the respective bond redemption funds and that W. B. Moore of Livingston, Moore & Wallace, Inc., consulting engineers, a professional engineer experienced in municipal utilities and licensed to practice in the State of Washington, has certified that said revenues are sufficient to meet the said 1.40 coverage requirement as evidenced by his certificate to such effect on file with the City Clerk, and provision is hereinafter made for the accumulation of the necessary reserve for the water and sewer revenue bonds now proposed to be issued, NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON,
DO ORDAIN as follows:

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

(a) "Bonds" shall mean the "Water and Sewer Refunding and Construction Revenue Bonds, 1967," authorized to be issued by this ordinance.

(b) "Bond Fund" shall mean the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," created by Ordinance No. 373 in the office of the City Treasurer and so designated by this ordinance.

(c) "1951 Bonds" shall mean the "Water Revenue Bonds, 1951,"

of the City (then Town) issued pursuant to Ordinance No. 149.

(d) "1951 Bond Fund" shall mean the "Water Revenue Bond Fund, 1951," created by Ordinance No. 145 for the payment of the principal of and interest on the 1951 Bonds.

(e) "1957 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1957," of the City (then Town) issued pursuant to Ordinance No. 206.

(f) "1957 Bond Fund" shall mean the "Town of Redmond Water and Sewer Revenue Bond Fund, 1957," created by Ordinance No. 200 for the payment of the principal of and interest on the 1957 Bonds.

(g) "1960 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1960," of the City (then Town) issued pursuant to Ordinance No. 238.

(h) "1960 Bond Fund" shall mean the "Town of Redmond Water and Sewer Revenue Bond Fund, 1960," created by Ordinance No. 238 for the payment of the principal of and interest on the 1960 Bonds.

(i) "1962 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1962, Series A," issued pursuant to Ordinance No. 294.

(j) "U.L.I.D. Assessments" shall mean the assessments levied in such utility local improvement districts of the City as may hereafter be created under state law which may authorize the creation of the same and shall include installments thereof and interest and any penalties thereon.

(k) "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 general ad valorem taxes, U.L.I.D. Assessments, proceeds from the sale of City property and bond proceeds.

(l) "Operating and maintenance expenses" 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.

(m) "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, the payment of the principal of and interest on which constitutes a lien and

charge upon revenue of the waterworks utility of the City and upon all U.L.I.D. Assessments hereafter required to be paid into the Bond Fund equal in rank with the lien and charge upon such revenue required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds.

(n) "Term bond maturity year" shall mean any last 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 proceeding: such term bond maturity year.

(o) "Term Bonds" shall mean those outstanding bonds of any single issue or series scheduled to mature in any term bond maturity year.

Section 2. It is found and declared that it is necessary and in the best interest of the City to refund the 1957 Bonds and the 1960 Bonds and that the rates of interest on the bonds authorized by this ordinance will not exceed the rates of interest on the 1957 Bonds and the 1960 Bonds.

Section 3. The City specifies and adopts a system or plan of additions to and betterments and extensions of the waterworks utility of the City which shall consist of the following:

(1) There shall be constructed and installed the following sanitary sewage collection lines in the following areas:

<u>Approx. Pipe Size</u>	<u>On</u>	<u>From</u>	<u>To</u>
8"	N.E. 40th St.	154th Ave. N.E.	156th Ave. N.E.
8"	Easement (156th Ave. N.E.)	N.E. 40th St.	N.E. 51st St.

(2) There shall be constructed and installed a 10 inch water main on N.E. 95th St. from Avondale Road to the east city limits.

(3) A new well shall be drilled and tested and the site therefor acquired in the general vicinity of N.E. 95th St. and east of Avondale Road and a new well house shall be constructed, pumps installed therein and the same shall be connected to the existing city water system.

(4) There shall be purchased a site for a new 2,000,000 gallon storage tank to serve the Viewpoint Water System.

There shall be included in the foregoing the acquisition and installation of all necessary manholes, valves, fittings, couplings, connections, equipment and appurtenances, and the acquisition of any easements or rights-of-way that may be required; and there shall be included the performance of such work as may be incidental and necessary to the foregoing construction and installation.

The City Council may modify the details of the foregoing system or plan where, in its judgment, it seems advisable, provided such modifications do not substantially alter the purposes hereinbefore set forth.

Section 4. 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 twenty-five years.

Section 5. The sanitary sewage collection lines and water main described in subparagraphs (1) and (2) of Section 3 were heretofore constructed pursuant to order of the City Council and such construction was financed by a temporary loan from the Water and Sewer Fund of the City in excess of \$40,000 and the City Council desires to reimburse the Water and Sewer Fund in the sum of \$40,000. The estimated cost, as near as may be, of carrying out the improvements set forth in subparagraphs (3) and (4) of Section 3 above is hereby declared to be \$20,590.

Section 6. For the purpose of providing the funds with which (a) to refund, pay, retire and cancel on December 1, 1967, \$272,000 par value of outstanding 1957 Bonds, (b) to refund, pay, retire and cancel on September 1, 1967, \$47,000 par value of outstanding 1960 Bonds, (c) to reimburse the Water and Sewer Fund the sum of \$122,000 advanced from such fund as a temporary loan to provide the funds necessary to carry out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City adopted by Ordinance No. 373 and a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City herein adopted and described in subparagraphs (1) and (2) of Section 3 hereof and (d) to provide the funds necessary to carry out the remaining portion of the system or plan of additions to and betterments

and extensions of the waterworks utility of the City herein adopted and described in subparagraphs (3) and (4) in Section 3 hereof, and hereby ordered to be carried out, there shall be issued and sold \$500,000 par value of the Bonds (herein designated as "Water and Sewer Refunding and Construction Revenue Bonds, 1967"). The Bonds shall be dated March 1, 1967; shall bear interest at the rates hereinafter set forth, payable on March 1, 1968, and semiannually thereafter on each succeeding September 1 and March 1, interest to maturity to be evidenced by coupons to be attached to the Bonds with full obligation on the part of the City to pay interest at the bond rates from and after the maturity dates until the Bonds with interest are paid in full; shall be in denominations of \$5,000 each; and shall be numbered from 1 to 100, inclusive. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the City Treasurer of the City of Redmond, Washington. The Bonds shall be payable solely out of the special fund created and established in the office of the City Treasurer by Ordinance No. 373 and designated therein as the "Water and Sewer Revenue Bond Fund, 1965," which fund shall hereafter be known and designated as the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," (herein called the "Bond Fund"). The Bonds shall be a valid claim of the holder thereof only as against the Bond Fund and the fixed amount of the revenues of the waterworks utility of the City pledged to such fund and shall not be a general obligation of the City of Redmond. The Bonds shall mature and shall bear interest in accordance with the following schedule, to-wit:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturities</u>
1 to 3	\$15,000	4 1/4%	March 1, 1968
4 to 5	10,000	4 1/4%	March 1, 1969
6 to 7	10,000	4 1/4%	March 1, 1970
8 to 9	10,000	4 1/4%	March 1, 1971
10 to 11	10,000	4 1/4%	March 1, 1972
12 to 13	10,000	4 1/4%	March 1, 1973
14 to 16	15,000	4 3/8%	March 1, 1974
17 to 19	15,000	4 3/8%	March 1, 1975
20 to 22	15,000	4 3/8%	March 1, 1976
23 to 25	15,000	4 3/8%	March 1, 1977
26 to 28	15,000	4 3/8%	March 1, 1978
29 to 31	15,000	4 3/8%	March 1, 1979
32 to 34	15,000	4 3/8%	March 1, 1980
35 to 38	20,000	4 1/2%	March 1, 1981
39 to 42	20,000	4 1/2%	March 1, 1982

43 to 46	20,000	4 1/2%	March 1, 1983
47 to 50	20,000	4 1/2%	March 1, 1984
51 to 54	20,000	4 1/2%	March 1, 1985
55 to 59	25,000	4 1/2%	March 1, 1986
60 to 64	25,000	4 1/2%	March 1, 1987
65 to 69	25,000	4 1/2%	March 1, 1988
70 to 75	30,000	4 1/2%	March 1, 1989
76 to 82	35,000	4 1/2%	March 1, 1990
83 to 84	10,000	4 1/2%	March 1, 1991
85 to 86	10,000	4 1/2%	March 1, 1992
87 to 88	10,000	4 1/2%	March 1, 1993
89 to 90	10,000	4 1/2%	March 1, 1994
91 to 92	10,000	4 1/2%	March 1, 1995
93 to 94	10,000	4 1/2%	March 1, 1996
95 to 97	15,000	4 1/2%	March 1, 1997
98 to 100	15,000	4 1/2%	March 1, 1998

Bonds numbered 1 to 34, inclusive, maturing March 1, 1968, to March 1, 1980, inclusive, shall be issued without the right or option of the City to call the same for redemption prior to their stated maturity dates.

The City reserves the right to redeem outstanding Bonds numbered 35 to 100, inclusive, maturing March 1, 1981, to March 1, 1998, inclusive, as a whole, or in part in inverse numerical order, on March 1, 1980, or on any semiannual interest payment date thereafter, at par, plus accrued interest to the date of such redemption.

Notice of any call for redemption of the Bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Foster & Marshall Inc. at its principal office in Seattle, Washington, or its successors, within the same period. 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.

Section 7. The Bond Fund is hereby divided into a "Principal and Interest Account" and a "Reserve Account." So long as Bonds are outstanding against the Bond Fund, the Treasurer of the City shall set aside and pay into the Bond Fund, out of the revenue of the waterworks utility of the City, a fixed amount without regard to any fixed proportion, namely:

(a) Into the "Principal and Interest Account," on or before the 20th day of each month, beginning with the month of March, 1967, and continuing through February, 1968, the sum of \$1,345, and beginning with the month of March, 1968, and continuing thereafter 1/12th of the next ensuing twelve months' requirements of both principal and interest on the Bonds; and

(b) On March 1, 1967, there shall be transferred from the "Reserve Accounts" in the 1957 Bond Fund and the 1960 Bond Fund the balances remaining in such accounts to the "Reserve Account" in the Bond Fund, and in addition thereto there shall be set aside and paid into the "Reserve Account" in the Bond Fund out of the revenue of the waterworks utility of the City monthly, on or before the 20th day of each month, beginning with the month of March, 1967, an amount which by March, 1972, will provide a total amount in the "Reserve Account" in the Bond Fund of not less than \$28,169.

The "Reserve Account" may be accumulated from any other moneys which the City may have available for such purpose, in addition to using the revenue of the waterworks utility of the City therefor. The "Reserve Account" shall, except for withdrawals therefrom as authorized herein, after the total reserve amount has been accumulated therein be maintained in such amount at all times so long as any of the Bonds is outstanding, PROVIDED, HOWEVER, that when the total amount in the Bond Fund shall equal the total amount of the principal and interest on all outstanding Bonds to the last maturity thereof no further payments need be made into the Bond Fund.

In the event that there shall be a deficiency in the "Principal and Interest Account" in the Bond Fund to meet maturing installments of either principal or interest as the case may be, 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 first available after making necessary provisions for the required payment into the "Principal and Interest Account." The moneys in the "Reserve Account" shall otherwise be held intact, and may be applied against the last outstanding Bonds.

All moneys in the "Reserve Account" above provided for, may be kept on deposit in the official bank depository of the City or in any national bank or may be invested in United States Government obligations maturing not later than twelve years from date of issue and in no event later than March 1, 1998. Interest on any such investment or on such bank account shall be deposited in and become a part of the "Reserve Account" until the total reserve amount shall have been accumulated therein.

The revenue of the waterworks utility of the City is hereby pledged to such payments and the Bonds shall constitute a charge and lien upon such revenue prior and superior to all other charges and liens whatsoever, excluding charges for maintenance and operation of such utility, except that the charge and lien upon such revenue for the Bonds shall be on a parity with the charge and lien upon the same for the outstanding 1962 Bonds and any additional revenue bonds hereafter issued on a parity therewith in accordance with the provisions of Section 11 of Ordinance No. 206 and Section 13 hereof.

Section 8. The City Council and corporate authorities of the City hereby declare that in creating the Bond Fund and in fixing the amounts to be paid into it as aforesaid they have considered and had due regard for the cost of operation and maintenance of the waterworks utility of the City and have not set aside into the Bond Fund a greater amount or proportion of the revenue of the waterworks utility of the City than in their judgment will be available over and above the cost of maintenance and operation of the waterworks utility of the City and the debt service requirements for the presently outstanding 1962 Bonds, after taking into consideration the provisions herein made for the payment and retirement of the 1951 Bonds and the refunding, payment and retirement of the 1957 Bonds and the 1960 Bonds.

Section 9. The Bonds and the interest coupons attached thereto shall be in substantially the form contained in Exhibit A attached hereto and by this reference made a part hereof and incorporated herein.

Section 10. The Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the City Clerk, and shall have the seal of the City of

Redmond affixed thereto and the coupons shall bear the facsimile signatures of the Mayor and the City Clerk.

Section 11. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington 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 direct obligations of the United States of America 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, U.L.I.D. Assessments, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and the City may then apply any moneys 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 refunding bonds be secured by cash and/or direct obligations of the United States of America pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America 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 revenue of the waterworks utility of the City and U.L.I.D. 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 rate covenants.

Section 12. The City of Redmond hereby covenants and agrees with the owner and holder of each Bond at any time outstanding as follows:

(a) That it will not sell, lease, mortgage, or in any manner encumber or dispose of all the properties 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 at any time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the waterworks utility of the City that is used, useful and material to the operation thereof, unless provision is made for the replacement thereof, or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of outstanding Bonds 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.

(b) That at such time as the 1962 Bonds have been retired or provision made for the retirement thereof Section 5 (b) of Ordinance No. 294 shall no longer apply and the following provisions shall become effective: The City will establish, maintain and collect rates and charges for sanitary sewage disposal service furnished by the waterworks utility of the City, which together with other revenue of the waterworks utility of the City and collection of U.L.I.D. Assessments in any utility local improvement district hereafter created to secure the payment of any Parity Bonds hereafter issued, will provide amounts equal to at least 1.30 times the average annual amount, excluding from the computation of such average any Term Bond Maturity Year, required to be paid into the Bond Fund to pay the principal of and interest on the Bonds and any Parity Bonds hereafter issued, after operating and maintenance expenses have been paid, but before depreciation. Such average annual debt service shall be computed each year.

(c) That 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) That it will pay all costs of maintenance and operation of the waterworks utility of the City and the debt service requirements of the outstanding 1962 Bonds and otherwise meet the obligations of the City as herein set forth.

(e) That it will, while any of the Bonds remains outstanding, keep proper and separate accounts and records in which complete and correct entries shall be made of all transactions relating to the 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 statements of said utility in reasonable detail covering any calendar year, showing the financial condition of the water and sewer departments and compliance with the terms and conditions of this Ordinance, not more than 120 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 said 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 or independent certified public accountant.

(f) That it will not furnish water or sanitary sewage disposal service to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts.

(g) That it will carry the types of insurance on its 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 maintaining said 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 said system on which such War Risk Insurance may be written in an amount or amounts to cover adequately the value thereof.

Section 13. The City hereby further covenants and agrees 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 rank on a parity with the Bonds, except that it reserves the right,

First, to issue additional revenue bonds for the purpose of acquiring, constructing and installing additions and betterments to the waterworks utility of the City, or

Second, to issue refunding revenue bonds for the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding revenue bonds of the City, (such additional and/or refunding bonds being herein defined as "Parity Bonds") and to make payments into the Bond Fund out of the revenue of the waterworks utility of the City, which together with U.L.I.D.

Assessments collected and paid into the Bond Fund, will be sufficient to pay the principal of and interest on such Parity Bonds and to maintain the reserves required therefor, which such payments may rank equally with the payments required by this Ordinance to be made into the Bond Fund and the Reserve Account created therein for the payment of the principal of and interest on the Bonds upon compliance with the following conditions:

(a) At the time of the issuance of such Parity Bonds there shall not be any deficiency in any fund or account created for the payment of or to secure the payment of any Bonds or Parity Bonds then outstanding.

(b) Each Ordinance providing for the issuance of such Parity Bonds shall require that any and all assessments levied in any utility local improvement district or districts in which improvements will be constructed from the proceeds of such Parity Bonds will be paid directly into the Bond Fund.

(c) Each Ordinance providing for the issuance of such Parity Bonds for refunding purposes shall require that all uncollected U.L.I.D. Assessments which may have been levied to secure the payment of the principal of and interest on the bonds being refunded will be paid directly into the Bond Fund and that all moneys held in any fund or account of the City created for the purpose of paying the principal of and interest on the bonds being refunded be either used to pay the principal of and interest on such bonds or be transferred or paid into the Bond Fund.

(d) 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. Each such Ordinance shall further provide that the City will pay into the Reserve Account out of the U.L.I.D. Assessments required to be paid into the Bond Fund and, if necessary, out of moneys in the Water and Sewer Fund and revenue of the waterworks utility of the City approximately equal annual amounts which, together with the balance then in the Reserve Account and the Reserve Account in the 1962 Bond Fund, will equal within five years after the date of issuance of such Parity Bonds, the average annual amount (excluding from such average any Term Bond Maturity Year) required to pay the principal of and interest on the Bonds and all Parity Bonds then outstanding, including such additional or refunding revenue bonds, but excluding any bonds to be refunded thereby. In the event no U.L.I.D. Assessments are levied to secure the payment of such Parity Bonds, or there are no outstanding U.L.I.D. Assessments levied to secure the payment of the principal of and interest on the revenue bonds being refunded by such refunding Parity Bonds, then the City shall make the payments necessary to establish the required balance in the Reserve Account within five years from the date of the issuance of such Parity Bonds in approximately equal monthly amounts.

(e) At the time of the issuance of such Parity Bonds the City shall have on file a certificate from any licensed professional engineer experienced in the design, construction and operation of municipal utility (which certificate may not be dated more than ninety days prior to the date of delivery of such Parity Bonds) showing that in his professional opinion the "annual income available for revenue bond debt service" for each year after the date of issuance of such Parity Bonds shall be at least 1.30 times the average annual amount (computed as of the delivery date of the Parity Bonds) required to be paid into the Bond Fund, exclusive of any Term Bond Maturity Year, for the payment of the principal of and interest on the Bonds and Parity Bonds; provided, however that this certificate shall not be required if the proposed Parity Bonds are refunding bonds and the average annual debt service requirements on the refunding bonds are not increased over the average annual debt service requirements on the bonds being refunded.

Such "annual income available for revenue bond debt service" shall be determined by adding the "annual adjusted net income derived from revenues," computed as provided in subparagraph 1 and the "annual installments of U.L.I.D. Assessments that will be collected each year" computed as provided in subparagraph 2.

1. Such "annual adjusted net income derived from revenues" shall be determined as follows:

a. The net income of the waterworks utility of the City for any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Parity Bonds shall be determined from an audit of the Division of Municipal Corporations of the State Auditor's office, if available, or from a financial statement of the waterworks utility of the City prepared by an independent Certified Public Accountant, or a financial statement of the waterworks utility of the City authenticated by the City Clerk.

The words "net income" as used in the preceding subparagraph "a" shall mean "the revenue of the waterworks utility of the City less operating and maintenance expenses but excluding depreciation.

b. Such historical net income shall be adjusted to reflect a full twelve months' income from the rates and charges effective on the date of such certificate if there has been any change in such effective rates and charges during or after such twelve-consecutive-month period.

c. The following amounts may be added to such adjusted

net income:

- (1) The net income derived from those customers of the waterworks utility of the City that have become customers during such twelve-consecutive-month period or thereafter and prior to the date of such certificate, adjusted to reflect a year's net income from each such customer.
- (2) The annual net income to be derived from the potential customers, wherever located on the waterworks utility of the City who have paid the required connection charge or permit.
- (3) The annual net income to be derived by the waterworks utility of the City from any person, firm, association, corporation or municipal corporation under any executed service contract which income is not included in any of the sources of net income heretofore described in this subparagraph 1.
- (4) The annual net income to be derived by the waterworks utility of the City as a result of any facilities of the waterworks utility of the City under construction but not completed at the time of such certificate, which income is not included in any of the sources of income heretofore described in this subparagraph 1.
- (5) The annual net income to be received each year by the waterworks utility of the City as a result of any facilities of the waterworks utility of the City to be acquired, constructed or installed out of the proceeds of the sale of such Parity Bonds.

The amount of the "annual adjusted net income derived from revenues" determined as provided immediately above shall be computed as part of the "annual income available for revenue bond debt service" for each succeeding year to and including the last year that any Bonds and any Parity Bonds then outstanding mature.

2. Such "annual installments of U.L.I.D. Assessments that will be collected each year" shall be determined as follows:

- a. The amount of the unpaid balance of each assessment roll of any utility local improvement district or districts of the City which has been or will have been levied to secure the payment of any Parity Bonds then outstanding shall be obtained from the records of the City Treasurer. In the event that the period permitted by law for the payment of assessments without penalty or interest has not elapsed for one or more of such assessment rolls, fifteen percent of each such assessment roll shall be deducted therefrom as the estimated amount that would be paid during that period (hereinafter called "Estimated Prepayments").

- b. Five percent of each such balance shall be deducted for estimated delinquency in assessment payments.
- c. The balance then remaining on each such assessment roll shall be divided by the number of years in which the installments of such assessments on each such roll may be paid without becoming delinquent, and there shall be added to the amount found for each year the interest due and payable on such installments.

The amount so due each year shall be computed as part of the "annual income available for revenue bond debt service" for the particular year in which it is computed to become due.

- 3. Before such Parity Bonds may be issued such certificate must also set forth a schedule showing the amortization of the Bonds and any Parity Bonds, which schedule must provide for the retirement of all Term Bonds on or before their respective maturity date or dates. All Estimated Prepayments of U.L.I.D. Assessments, all money in the Bond Fund on the date of such certificate, including the money paid into the Reserve Account therein, interest earned and to be earned each year on the investment of such money and ninety percent of the surplus annual income available for revenue bond debt service remaining after the payment of annual fixed debt service on all of such bonds may be computed as having been applied for the retirement, plus call premium, if any, of any of such bonds, Term or otherwise, ahead of their fixed maturities and in accordance with their call provisions. The annual interest thus saved by the amortization of any or all of such bonds ahead of their fixed maturities may then be deducted from the regular annual fixed debt service required to be used in determining whether the required coverage condition for the issuance of such Parity Bonds on a parity basis with outstanding Bonds can be met.

- (f) In the event that any Parity Bonds are issued for the sole purpose of exchanging with or providing funds to purchase and retire prior to their maturity any of the Bonds or any Parity Bonds or any part of such bonds and the issuance of such Parity Bonds and retirement of outstanding bonds results in a monetary saving to the City, and such refunding bonds will not require a greater average annual amount to be paid thereafter than would have been required to be paid on the bonds being refunded, then the certificate required in subsection (e) of this Section need not be obtained to permit such Parity Bonds to be issued on a parity with any Bonds or Parity Bonds then outstanding, although the provisions of subsection (a), (c) and (d) of this section must still be complied with.

To the extent that any provisions of this section are inconsistent with the provisions of Section 11 of Ordinance No. 206 pertaining to the issuance of Parity Bonds, the provisions of this section shall govern as to any Parity

Bonds hereafter issued.

Section 14. Nothing herein contained shall prevent the City from issuing revenue bonds which are a charge upon the revenue of the waterworks utility of the City junior or inferior to the payments required to be made therefrom into the Bond Fund and the Reserve Account therein, or from pledging the payment of U.L.I.D. Assessments into the bond redemption fund created for the payment of the principal of and interest on such junior lien bonds as long as such U.L.I.D. Assessments are levied for improvements constructed from the proceeds of such junior lien bonds. Nor shall anything herein contained prevent the City from issuing revenue bonds to refund maturing revenue bonds of the District for the payment of which moneys are not otherwise available.

Section 15. There is hereby created and established in the office of the City Treasurer a special fund of the City to be called the "Water and Sewer Construction Fund." Into this fund shall be deposited out of the proceeds of the sale of the Bonds the amount hereinafter set forth and such additional amounts as the City Council may hereafter direct for the purpose of carrying out improvements to the waterworks utility of the City. Moneys in such fund shall be used to carry out improvements to the waterworks utility of the City on an interim basis as temporary loans with reimbursement to be made out of the proceeds received from the issuance and sale of additional water and sewer revenue bonds hereafter issued, or from moneys from any other source, which may become available therefor.

Section 16. Foster and Marshall Inc. of Seattle, Washington, heretofore offered to purchase the Bonds at a price of \$485,040.00, plus accrued interest from the date of issuance to the date of delivery of the Bonds, if any, the City to furnish at its expense the Bonds, together with the approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington. The City Council, deeming that no better offer could be received for the Bonds and that it was in the best interests of the City to accept that offer, duly accepted the same on January 31, 1967, and such acceptance is now ratified and confirmed. The Bonds shall, therefore, immediately upon their execution be delivered to Foster & Marshall Inc. upon payment therefor in accordance with that offer. The accrued interest

received, if any, shall be deposited in the "Principal and Interest Account" in the Bond Fund and the principal proceeds shall be deposited in the following manner:

(a) \$122,000 shall be deposited into the Water and Sewer Fund of the City

(b) \$20,590 shall be deposited into the Water and Sewer Construction Fund

(c) \$293,570 shall be deposited into the 1957 Bond Fund

(d) \$48,880 shall be deposited into the 1960 Bond Fund

The City Treasurer shall make the following fund transfers on March 1, 1967:

(a) \$9,725 from the Water and Sewer Fund to the 1951 Bond Fund, which together with the moneys on hand in said fund, including the "Reserve Account" therein, will be sufficient to pay and retire all of the outstanding 1951 Bonds on August 1, 1967

(b) The total amount of cash and investments in the "Reserve Account" of the 1957 Bond Fund shall be transferred to the "Reserve Account" in the Bond Fund

(c) The total amount of cash and investments in the "Reserve Account" of the 1960 Bond Fund shall be transferred to the "Reserve Account" in the Bond Fund

The City Treasurer shall on March 1, 1967, or the delivery date of the Bonds, if the delivery is made subsequent to March 1, 1967, invest moneys in the following funds in the following amounts in the following United States Government Obligations:

(a) No more than \$291,146 in the 1957 Bond Fund in U. S. Treasury Bills maturing November 30, 1967, and no more than \$7,347 of the balance in such fund in U.S. Treasury Bills maturing May 31, 1967, and the earnings on such investment shall be deposited in the "Principal and Interest Account" in the Bond Fund and such earnings shall be considered revenue of the waterworks utility of the City;

(b) No more than \$48,880 in the 1960 Bond Fund in U.S. Treasury Bills maturing on August 31, 1967, and the earnings on such investment shall be deposited in the "Principal and Interest Account" in the Bond Fund and such earnings shall be considered revenue of the waterworks utility of the City;

(c) \$40,000 in the Water and Sewer Construction Fund in U.S. Treasury Bills maturing on or about June 1, 1967, and \$44,000 in the Water and Sewer Construction Fund in U.S. Treasury Bills maturing on or about July 1, 1967.

The City Treasurer is hereby authorized and directed to call for redemption the following bonds on the following dates:

(a) On August 1, 1967, 1951 Bonds numbered 45 to 56, inclusive, of the total par value of \$12,000, such bonds to be called in the manner provided in Ordinance No. 149;


(b) On September 1, 1967, 1960 Bonds numbered 1 to 47, inclusive, of the total par value of \$47,000, such bonds to be called in the manner provided by Ordinance No. 238;

(c) On December 1, 1967, 1957 Bonds numbered 34 to 305, inclusive, of the total par value of \$272,000, such bonds to be called in the manner provided in Ordinance No. 206.

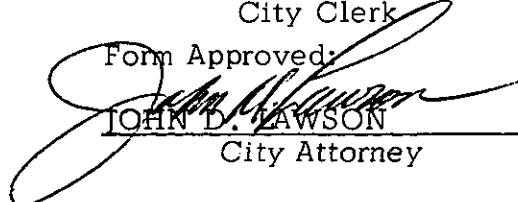
After March 1, 1967, or after the delivery of the Bonds if delivery is subsequent to March 1, 1967, the 1951 Bonds, the 1957 Bonds and the 1960 Bonds shall not be considered obligations of the waterworks utility of the City for the purposes of claims against the revenues of the waterworks utility of the City, the computation of compliance with coverage covenants and for purposes of issuing Parity Bonds.

Section 17. This ordinance shall take effect and be in force five days after the date of its publication in the manner provided by law.

PASSED by the City Council of the City of Redmond, Washington, at a regular meeting thereof and approved by the Mayor this 14th day of February, 1967.

ATTEST:

EDWARD FROEBE
City Clerk

CITY OF REDMOND, WASHINGTON
By 
G. G. GRAFF
Mayor

Form Approved:

JOHN D. LAWSON
City Attorney

FEB 22 1967

Bond Form

Bob
2/14/67

No. _____

\$5,000

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF REDMOND

WATER AND SEWER REFUNDING AND CONSTRUCTION REVENUE BOND, 1967

_____%

KNOW ALL MEN BY THESE PRESENTS: That the City of Redmond, Washington, for value received hereby promises to pay to bearer on the FIRST DAY OF MARCH, 19___, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of _____ PERCENT (____%) per annum from the date hereof until the said principal sum is paid in full, or until this bond, if callable, shall have been duly called for redemption and the redemption price, including interest to such call date, has been deposited in the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," of the City. Interest is payable on March 1, 1968; and semiannually thereafter on each succeeding September 1 and March 1. Interest falling due on and prior to maturity is evidenced by and payable upon the surrender of the attached interest coupons as they severally become due, with full obligation on the part of the City to pay interest at the same rate from and after the bond maturity date until this bond with interest is paid in full, or moneys are available in the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," for payment in full.

Both principal of and interest on the bond are payable in lawful money of the United States of America at the office of the City Treasurer of Redmond, Washington, solely out of the special fund created by Ordinance No. 373 and designated as the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," by Ordinance No. ____ (hereinafter called the "Bond Fund"), into which fund the City of Redmond hereby irrevocably binds itself to pay certain fixed amounts out of the gross revenues of the waterworks utility of the City, including the sewerage system as a part thereof, now belonging, or which may hereafter belong to the City, including all additions, replacements, extensions and betterments now or at any time hereafter made or constructed without regard to any fixed proportion, namely, an amount sufficient to pay the principal of and interest on the bonds of this issue, as they respectively become due and to create a reserve, all at the times and in the manner set forth in Ordinance No. _____. The bonds of this issue are not a general obligation of the City.

This bond is one of a total issue of \$500,000 par value of bonds all of like date, tenor and effect, except as to maturities, interest rates and options of redemption, all payable from the Bond Fund and all issued by the City under and pursuant to the laws of the State of Washington and Ordinances Nos. 373 and _____ of the City for the purpose of providing funds to pay the cost and expense of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the sewerage system as a part thereof, adopted by Ordinance No. 373 and the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, adopted by Ordinance No. _____ and for the further purpose of providing funds to refund, pay, retire and cancel all outstanding "Water and Sewer Revenue Bonds, 1957," and "Water and Sewer Revenue Bonds, 1960," of the City. Reference is hereby made to said Ordinances as more fully describing the covenants with and rights of holders of bonds of this issue.

Bonds numbered 1 to 34, inclusive, maturing March 1, 1968, to March 1, 1980, inclusive, are issued without the right or option of the City to call the same for redemption prior to their stated maturity dates.

The City of Redmond reserves the right to redeem outstanding bonds numbered 35 to 100, inclusive, maturing March 1, 1981, to March 1, 1998, inclusive, as a whole, or in part in inverse numerical order, on March 1, 1980, or on any semiannual interest payment date thereafter, at par, plus accrued interest to the date of such redemption.

Notice of any call for redemption of the bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Foster & Marshall Inc. at its principal office in Seattle, Washington, or its successors, within the same period. 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 gross revenues from the waterworks utility of the City, including the sewerage system as a part thereof, together with all additions thereto and betterments and extensions thereof at any time made are hereby pledged for the payment of the bonds of this issue at any time outstanding, both principal and interest, and such payment and pledge shall constitute a charge or lien upon such gross revenues prior and superior to all other charges and liens whatsoever, excluding charges for maintenance and operation of such utility, except that the charge or lien upon such gross revenues for the bonds of this issue shall be on a parity with the charge or lien upon the same for the outstanding "Water and Sewer

Revenue Bonds, 1962, Series A," dated October 1, 1962, and any additional revenue bonds hereafter issued on a parity therewith in accordance with the provisions of Section 11 of Ordinance No. 206 and Section ____ of Ordinance No. _____.

The City of Redmond hereby covenants and agrees with the holder of this bond that it will keep and perform all the covenants of this bond and of Ordinance No. _____ to be by it kept and performed and it further covenants and agrees to maintain in good condition and to operate such waterworks utility of the City, including the sewage system as a part thereof, and to establish, maintain and collect such rates and charges in connection therewith, as will produce the gross revenues necessary to meet the obligations of the City as herein set forth and as set forth in Ordinance No. _____.

It is hereby certified and declared that the bonds are issued pursuant to and in strict compliance with the constitution and laws of the State of Washington and the ordinances of the City of Redmond relating thereto and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and been performed as required as law.

IN WITNESS WHEREOF the City of Redmond, Washington, has caused this bond to be signed by the facsimile signature of its Mayor and attested by the manual signature of its Clerk and its corporate seal to be hereto affixed and the interest coupons attached to be signed with the facsimile signatures of such officials this first day of March, 1967.

CITY OF REDMOND, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

City Clerk

Interest Coupon Form

Coupon No. _____

\$ _____

On the FIRST DAY OF (MARCH) (SEPTEMBER), 19____, the CITY OF REDMOND, WASHINGTON, upon presentation and surrender of this coupon will pay to bearer at the office of the City Treasurer the amount shown hereon in lawful

money of the United States of America from the special fund of the City, known as the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," said sum being six months' (one year on coupon No. 1) interest then due on its "Water and Sewer Refunding and Construction Revenue Bond, 1967," dated March 1, 1967, and numbered _____.

CITY OF REDMOND, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

(facsimile signature)
City Clerk