

CITY OF REDMOND, WASHINGTON

ORDINANCE NO. 471

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 \$1,000,000.00 par value of "Water and Sewer Revenue Bonds, 1968," for the purpose of obtaining funds (a) to pay the cost of carrying out the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted herein, and (b) to pay the cost of carrying out a portion of the systems or plans 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 Ordinances Nos. 305, 393, as amended, 410 and 420; fixing the form, date, maturities, interest rates, covenants and terms of such bonds; and providing for the sale of such bonds to Foster & Marshall Inc. of Seattle, Washington.

WHEREAS, by Section 11 of Ordinance No. 206 of the Town (now City) of Redmond, which authorized the issuance of the "Water and Sewer Revenue Bonds, 1957," since refunded by the "Water and Sewer Refunding and Construction Revenue Bonds, 1967," the City 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 the "Water and Sewer Revenue Bonds, 1957," if 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, \$47,000.00 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 Ordinance No. 238; 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 \$625,000.00 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. 289, as amended by Ordinance No. 293, which bonds were issued under date of October 1, 1962, on a parity with the then 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, pursuant to Ordinance No. 420, passed by the City Council and approved by the Mayor on February 14, 1967, the City issued and sold \$500,000.00 par value of "Water and Sewer Refunding and Construction Revenue Bonds, 1967," to obtain the funds (a) to pay the cost of carrying out a system or plan of additions to and betterments of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in that Ordinance, (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 of the City, and (c) to pay, retire and refund all outstanding "Water and Sewer Revenue Bonds, 1957," and "Water and Sewer Revenue Bonds, 1960," which 1967 bonds were issued under date of March 1, 1967, on a parity with the "Water and Sewer Revenue Bonds, 1962, Series A," pursuant to the provisions of Section 11 of Ordinance No. 206; and

WHEREAS, by Section 13 of Ordinance No. 420, the City reserved the right to issue additional water and sewer revenue bonds constituting a charge and lien upon the gross revenues of the waterworks utility of the City on a parity of lien with the "Water and Sewer Revenue Bonds, 1967," if the following conditions shall be met and complied with at the time of the issuance of such additional bonds:

"(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 the 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."; and

WHEREAS, Ordinance No. 305, passed and approved May 14, 1963, Ordinance No. 393, passed and approved February 8, 1966, as amended by Ordinance No. 410, Ordinance No. 410, passed and approved September 13, 1966, and Ordinance No. 420, passed and approved February 14, 1967, each specified and adopted a 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 and desires to pay the cost thereof and the cost of carrying out parts of the systems or plans adopted in Ordinances Nos. 305, 393, as amended, 410 and 420, by the issuance of water and sewer revenue bonds on a parity of lien with the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," and "Water and Sewer Refunding and Construction Revenue Bonds, 1967;" and

WHEREAS, the City Council hereby finds and declares that 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, 1962, Series A," and into the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," for the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," have been made into the respective bond redemption funds and that David Livingstone of Livingstone, Moore & Wallace, Inc., consulting engineers, a professional engineer experienced in municipal utilities and licensed to practice in the State of Washington, has certified that those revenues are sufficient to meet the 1.40 coverage requirement of such bonds 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 Revenue Bonds, 1968," 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, and redesignated in Ordinance No. 420, in the office of the City Treasurer and so designated by this ordinance.

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

(d) "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.

(e) "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.

(f) "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.

(g) "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.

(h) "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 on the bonds of such issue or series for the three maturity years immediately proceeding such term bond maturity year.

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

(j) "Waterworks utility" shall mean the waterworks utility of the City, including the system of sewerage as a part thereof, together with all additions thereto and betterments and extensions thereof at any time made or constructed.

Section 2. The City specifies and adopts a system or plan of additions to and betterments and extensions of the waterworks utility, which shall consist of the following:

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

<u>Approx. Pipe Size</u>	<u>On</u>	<u>From</u>	<u>To</u>
8"	Woodinville Road	N.E. 98th Street	N.E. 109th Street
8" and 12"	Collins Road (N.E. 70th Street)	148th Avenue N.E.	140th Avenue N.E.
8"	Easement through the West 489.75 feet of East 920.52 feet of the N.E. 1/4 of the S.E. 1/4 of Section 10, Township 25 North, Range 5 East, W.M., from Wildwood Glen (Royal Firs) Subdivision to Collins Road No. 850.		
8"	N.E. 24th Street	182nd Avenue N.E.	186th Avenue N.E.

<u>Approx. Pipe Size</u>	<u>On</u>	<u>From</u>	<u>To</u>
8"	Avondale Road	N. E. 95th Street	N. E. 100th Street
8"	164th Avenue N.E.	N.E. 79th Street	N. E. 80th Street
12"	Avondale Road	172nd Place N.E.	164th Avenue N.E.
15"	164th Avenue N.E.	North side of NPRR Right-of-way	South side of NPRR Right-of-way
15"	Easement in Golf Course	164th Avenue N.E.	Leary Way
15"	Easement from King County Road Dist.	Leary Way	Block 1, West Redwood Addition
15"	Easement in West Redwood Addition	King County property	159th Place N.E.
15"	159th Place	Easement	Metro Pump Station
10"	N. E. 85th Street	166th Avenue N.E.	164th Avenue N.E.
12"	164th Avenue N.E.	N. E. 85th Street	Existing manhole 400 feet North
18"	Easements through Southeast 1/4, Section 2, Township 25 North, Range 5 East, W.M.		
18"	Easements through Northeast 1/4, Section 11, Township 25 North, Range 5 East, W.M. to Metro Pump Station		

(b) There shall be acquired and constructed two water booster stations at the following locations:

- (1) On N. E. 104th Street at approximately 171st Avenue N.E.
- (2) Corner of N. E. 116th Street and Avondale Road.

(c) There shall be constructed a 10" water main in 172nd N.E. from 30th Street to tank site and from tank site to Sammamish Forest Manor Distribution System, and a 1.5 M.G. Reservoir, Booster Station and appurtenances.

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 deems advisable, provided such modifications do not substantially alter the purposes hereinbefore set forth.

Section 3. 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-two years.

Section 4. The City shall carry out the system or plan for additions to and betterments of the waterworks utility adopted in Section 2 and shall also carry out the following portions of systems or plans for additions to and betterments and extensions of the waterworks utility heretofore adopted:

(a) The acquisition of that part of Lake Hills Sewer District, King County, Washington, sewer system described in Section 1 b., c. and d. of Ordinance No. 393, as amended by Section 1 of Ordinance No. 410, as further described in Section 2 of Ordinance No. 410, and in the "Joint Use and Transfer of Facilities Agreement," dated February 23, 1968, between the City and Lake Hills Sewer District, as subsequently approved by the Superior Court of King County in King County Cause No. 656374.

(b) The well, well house, pumps and necessary appurtenances described in Section 3 (3) of Ordinance No. 420.

(c) The Hilltop Lane Addition No. 3 sewers described under collection sewers in Section 1 of Ordinance No. 305.

(d) A 10" sewer (including a temporary pump station) on Avondale Road from the existing sewer in Avondale Road to N.E. 95th Street, and an 8" sewer on N.E. 95th Street from Avondale Road 2300 feet more or less to the City Limits, all as described under trunk sewers in Section 1 of Ordinance No. 305.

(e) Purchase of tank site described in Section 3 (4) of Ordinance No. 420.

(f) The Viewpoint Sewer System consisting of the system described in Section 1 a. and Exhibit A of Ordinance No. 383.

Section 5. The estimated cost, as near as may be, of carrying out the improvements set forth in Section 2 is hereby declared to be \$632,950.00, and of carrying out the additional improvements set forth in Section 4 is hereby declared to be \$367,050.00.

Section 6. For the purpose of providing the funds with which to carry out the system or plan of additions to and betterments and extensions of the

waterworks utility herein adopted and described in Section 2 and to carry out Section 4, there shall be issued and sold \$1,000,000.00 par value of the Bonds (herein designated as "Water and Sewer Revenue Bonds, 1968"). The Bonds shall be dated July 1, 1968; shall bear interest at the rates hereinafter set forth, payable semiannually on January 1 and July 1 of each year, 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; ^{AND} shall be in denominations of \$5,000.00 each. 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 1967 Bond Fund. The Bonds shall be a valid claim of the holder thereof only as against the 1967 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 be numbered, shall mature and shall bear interest in accordance with the following schedule:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturities</u>
1 to 5	\$ 25,000	5.75%	July 1, 1975
6 to 10	25,000	5.75%	July 1, 1976
11 to 15	25,000	5.75%	July 1, 1977
16 to 20	25,000	5.75%	July 1, 1978
21 to 26	30,000	5.75%	July 1, 1979
27 to 34	40,000	5.75%	July 1, 1980
35 to 44	50,000	5.75%	July 1, 1981
45 to 56	60,000	5.75%	July 1, 1982
57 to 70	70,000	5.75%	July 1, 1983
71 to 85	75,000	5.75%	July 1, 1984
86 to 102	85,000	5.75%	July 1, 1985
103 to 120	90,000	5.75%	July 1, 1986
121 to 140	100,000	5.80%	July 1, 1987
141 to 160	100,000	5.80%	July 1, 1988
161 to 180	100,000	5.80%	July 1, 1989
181 to 200	100,000	5.80%	July 1, 1990

Bonds numbered 1 to 70, inclusive; maturing July 1, 1975, to July 1, 1983, 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 71 to 200, inclusive, maturing July 1, 1984, to July 1, 1990, inclusive, as a whole, or in part in inverse numerical order, on July 1, 1983, 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. In addition, such redemption notice shall also be sent to Moody's Investor Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York. Interest on any bonds so called for redemption shall cease on such interest coupon due date upon payment of the call price into the 1967 Bond Fund.

Section 7. So long as Bonds are outstanding against the 1967 Bond Fund, the Treasurer of the City shall set aside and pay into the 1967 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 July, 1968, and continuing monthly thereafter 1/6th of the next ensuing 6 months' interest requirements and beginning with the month of July, 1974, and continuing thereafter 1/12th of the next ensuing 12 months' requirements for principal of the Bonds; and

(b) On July 20, 1968, and thereafter on or before the 20th day of each month, there shall be set aside and paid into the Reserve Account in the 1967 Bond Fund out of the revenue of the waterworks utility of the City, an amount which, together with the payments required to be made therein by Ordinance No. 420, will, by July 1, 1972, provide a total amount in the Reserve Account in the Bond Fund of not less than \$134,371.00.

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, including any U.L.I.D. assessments pledged to be paid into the 1967 Bond Fund. 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, the 1967 Bonds, and Parity Bonds payable from the 1967 Bond Fund is outstanding, except that when the total amount in the 1967 Bond Fund shall equal the total amount of the principal and interest on all outstanding Bonds, 1967 Bonds, and such Parity Bonds to the last maturity thereof no further payments need be made into the 1967 Bond Fund, and such amounts in the Reserve Account

may then be used to make those remaining principal and interest payments.

In the event that there shall be a deficiency in the Principal and Interest Account in the 1967 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 and any U.L.I.D. assessments pledged to be paid into the 1967 Bond Fund 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, 1967 Bonds and Parity Bonds payable from the 1967 Bond Fund.

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, 1967 Bonds and any Parity Bonds.

Section 8. The City Council and corporate authorities of the City hereby declare that in fixing the amounts to be paid into the 1967 Bond Fund as aforesaid that 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 1967 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 and 1967 Bonds.

Section 9. The Bonds and the interest coupons attached thereto shall be in substantially the following form:

No. _____ \$5,000

UNITED STATES OF AMERICA
STATE OF WASHINGTON
CITY OF REDMOND
WATER AND SEWER REVENUE BOND, 1968
_____%

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 JULY, 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 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," (hereinafter called the "Bond Fund") of the City. Interest is payable semiannually on each January 1 and July 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 Bond Fund for payment in full.

Both principal of and interest on this 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 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, amounts sufficient to pay the principal of and interest on the bonds of this issue and on the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," as they respectively become due and to create a reserve, all at the times and in the manner set forth in Ordinances Nos. 420 and 471. The bonds of this issue are not a general obligation of the City.

This bond is one of a total issue of \$1,000,000.00 par value of bonds, all of like date, tenor and effect, except for 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 Ordinance No. 471 of the City for the purpose of providing funds to pay the cost and expense of carrying out portions of the systems or plans of additions to and betterments and extensions of the waterworks utility of the City, including the sewerage system as a part thereof, adopted by Ordinances Nos. 305, 393, as amended by Ordinance No. 410, and Ordinances Nos. 410 and 420, 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. 471. Reference is hereby made to Ordinance No. 471 as more fully describing the covenants with and rights of holders of bonds of this issue.

Bonds numbered 1 to 70, inclusive, maturing July 1, 1975, to July 1, 1983, 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 reserves the right to redeem outstanding bonds numbered 71 to 200, inclusive, maturing July 1, 1984, to July 1, 1990, inclusive, as a whole, or in part in inverse numerical order, on July 1, 1983, 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. In addition, such redemption notice shall also be sent to Moody's Investor Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York. Interest on any bonds so called for redemption shall cease on such interest coupon due date upon payment of the call price into the 1967 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, the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," and any additional revenue bonds hereafter issued on a parity therewith in accordance with the provisions of Section 11 of Ordinance No. 206, Section 13 of Ordinance No. 420, and Section 13 of Ordinance No. 471.

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. 471 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 sewerage 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. 471.

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 by 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 City Clerk and its corporate seal to be hereto affixed and the interest coupons attached to be signed with the facsimile signatures of those officials this first day of July, 1968.

CITY OF REDMOND, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

City Clerk

The form of the interest coupon shall be substantially as follows:

Coupon No. _____

\$ _____

On the FIRST DAY OF (JANUARY) (JULY), 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," that sum being six months' interest then due on its "Water and Sewer Revenue Bond, 1968," dated July 1, 1968, and numbered _____.

CITY OF REDMOND, WASHINGTON

By _____ (facsimile signature)
Mayor

ATTEST:

(facsimile signature)
City Clerk

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, pledged to be paid into the 1967 Bond Fund, 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 1967 Bond Fund of a sum sufficient to pay the principal of and interest on all Bonds and 1967 Bonds at that 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 1967 Bond Fund of an amount which shall bear the same ratio to the amount of outstanding Bonds and 1967 Bonds as the revenue available for debt service for such outstanding Bonds and 1967 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 1967 Bond Fund shall be used to retire such outstanding Bonds and 1967 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 or the assessments in which shall be pledged to be paid into the 1967 Bond Fund, 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, the 1967 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, the 1967 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 the waterworks 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 the Bonds, it will also furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington 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 (1) to issue additional revenue bonds for the purpose of acquiring, constructing and installing additions and betterments to the waterworks utility of the City, or (2) 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 1967 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 1967 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 1967 Bond Fund and the Reserve Account created therein for the payment of the principal of and interest on the Bonds upon compliance with the conditions set forth in Section 11 of Ordinance No. 206 and Section 13 of Ordinance No. 420.

Section 14. Nothing contained in this Ordinance 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 1967 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 contained in this Ordinance prevent the City from issuing revenue bonds to refund maturing revenue bonds of the City for the payment of which moneys are not otherwise available.

Section 15. Foster & Marshall Inc. of Seattle, Washington, heretofore offered to purchase the Bonds at a price of \$970,000.00 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 May 28, 1968, 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 "Water and Sewer Construction Fund" of the City created by Ordinance No. 420 for the purpose of carrying out the improvements described in Sections 2 and 4 of this Ordinance and paying for the expenses incurred in the issuance of the Bonds.

Section 16. 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 9th day of July, 1968.

ATTEST:

Eleanor J. Hayden
City Clerk

CITY OF REDMOND, WASHINGTON

By Richard L. Young
Mayor

Form Approved:

John P. Larson
City Attorney

JUL 17 1968