



Legislation Passed March 19, 2013

The Tacoma City Council, at its regular City Council meeting of March 19, 2013, adopted the following resolutions and/or ordinances. The summary of the contents of said resolutions and/or ordinances are shown below. To view the full text of the document, click on the bookmark at the left of the page.

Purchase Resolution No. 38643

Awarding contracts to:

1. Tire Distribution Systems, on its bid of \$595,358.21, plus sales tax, plus a 10 percent contingency, budgeted from various departmental funds, for recapped tires, new tires, and tire repair services on an as-needed basis, for an initial one-year term with the option to renew for four additional one-year terms, for a projected contract total of \$3,274,470.16 – Specification No. GF12-0743F;
2. Northwest Cascade, Inc., on its bid of \$1,469,736.25, excluding sales tax, plus a 10 percent contingency, for a cumulative total of \$1,616,709.88, budgeted from the Wastewater, Surface Water, and Tacoma Water Bond Funds, for the replacement of 2,800 linear feet of wastewater sewer pipe, 300 linear feet of surface water pipe, and 740 linear feet of water pipe at various locations in the city – Specification No. ES13-0005F;
3. Modern Machinery, on its bid of \$395,758.00, plus sales tax, budgeted from the Solid Waste Fund, for the purchase of one track material handler – Specification No. ES13-0004F;
4. Harris Corporation, in the amount of \$251,752.41, including sales tax, budgeted from the Police Special Revenue Fund, for specialized technical equipment to support field operations for criminal investigations and Homeland Security initiatives – Sole Source; and
5. Western Industrial, Inc., in the amount of \$14,175.75, plus sales tax, budgeted from the Wastewater Fund, for a cumulative total of \$309,508.75, to increase the contract for painting the Wastewater Treatment Plant digester No. 5 cover – Specification No. PW12-0449F.

Resolution No. 38644

Authorizing the execution of a Purchase and Sale Agreement and Restrictive Covenant with 4 Rent Check.com, LLC, in the amount of \$91,000, for the sale of the Swan Creek Library located at 3828 Portland Avenue to rehabilitate the facility and activate it for operation as a daycare center.

Resolution No. 38645

Authorizing the execution of a Real Property Donation Agreement and Quit Claim Deed with the Tacoma Public School District No. 10 for Phase II of the Water Ditch Trail project.

Resolution No. 38646

Authorizing the execution of a grant agreement with the U.S. Department of Homeland Security Port Security Grant Program in the amount of \$188,814.31; accepting and depositing said sum into the Police Special Revenue Fund; authorizing a required grant match in the amount of \$62,938.10, budgeted from said fund; and authorizing the execution of an agreement with Harris Corporation, in the amount of \$251,752.41, to purchase technical support equipment to assist in the prevention, detection, response, and recovery of improvised explosive devices.

Resolution No. 38647

Expressing support for the Metropolitan Park District of Tacoma Eastside Community Center feasibility study; directing the City Manager to develop a funding agreement; and dedicating up to \$25,000, budgeted from the General Fund, to match investments by Metropolitan Park District of Tacoma, Tacoma School District No. 10, and Tacoma Housing Authority for said study.

Ordinance No. 28137

Providing for the issuance and sale of the City's Regional Water Supply System Revenue Refunding Bonds, 2013, not to exceed \$83,000,000, to provide funds to refund or defease all or a portion of the Regional Water Supply System Revenue Bonds, 2002; appointing the City's designated representative to approve the final terms of the sale of the bonds; and authorizing an amendment to the Repayment Agreement dated August 24, 2010.

Substitute Ordinance No. 28138

Providing for the issuance and sale of water system revenue bonds, not to exceed \$87,000,000, to provide funds to finance or refinance costs of capital improvements to the water system and to refund or defease all or a portion of the Water System Revenue Bonds, 2003; and appointing the City's designated representative to approve the final terms of the sale of the bonds.



RESOLUTION NO. 38643

1 A RESOLUTION related to the purchase of materials, supplies or equipment,
2 and the furnishing of services; authorizing the appropriate City officials to
3 enter into contracts and, where specified, waiving competitive bidding
4 requirements, authorizing sales of surplus property, or increasing or
5 extending existing agreements.

6 WHEREAS the City has complied with all applicable laws governing the
7 acquisition of those supplies, and/or the procurement of those services,
8 inclusive of public works, set forth in the attached Exhibit "A," which Exhibit is
9 incorporated herein as though fully set forth, and

10 WHEREAS the Board of Contracts and Awards has reviewed the
11 proposals and bids received by the City, and the Board has made its
12 recommendation as set forth in Exhibit "A," and

13 WHEREAS the Board of Contracts and Awards has also made its
14 recommendations as to entering into purchasing agreements with those
15 governmental entities identified in Exhibit "A"; Now, Therefore,

16 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

17 That the Council of the City of Tacoma does hereby concur in the
18 findings and recommendations of the Board of Contracts and Awards set forth
19 in the attached Exhibit "A," and does hereby approve and authorize the:

20 (X) A. Procurement of those supplies, services, and public works
21 recommended for acceptance in the attached Exhibit "A";

22 () B. Rejection of those bids and/or proposals that are recommended
23 for rejection in the attached Exhibit "A";
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() C. Entry into the proposed purchasing agreement with those governmental entities identified in the attached Exhibit "A," which proposed agreement is on file in the office of the City Clerk;

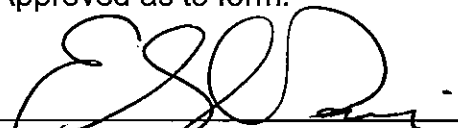
(X) D. Waiver of competitive bidding procedures in those instances, as set forth in Exhibit "A," in which it is impracticable to obtain supplies or public works improvements by competitive bid, or in those instances in which supplies and/or public works are available from a single source.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:


City Attorney



City of Tacoma
Public Works Department

EXHIBIT "A" 38643
RESOLUTION NO.: _____
ITEM NO.: 1
MEETING DATE: March 19, 2013

DATE: February 26, 2013
TO: Board of Contracts and Awards
SUBJECT: Purchase Recapped Tires, New Tires and Tire Services
Budgeted from Various Individual Department Funds
Request for Bids Specification No. GF12-0743F

RECOMMENDATION: Public Works, Facilities Management, Fleet Services recommends a contract be awarded to **Tire Distribution Systems, Tacoma, WA**, for the supply of recapped tires, new tires and tire services on an as-needed basis for one-year with the option to renew for four additional one-year periods upon mutual agreement. The recommendation is for an initial one-year contract term in the amount of \$595,358.21, plus sales tax, with the option for four additional one-year renewal periods, for a cumulative base amount of \$2,976,791.05, plus a 10% contingency, for a total award amount of \$3,274,470.16, plus sales tax.

EXPLANATION: This contract will provide recapped tires, new tires (except police pursuit tires), shop and roadside tire repairs, scrap tire disposal, and fleet tire inspections as needed by Public Works, Fleet Services and Fire Garage. This request is based on past usage for General Government needs only.

SUSTAINABILITY: Tire Distribution Systems utilizes low energy lighting in its building and retread plant and scraps tires per requirements of state law. Additionally, the retreading of tires is a recycle and re-use method.

COMPETITIVE BIDDING: Request for Bids Specification No. GF12-0743F was opened February 19, 2013. Two companies were invited to bid in addition to normal advertising of the project. Four submittals were received from three companies. Tire Distribution Systems submitted an alternate proposal that did not meet the technical requirements of the specification.

<u>Respondent</u>	<u>Bidders Location</u>	<u>Estimated Five-Year Total</u>
Tire Distribution Systems (alternate bid)	Tacoma, WA	\$3,117,363
Tire Distribution Systems	Tacoma, WA	\$3,274,470*
Wingfoot Commercial Tire Systems, LLC	Fife, WA	\$3,406,355
Alpine Commercial Tire & Retreaders, Inc.	Woodinville, WA	\$3,690,686


*Estimated five year total is based on one-year bid amount escalated by a 10% contingency.

CONTRACT HISTORY: New contract.

FUNDING: Funds are budgeted from various individual department funds. Funding beyond the current biennium is subject to future availability of funds.

HUB/LEAP COMPLIANCE: Per the HUB office, there are no HUB firms currently registered for this type of work.

PROJECT ENGINEER/COORDINATOR: Jeffrey Jenkins, Public Works, Facilities Management Division Manager, (253) 591-5508.


Kurtis D. Kingsolver, P.E.
Interim Public Works Director/City Engineer

cc: Jeffrey Jenkins/Angie Ballard, PW/Facilities
Michele Tuong, Finance/Utilities Accounting, Richelle Krienke, Finance/Purchasing
Deanna Pollard, Fleet Operations



City of Tacoma

Memorandum

To: T.C. Broadnax
City Manager

FROM: Kurtis D. Kingsolver, P.E. *1510*
Interim Public Works Director/City Engineer

SUBJECT: Council Action Memo – Purchase Resolution – March 19, 2013
Purchase Recapped Tires, New Tires, and Tire Services

DATE: March 1, 2013

The City Council is being requested to award a contract to Tire Distribution Systems (TDS), of Tacoma, WA, for the supply of recapped tires, new tires (except police pursuit), and tire repair services on an as-needed basis. The recommendation is for an initial one-year contract term in the amount of \$595,358.21, plus sales tax, with the option for four additional one-year renewal periods, for a cumulative base amount of \$2,976,791.05, plus a 10% contingency, for a total award amount of \$3,274,470.16, plus sales tax.

Background

Competitive bidding was conducted through the Request for Bid process. Specification No. GF12-0743F was opened February 19, 2013. Two companies were invited to bid in addition to normal advertising of the project. Four submittals were received from three companies. This is a new contract and has had no prior Council action.

Contract Scope

Public Works, Facilities Management, Fleet Services will use this contract for recapped tires, new tires (except police pursuit tires), in shop and roadside tire repairs, scrap tire disposal, and fleet tire inspections as-needed for the medium to heavy duty trucks and equipment tires on the City's garbage trucks, street maintenance equipment, sewer and fire fleet. The majority of service will be for the garbage truck fleet tire service due to their severe duty applications. This request is based on past usage for general government needs only. The goals of Fleet Services are to minimize road call downtime and crew standby time, to have shop services performed in a timely manner so the vehicle is returned to use promptly or is ready for use the next working morning, and to manage assets to reduce costs.

Funding Sources

Funds are budgeted in the funds of various departments that will utilize these services. Funding past this biennium will be subject to future availability of funds.



City of Tacoma
Public Works Department

EXHIBIT "A" 38643
RESOLUTION NO.: _____
ITEM NO.: 2
MEETING DATE: MARCH 19, 2013

DATE: March 5, 2013
TO: Board of Contracts and Awards
SUBJECT: 2013A Wastewater, Surface Water, and Water Main Replacements in Various Tacoma Locations
Budgeted from ES Wastewater Fund 4300, ES Surface Water Fund 4301, and Tacoma Water Bond Fund 4600
Request for Bids Specification No. ES13-0005F

RECOMMENDATION: The Environmental Services Department, Science and Engineering Division recommends a contract be awarded to the low bidder **Northwest Cascade, Inc., Puyallup, WA**, for the replacement of 2,800 linear feet of wastewater sewer pipe, 300 linear feet of surface water sewer pipe and 740 linear feet of water pipe at various locations within the City of Tacoma. The contract amount reflects a base award of \$1,469,736.25, excluding sales tax, plus a 10% contingency, for a cumulative amount of \$1,616,709.88, excluding sales tax.

EXPLANATION: The City of Tacoma's wastewater collection system consists of over 700 miles of underground pipe that convey wastewater from residential and commercial customers to one of three different locations where it is treated prior to being discharged into Puget Sound.

To help address the problem of aging sewer infrastructure, the Environmental Services Department developed an Asset Management Program. This ongoing program focuses on rehabilitating a certain amount of the City's poorest condition pipes every year. Depending on a pipe's age and condition, rehabilitation can be accomplished using pipe-lining technology that minimizes or eliminates the need for disruptive excavation. When a pipe's condition is more severe, removing and replacing the existing pipe using traditional excavation methods can be required.

The underground wastewater pipes scheduled for replacement by this project were installed over 80 years ago. The pipes have exceeded their design life, require recurring maintenance and repairs, and are at risk of failure. If failure were to occur, it would result in sewer overflows of untreated wastewater into Commencement Bay and potentially into the basements of adjacent buildings. The proposed project will replace these pipes and reduce of the risk of sewer overflows. Since the wastewater pipe work will be disturbing existing roadways, adjacent surface water and or water pipes, which are in poor condition, will also be replaced.

The deteriorated wastewater pipes at the various locations addressed by this project require complete replacement using traditional open-cut excavation methods rather than pipe-lining. The excavation work will occur within existing paved roadways and gravel alleys. These roads and alleys will be repaired in accordance with the City's Right-of-Way Restoration Policy.

COMPETITIVE SOLICITATION: Request for Bids, Specification No. ES13-0005F was opened February 19, 2013. The Request for Bids was advertised in the Tacoma Daily Index and the Seattle Daily Journal of Commerce. The City received 9 bid proposals. The Historically Underutilized Business (HUB) participation level proposed by the bidder(s) were not reflected in the 'evaluated' base bid. Northwest Cascade, Inc. submitted the lowest responsive bid. The table below reflects the amount of the base award.

<u>Respondent</u>	<u>Location</u> <i>(city and state)</i>	<u>Submittal Amount</u> <i>(Excluding sales tax)</i>
Northwest Cascade, Inc.	Puyallup, WA	\$1,469,736.25

747 Market Street, Room 408 | Tacoma, WA 98402-3769 | (253) 591-5525 | FAX (253) 591-5097
www.cityoftacoma.org

Rodarte Construction, Inc.	Auburn, WA	\$1,501,007.30
Johansen Excavating, Inc.	Buckley, WA	\$1,548,694.70
Titan Earthwork, LLC	Sumner, WA	\$1,564,227.50
Wm. Dickson Co.	Tacoma, WA	\$1,572,955.83
NOVA Contracting, Inc.	Olympia, WA	\$1,668,988.00
R.L. Alia Company	Renton, WA	\$1,769,674.50
Goodfellow Bros., Inc.	Maple Valley, WA	\$1,800,737.50
Ceccanti, Inc.	Tacoma, WA	\$1,945,550.00
	Pre-bid Estimate	\$1,649,398.25

The recommended award is approximately 10.9 percent below the pre-bid estimate.

SUSTAINABILITY FACTORS: From a sustainability perspective the reduced risk of sewer overflows from this project represents an improvement to human health and the environment. Preventive rehabilitation of underground sewers in the project areas, prior to complete failure, represents the lowest lifecycle cost solution to maintaining these assets.

CONTRACT HISTORY: The proposed contract would be a new contract.

FUNDING: Funds are budgeted in the ES Wastewater Fund 4300, ES Surface Water Fund 4301 and the Tacoma Water Bond Fund 4600. At two of the project locations adjacent water pipes require replacement. At these locations Environmental Services and Tacoma Water have agreed to share the cost for common components of work. Components of work that are unique to a particular utility will be borne by the respective utility. This cost sharing arrangement results in a cost of \$1,249,094.70, excluding sales tax, for ES Wastewater Fund 4300; \$114,691.35 for ES Surface Water Fund 4301; and \$105,950.20, excluding sales tax, for the Tacoma Water Bond Fund 4600.

HUB/LEAP COMPLIANCE: Due to the currently underway effort to revise City code related to the HUB Program, contractors were encouraged, but not required, to utilize Historically Underutilized Businesses to meet a recommended 15% participation goal but this was not evaluated in the overall bid. However, Northwest Cascade, Inc. exceeded the HUB participation goal with a 15.27% participation level. The Local Employment and Apprenticeship Training Program (LEAP) goal is 1,050 hours.

PROJECT ENGINEER/COORDINATOR: Geoff Smyth, P.E., Science and Engineering Division Manager, 253-502-2111.


Michael P. Slevin III, P.E.
Interim Environmental Services Director

cc: Jim Wilkerson, Finance/Purchasing
Charles Wilson, HUB Coordinator
Peter Guzman, LEAP Coordinator
Eric Johnson, Environmental Services



City of Tacoma

Memorandum

TO: T.C. Broadnax
City Manager

FROM: Michael P. Slevin III, P.E. *M.P.S.*
Interim Environmental Services Director

SUBJECT: Council Action Memo – Purchase Resolution – March 19, 2013
2013A Wastewater, Surface Water, and Water Main Replacements in Various
Tacoma Locations

DATE: March 6, 2013

The Environmental Services Department, Science and Engineering Division recommends a contract be awarded to the low bidder Northwest Cascade, Inc., of Puyallup, WA, for a base award of \$1,469,736.25, excluding sales tax, plus a 10% contingency, for a cumulative amount of \$1,616,709.88, excluding sales tax.

Background

The City of Tacoma's wastewater collection system consists of over 700 miles of underground pipe that conveys wastewater from residential and commercial customers to one of three different locations where it is treated prior to being discharged into the Puget Sound.

To help address the problem of aging sewer infrastructure, the Environmental Services Department developed an Asset Management Program. This ongoing program focuses on rehabilitating a certain amount of the City's poorest condition pipes every year. Depending on a pipe's age and condition, rehabilitation can be accomplished using pipe-lining technology that minimizes or eliminates the need for disruptive excavation. When a pipe's condition is more severe, removing and replacing the existing pipe using traditional excavation methods can be required.

The deteriorated wastewater pipes at the various locations addressed by this project (see attached map) require complete replacement using traditional open-cut excavation methods rather than pipe-lining. The excavation work will occur within existing paved roadways and gravel alleys. These roads and alleys will be repaired in accordance with the City's Right-of-Way Restoration Policy.

The contract will replace 2,800 linear feet of wastewater sewer pipe, 300 linear feet of surface water pipe, and 740 linear feet of water pipe at various Tacoma locations.

Funding

Funds are budgeted in the ES Wastewater Fund 4300, ES Surface Water Fund 4301, and the Tacoma Water Bond Fund 4600. At two of the project locations adjacent water pipes require replacement. At these locations Environmental Services and Tacoma Water have agreed to share the cost for common components of work. Components of work that are unique to a particular utility will be borne by the respective utility. This cost sharing arrangement results in a cost of \$1,249,094.70, excluding sales tax, for ES Wastewater Fund 4300; \$114,691.35 for ES Surface Water Fund 4301; and \$105,950.20, excluding sales tax, for the Tacoma Water Bond Fund 4600.

Reason for Project

The underground wastewater pipes scheduled for replacement by this project were installed over 80 years ago. The pipes have exceeded their design life, require recurring maintenance and repairs, and are at risk of failure. If failure were to occur, it would result in sewer overflows

of untreated wastewater into Commencement Bay and potentially into the basements of adjacent buildings. The proposed project will replace these pipes and reduce of the risk of sewer overflows. Since the wastewater pipe work will be disturbing existing roadways, adjacent surface water and or water pipes, which are in poor condition, will also be replaced.

A reduced risk of sewer overflows from this project represents an improvement to human health and the environment. Preventive rehabilitation of underground sewers in the project vicinity, prior to complete failure, represents the lowest lifecycle cost solution to maintaining these assets.

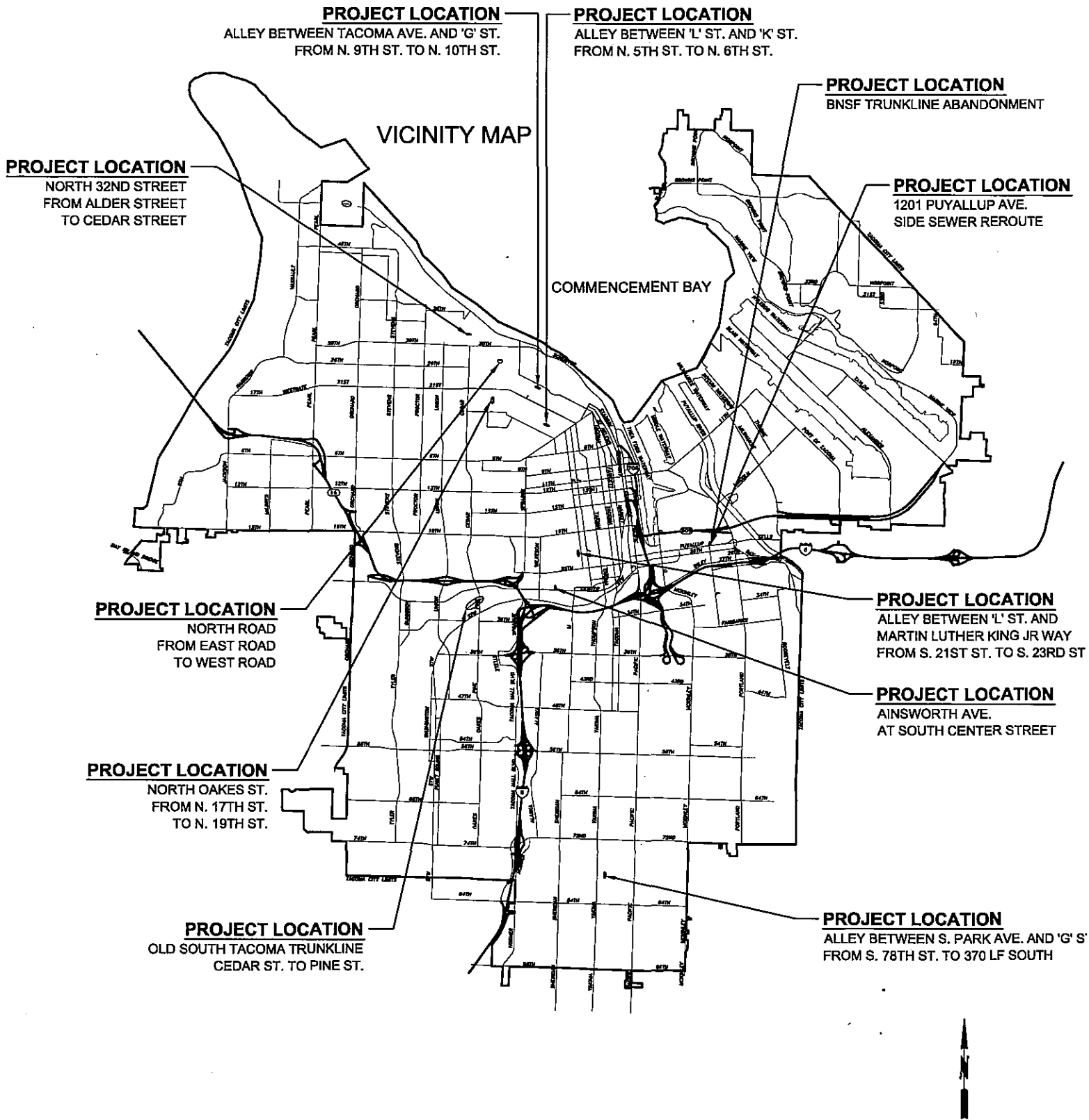
Outreach/Public Involvement

Information related to this project is available at the City's Project website by accessing www.tacomaprojects.com.

Construction Schedule

Construction to begin: April 2013
Scheduled completion: October 2013

Attachment



2013A WASTEWATER, SURFACE WATER, AND WATER MAIN
REPLACEMENTS IN VARIOUS TACOMA LOCATIONS

SPEC # ES13-0005F





City of Tacoma
Public Works Department

EXHIBIT "A" 38643
RESOLUTION NO.: _____
ITEM NO.: 3
MEETING DATE: MARCH 19, 2013

DATE: March 4, 2013
TO: Board of Contracts and Awards
SUBJECT: Purchase of One Track Material Handler
Budgeted from ES Solid Waste Fund 4200
Request for Bids Specification No. ES13-0004F

RECOMMENDATION: The Environmental Services Department, Solid Waste Management (SWM) Division recommends a contract be awarded to second low bidder **Modern Machinery, Kent, WA**, for the purchase of one 2013 Sennebogen 821 R-HD E Series track material handler in the amount of \$395,758.00, plus sales tax.

EXPLANATION: The proposed track material handler will be an addition to the Recovery and Transfer Center, designed and purposely built for recycling and recovery operations to sort and separate recyclable or valuable material from the waste stream safely, rapidly and reliably.

COMPETITIVE SOLICITATION: Request for Bids Specification No. ES13-0004F was opened January 29, 2013. Three companies were invited to bid in addition to the normal advertising of the project. Three submittals were received. *The bid from Triad Machinery Inc. did not meet three of the minimum requirements which are considered material, non-waivable deviations; therefore, their bid is not being considered for award. There are no deviations noted for the bid submitted by the recommended bidder. The table below reflects the amount of the base award.

<u>Respondent</u>	<u>Location</u> <i>(City and State)</i>	<u>Submittal Amount</u> <i>Plus sales tax</i>
*Triad Machinery Inc.	Tacoma, WA	\$359,852.00
Modern Machinery	Kent, WA	\$395,758.00
Oregon Tractor	Portland, OR	\$428,844.00

Pre-Bid Estimate: \$396,000.00

The recommended award is within one percent of the pre-bid estimate.


SUSTAINABILITY FACTORS: This proposed material handler will play an integral role in maximizing recovery of valuable material from the waste stream and increasing the amount of recyclables while diverting considerable tonnage from the Tacoma Landfill. The specifically recommended machine adheres to stringent Tier 4 Interim Environmental Protection Agency emission requirements resulting in a reduction of 50% to 90% in diesel particulate matter emissions and 90% reduction in emissions of nitrous oxides (NOx).

CONTRACT HISTORY: New contract.

FUNDING: Funds are budgeted in the ES Solid Waste Fund 4200.

HUB/LEAP COMPLIANCE: The HUB Office was contacted on Monday, March 4, 2013. Per the HUB Office this is a specialized material item, so the opportunity to utilize HUB does not apply.

PROJECT COORDINATOR: Gary H. Kato, Acting Solid Waste Division Manager, (253) 593-7713.


Michael P. Slevin III, P.E.
Interim Environmental Services Director

cc: Jim Wilkerson, Senior Buyer, Finance/Purchasing
Charles Wilson, HUB/Peter Guzman, LEAP
Andrew Torres, SWM/Sarah Quintana, SWM



City of Tacoma

Memorandum

TO: T.C. Broadnax
City Manager

FROM: Michael P. Slevin III, P.E.
Interim Environmental Services Director *M.P.S.*

SUBJECT: Council Action Memo – Purchase Resolution – March 19, 2013
Contract to Purchase One Track Material Handler

DATE: March 5, 2013

The Environmental Services Department, Solid Waste Management (SWM) Division recommends a contract be awarded to second low bidder Modern Machinery, of Kent, WA, for the purchase of one 2013 Sennebogen 821 R-HD E Series track material handler in the amount of \$395,758.00, plus sales tax.

Background

This contract is based on Request for Bids Specification No. ES12-0698F, which was opened on January 29, 2013. Three companies were invited to bid in addition to the normal advertising of the project. Three submittals were received. The bid from TriadMachinery, Inc. was the low bid; however, this bid was not considered for award, because of three material non-waivable deviations from the minimum specifications. These deviations included noncompliance with Environmental Protection Agency (EPA) Tier 4 interim emissions requirements, a non-reversible radiator fan as required in a solid waste work environment and an oil filtration system that allows contaminants to be twice the size specified. There are no deviations noted for the bid submitted by Modern Machinery.

Reasons for Action

The proposed track material handler will be an addition to SWM's Recovery and Transfer Center, designed and purposely built for recycling and recovery operations to sort, separate and load valuable material and waste safely, rapidly and reliably.

The Recovery and Transfer Center was designed to incorporate this type of equipment for maximizing recovery of valuable recyclables and other material from the waste stream while diverting considerable tonnage from the Landfill. The specifically recommended machine adheres to stringent EPA Tier 4 interim emissions requirements resulting in a reduction of 50% to 90% in diesel particulate matter emissions and 90% reduction in emissions of nitrous oxides.

Funding Sources

Funds are budgeted in ES Solid Waste Fund 4200.



City of Tacoma
Police Department

EXHIBIT "A" 38643
RESOLUTION NO.: _____
ITEM NO.: 4
MEETING DATE: MARCH 19, 2013

DATE: March 1, 2013
TO: Board of Contracts and Awards
SUBJECT: Waiver of Competitive Solicitation Request – Sole Source
Harris Corporation Mobile Technical Equipment
Budgeted from Police Special Revenue Fund #1267

RECOMMENDATION: Tacoma Police Department Special Investigations requests a waiver of competitive procurement procedures and recommends that a contract be awarded to **Harris Corporation, Melbourne, FL**, for specialized technical equipment, in the amount of \$251,752.41, including sales tax.

EXPLANATION: Tacoma Police Department uses specialized technical equipment to support field operations for criminal investigations and Homeland Security Initiatives. This new equipment offers enhanced technological capabilities for the Tacoma Police Department Explosives Ordinance Detail (EOD) with IED prevention, protection, response and recovery measures. This proprietary equipment is manufactured by the Harris Corporation. This one-time purchase is 75% funded by a federal grant. The remaining 25% match is budgeted from the Tacoma Police Federal Asset Seizure fund.

COMPETITIVE BIDDING: The requested equipment is a proprietary technology upgrade to existing TPD Special Investigations technical equipment which is manufactured exclusively by the Harris Corporation Wireless Products Group.

CONTRACT HISTORY: New contract.

FUNDING: Funds for this are available in the Police Special Revenue Fund #1267.

HUB/LEAP COMPLIANCE: Not applicable.

PROJECT ENGINEER/COORDINATOR: Detective Jeff Shipp, 253-606-1808.

Donald L. Ramsdell
Chief of Police

cc: Marie Holm, Senior Buyer, Finance/Purchasing

3701 South Pine Street – Tacoma, Washington 98409-5735

To create a safe and secure environment in which to live, work, and visit by working together with the community, enforcing the law in a fair and impartial manner, preserving the peace and order in our neighborhoods, and safeguarding our constitutional guarantees.



City of Tacoma
Police Department

Date: March 3, 2013
To: Kathy Katterhagen, Procurement and Payables Manager
From: Detective Jeffrey Shipp
 Tacoma Police Department, Special Investigations TSU
Subject: Waiver of Competitive Solicitation Request – Sole Source Purchase
 Harris Corporation – Specialized Technical Equipment

Please forward for Board of Contracts and Awards review and recommendation.

In accordance with Tacoma Municipal Code 1.06.257.A. (Sole Source), the Tacoma Police Department, Special Investigations requests a waiver of the competitive solicitation process for the purchase of specialized technical equipment utilized by Special Investigations in support of field operations for criminal investigations. This equipment offers enhanced capabilities in new technologies that directly support the Tacoma Police Department Explosives Ordinance Detail (EOD) with prevention, protection, response and recovery measures. The sole source vendor is **Harris Corporation, Melbourne, FL**. This is a one-time purchase totaling \$251,752.41, including sales tax.

“Follow-on” Contracts:

Is this sole source purchase based on a contract that was previously competitively bid by the City? Yes
 No

If “yes”, provide brief history of the initial contract award, bid specification or RFP number, date, etc. Briefly explain relationship of this sole source purchase to previously competitively bid contract.

Waiver Criteria:

1. Is there more than one feasible supplier of the product or service in the marketplace?
 Yes No
 Briefly explain.

This request involves the enhancement of an existing technology currently owned by Tacoma Police Department Special Investigations. The specialized equipment is exclusively manufactured by the Harris Corporation Wireless Products Group. The current Harris Corporation technology owned by TPD was received through a Department of Justice (DOJ) Law Enforcement Grant Award in 2007 with a contractual warranty and proprietary NDA signed per DOJ requirements.

Tacoma Police Department Special Investigations was awarded a new grant in January, 2013 to enhance the capabilities of existing equipment to meet current communications protocols. The approved federal grant is the Port Security Grant Program FY2008, Federal Award No. 2008-GB-T8-K065 CFDA97.056. The new equipment must be interoperable with existing technologies currently in

3701 South Pine Street – Tacoma, Washington 98409-5735

To create a safe and secure environment in which to live, work, and visit by working together with the community, enforcing the law in a fair and impartial manner, preserving the peace and order in our neighborhoods, and safeguarding our constitutional guarantees.

the Tacoma Police Department inventory. The requested equipment must possess equal capabilities and specifications to existing equipment in order to operate as an integrated system. The requested enhancement to an existing technology, along with four (4) new components, will complete a proprietary system utilized in daily field operations for criminal investigations and homeland security initiatives.

A contractual warranty and support for current technologies owned by TPD remains in effect. A new NDA with the DOJ has been approved for the new technologies awarded in the grant.

2. Please support your contention it would be futile to advertise and competitively bid for the product or service as it would result in only one bid:

- a. Describe the screening efforts you engaged in to identify potential suppliers. Include names of potential suppliers, contact person, phone numbers, or addresses.

The existing technology owned by the TPD Special Investigations is a proprietary system manufactured exclusively by the Harris Corporation's Wireless Products Group. The current equipment is under a contractual warranty and functions with proprietary operating systems. The new technologies to be purchased is an upgrade to existing equipment

- b. Describe any technical or unique product/service attributes that prevent drafting specifications for a competitive bid to which more than one supplier could successfully respond.

The existing and new equipment described is manufactured by the Harris Corporation Wireless Products Group and is a proprietary system. The communications protocols & capabilities, hardware, software and operating environment specifications of the system are unique to the sole source manufacturer.

This purchase qualifies as a sole source per Purchasing Policy Manual, Section XXI, Waiver of Competitive Solicitation Requirements, Item B2a, B2b and B2d.

Is the product available only through one vendor? Yes No

If "yes", such certification should be in writing from the manufacturer (not the vendor) and supported by results of the screening process or validated by the Purchasing Division. Written certification attached? Yes No

See attached document.

- c. What efforts were made to assure the City is receiving the lowest or best price possible?

The pricing for the technology enhancements and new equipment are standard domestic pricing set equally for Federal, State and Local law enforcement entities. However, some of the products were available through GSA Pricing and the City was able to save \$17,274.72, a 6% discount off standard domestic pricing.

Written certification from manufacturer or vendor attached (optional)? Yes No

- d. Is this a one-time purchase? Yes No Total amount: \$251,752.41 including sales tax.
If "no," estimated total dollar amount over three-year period: _____

Other supporting documentation attached? Yes No

City Contact person: Detective Jeff Shipp Phone: (253) 606-1808

Police Chief Donald Ramsdell

Department/Division Head (Please Print)

Donald Ramsdell 3/4/2013
Department/Division Head Signature Date

<u>Purchasing Use Only</u>	
Approved _____	Rejected _____
None (after the fact) _____	
Date _____	By _____

Authorizing Signature, if Applicable

cc: Marie Holm, Senior Buyer, Finance/Purchasing



Please Remit Payments:
Harris Corporation
 Citibank Delaware
 P.O. Box 7247 - LB 6759
 Philadelphia, PA 19170-6759 USA
 Account No: 30523187
 ABA Rtg No: 021000089
 TIN: 340276860

QTE6779-03295
Date: 02/26/13

QUOTATION

Bill & Ship To:
Tacoma Police Department
3701 S. Pine Street
Tacoma, WA 98409

Purchase Order	Payment Terms	Harris Order No:
TBD	Net 30	TBD

DISCLOSURE OF THIS DOCUMENT AND THE INFORMATION IT CONTAINS ARE STRICTLY PROHIBITED BY FEDERAL LAW (18 U.S.C. § 2612). THIS DOCUMENT CONTAINS HARRIS TRADE SECRET AND CONFIDENTIAL BUSINESS OR FINANCIAL INFORMATION EXEMPT FROM DISCLOSURE UNDER THE FREEDOM OF INFORMATION ACT. THIS DOCUMENT MAY CONTAIN TECHNICAL DATA ACCORDING TO THE DEPARTMENT OF STATE, INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR), 22 CFR CHAPTER 1, SUBCHAPTER M, PARTS 123-130) AND THE DEPARTMENT OF COMMERCE, EXPORT ADMINISTRATION REGULATIONS (EAR), 15 CFR PARTS 730-774. THIS DOCUMENT AND THE INFORMATION IT CONTAINS MAY NOT BE EXPORTED OR SHARED WITH A FOREIGN NATIONAL WITHOUT VALID EXPORT AUTHORIZATION. BEFORE MAKING OR PERMITTING ANY DISCLOSURE OF THIS DOCUMENT OR THE INFORMATION IT CONTAINS, WHETHER IN FULL OR IN PART, HARRIS SHALL BE GIVEN TIMELY NOTICE AND THE OPPORTUNITY TO CHALLENGE SUCH DISCLOSURE UNDER APPLICABLE LAW.

ORDERED	SHIPPED	BO	ITEM NUMBER	DESCRIPTION	UNIT PRICE	EXT. PRICE
1			SYSTEM	System Upgrade	\$109,421	\$109,421.00
1			SOFTWARE-1	Software One	\$22,000	\$22,000.00
1			LAPTOP	Computer	\$0.00	\$0.00
1			AMP-1	AMP One	\$16,915	\$16,915.00
1			AMP-2	AMP Two	\$18,419	\$18,419.00
1			AMP-3	AMP Three	\$18,419	\$18,149.00
1			TOOL	Tool	\$10,125	\$10,125.00
1			UPGRADE SW	Upgrade Software	\$20,000	\$20,000.00
4			TRAINING	Training	\$4,000	\$16,000.00

Intermediary Account Holder:
Harris Corp.
2400 Palm Bay Road NE
Mailstop 3-11B
Palm Bay, FL 32905
Bank Address:
Citibank Delaware
Philadelphia, PA
Swift Code: CITIUS33

Subtotal	\$231,299.00
Tax	\$20,453.41
Freight	\$00.00
Purchase Price:	\$251,752.41 USD

*Tax Rate is 9.5% as of 2/26/2013 Rates
 *Training is not taxable.



City of Tacoma
Public Works Department

EXHIBIT "A" 38643
RESOLUTION NO.: _____
ITEM NO.: 5
MEETING DATE: MARCH 19, 2013

DATE: March 5, 2013
TO: Board of Contracts and Awards
SUBJECT: Painting Wastewater Digester #5 Cover
Budgeted from ES Wastewater Fund 4300
Request for Bids PW12-0449F, Contract No. 4600008420

RECOMMENDATION: The Environmental Services Department, Sewer Maintenance Division requests approval to increase Contact No. 4600008420 to **Western Industrial, Inc., Mukilteo, WA**, by \$14,175.75, plus sales tax, for the painting of Wastewater Treatment Plant Digester #5 cover. This increase will bring the contract to a cumulative amount of \$309,508.75, plus sales tax.

EXPLANATION: Two unanticipated problems lead to an increase in labor hours required to complete the painting project requiring a request for increase in the original contract.

A leak in deteriorating inlet valves let water into the digester after interior scaffolding was assembled causing several days delay while the leak was being repaired. A second delay occurred due to uneven power loads between the treatment plant power distribution equipment and contractor compressor equipment which required redistribution of power to different load centers to resolve the issue.


Each of these issues caused the contractor to cease work and incur additional costs. It was agreed to compensate the loss of crew time totaling 205 crew hours, totaling \$14,175.75, plus tax.

COMPETITIVE BIDDING: This contract was originally awarded to Western Industrial, Inc. as a result of Request for Bids Specification No. PW12-0449F in October 2012. The contractor has agreed to increase the contract at the same prices, terms, and conditions as the original contract.

CONTRACT HISTORY: The initial award of \$295,333.00 was awarded per Purchase Resolution No. 38558, #2 on October 23, 2012.

FUNDING: Funds are budgeted in the ES Wastewater Fund 4300.

PROJECT ENGINEER/COORDINATOR: Kenneth Tross, ES Maintenance Division Manager, (253) 502-2154.


Michael P. Slevin III, P.E.
Interim Environmental Services Director

cc: Jim Wilkerson, Senior Buyer, Finance/Purchasing
HUB Coordinator, Charles Wilson
LEAP Coordinator, Peter Guzman
Steve Schmidt, ES/Maintenance



TO: T.C. Broadnax
City Manager

FROM: Michael P. Slevin III, P.E. *MPS*
Interim Environmental Services Director

SUBJECT: Council Action Memo – Purchase Resolution – March 19, 2013
Painting Digester #5 Floating Cover, Contract Increase

DATE: March 8, 2013

The Environmental Services Department, Sewer Maintenance Division requests City Council approve an increase to Contract No. 4600008420 with Western Industrial, Inc., of Mukilteo, Washington, by \$14,175.75, plus sales tax, for a cumulative amount of \$303,508.75, plus sales tax, for the painting of the Central Treatment Plant Digester #5 Floating Cover.

Background

The Sewer Maintenance Division solicited bids for the painting of Central Treatment Plant (CTP) anaerobic Digester #5 cover. Anaerobic Digesters are large 90-foot-diameter tanks where solids are introduced into an anaerobic environment for digestion, resulting in the production of methane gas. The gas is collected in the gas dome of the digester cover and in gas holding tanks. The gas is used to fuel the plant's boilers which heat buildings and provide hot water for process needs. Excess gas is burned in the plant's flares. The bid specification relates to the digester floating cover, an engineered steel structure built in place and consisting of the ceiling cover inside the digester, the steel support structure and the domed outside cover.

The digester was one of three digesters built during the Treatment Plant Phase II upgrade in 1988. The existing coating on Digester #5 is the original coating installed in 1988.

Two unanticipated problems lead to an increase in labor hours required to complete the painting project necessitating a request for increase in the original contract. A leak in deteriorating inlet valves let water into the digester after interior scaffolding was assembled. The leaking valves caused the contractor's crew several days delay while the source of the leak was being investigated and repaired. A second delay occurred due to uneven power loads between the City treatment plant power distribution causing a continuous power loss with the contractor's compressor equipment. Investigation of the problem required an additional time delay while the staff conducted troubleshooting and ultimately worked on redistribution of power to different load centers to resolve the issue.

These issues caused the contractor to cease work and incur an additional 205 crew labor hours while the City repaired faulty equipment and power issues totaling \$14,175.75, plus tax.

Funding

The funds are available in the 2013-2014 budget authorization for Environmental Services Wastewater Fund 4300.

Reason for Request

The purpose for painting the digester lid is for preventive internal corrosion protection. The combination of methane, hydrogen sulfide, and other gases from the digestion process, combined with 110-120 degree processing temperature has caused the existing coating to peel exposing bare metal to corrosion.

Increases in project hours due to equipment and power delays have resulted in a request for an increase in the original contract award.



RESOLUTION NO. 38644

1 A RESOLUTION relating to community and economic development; authorizing
2 the execution of a Purchase and Sale Agreement and Restrictive Covenant
3 with 4 Rent Check.com, LLC, in the amount of \$91,000, for the sale of the
4 Swan Creek Library, located at 3828 Portland Avenue, for the purpose of
5 rehabilitation and operation as a daycare center.

6 WHEREAS, in January 2011, as a result of necessary budget cuts and the
7 looming costs of building repairs, the City closed the Swan Creek Library, located
8 at 3828 Portland Avenue, and

9 WHEREAS, in December 2011, the Tacoma Public Library Board of
10 Trustees ("TPL Board") recommended the City sell the Swan Creek Library such
11 that the future use of the property improve and enhance the community in which it
12 is located, and

13 WHEREAS, in January 2012, the City conducted two separate Requests for
14 Proposals, but did not receive any responses either time, and

15 WHEREAS the City contracted with a real estate broker to assist in the sale
16 of the facility, which resulted in four proposals for the purchase of the property, and

17 WHEREAS a Selection Advisory Committee, comprised of City and Library
18 staff, as well as representatives of the neighborhood, weighed each proposal
19 against four criteria: (1) consideration offered; (2) alignment with the vision and
20 goals of the neighborhood; (3) alignment with the City's goal of a safe, clean, and
21 attractive community; and (4) alignment with the City's planning and economic
22 development goals, and
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1 WHEREAS, based on their evaluation of the proposals, the Selection
2 Advisory Committee is recommending that the Swan Creek Library be sold to
3 4 Rent Check.com, LLC, represented by Darren Gill ("Gill"), and

4 WHEREAS Gill has provided a comprehensive proposal to rehabilitate the
5 facility and activate it for operation as a daycare center, which will directly and
6 positively impact the needs of the neighborhood by providing child care to families
7 residing in the east side of Tacoma, and

8 WHEREAS Section 9.1 of the Tacoma City Charter requires City Council
9 authorization for the sale, lease, or conveyance of real property belonging to the
10 City; Now, Therefore,

11 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

12 Section 1. That the proper officers of the City are hereby authorized to
13 execute a Purchase and Sale Agreement with 4 Rent Check.com, LLC, in the
14 amount of \$91,000, for the real property formerly comprising the Swan Creek
15 Library ("Property"), located at 3828 Portland Avenue for the purposes
16 hereinabove enumerated, said document to be substantially in the form of the
17 proposed agreement on file in the office of the City Clerk.

18 Section 2. That the proper officers of the City are hereby authorized to
19 execute a Restrictive Covenant with 4 Rent Check.com, LLC, governing the future
20 uses of the Property for a period of five years, said document to be substantially in
21 the form of the proposed covenant on file in the office of the City Clerk.

22 Section 3. That the proper officers of the City are hereby directed to deposit
23 proceeds from the sale of the Property, in the amount of \$4,597, into the
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FGRT, CED Special Revenue Fund, in accordance with applicable federal law pursuant to the investment made from said Fund in Tacoma Public Library facilities, and deposit the remainder of proceeds from the sale of the Property, in the amount of \$86,403, into the General Fund.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



RESOLUTION NO. 38645

1 A RESOLUTION relating to community and economic development; authorizing the
2 execution of a Real Property Donation Agreement and Quit Claim Deed with
3 Tacoma Public School District No. 10 for Phase II of the Water Ditch Trail
4 project.

5 WHEREAS the City has a long history of supporting the development of trail
6 projects such as the Scott Pierson Trail, Pipeline Trail, Ruston Way, and Foss
7 Esplanade, and

8 WHEREAS these trail projects form the framework for a non-motorized trail
9 system that improves the quality of life in the City by connecting neighborhoods to
10 various recreational amenities, and

11 WHEREAS the City completed Phase I of the Water Ditch Trail ("WDT")
12 project in 2009, and

13 WHEREAS Phase II of the WDT project is a planned 6.5 mile improvement
14 that will connect the South Tacoma area to the Dome District, creating a regional
15 non-motorized transportation system, with the ultimate goal of connecting the
16 University of Washington Tacoma campus and Thea Foss Waterway, via the Prairie
17 Line Trail, to the WDT, and

18 WHEREAS, under the proposed agreement, the City will surplus and convey
19 a 1,685 square-foot parcel of fee-owned land to Tacoma Public School District
20 No. 10 ("School District") in exchange for a 3,679 square-foot area to be dedicated
21 to the City as additional right-of-way and a 1,869 square-foot public access
22 easement for a walking path, and

23 WHEREAS the City property being surplused and conveyed to the School
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District is a land-locked parcel located within the perimeter of the Edison Elementary
1 School site, and is not needed for public purpose, and

2 WHEREAS the market value of the parcels contemplated for transfer are of
3 equal value; therefore, no cash exchange is necessary, and
4

5 WHEREAS Section 9.1 of the Tacoma City Charter requires City Council
6 authorization for the sale, lease, or conveyance of real property belonging to the
7 City; Now, Therefore,

8 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

9 Section 1. That the proper officers of the City are hereby authorized to
10 execute a Real Property Donation Agreement with Tacoma School District No. 10
11 for the purposes hereinabove enumerated, said document to be substantially in the
12 form of the proposed agreement on file in the office of the City Clerk.
13

14 Section 2. That the proper officers of the City are hereby authorized to
15 convey property to Tacoma School District No. 10 by Quit Claim Deed, all as more
16 specifically set forth in the proposed deed on file in the office of the City Clerk.
17

18 Adopted _____
19

20 _____
Mayor

21 Attest:

22
23 _____
City Clerk

24 Approved as to form:

25
26 _____
Deputy City Attorney



RESOLUTION NO. 38646

1 A RESOLUTION relating to port security; authorizing the execution of a grant
2 agreement with the U.S. Department of Homeland Security (“DHS”), Port
3 Security Grant Program, in the amount of \$188,814.31; accepting and
4 depositing said sum into the Police Special Revenue Fund; authorizing the
5 amount of \$62,938.10, as a required grant match, budgeted from the Police
6 Special Revenue Fund; and authorizing the execution of an agreement with
7 Harris Corporation, in the amount of \$251,752.41, to purchase technical
8 support equipment to assist in the prevention, detection, response, and
9 recovery of improvised explosive devices.

10 WHEREAS the Tacoma Police Department submitted a grant application to
11 the U.S. Department of Homeland Security (“DHS”) to fund the purchase of
12 technical support equipment to assist in the prevention, detection, response, and
13 recovery of improvised explosive devices, and

14 WHEREAS this equipment will enhance security for the Port of Tacoma
15 (“Port”) and the City, and

16 WHEREAS the Port Security Grant Program requires the City, as recipient
17 of the grant, to purchase the equipment in full and then receive reimbursement
18 from DHS, and

19 WHEREAS the grant requires the City to provide 25 percent in matching
20 grant funds, which amount equals \$62,938.10; Now, Therefore,

21 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

22 Section 1. That the proper officers of the City are hereby authorized to
23 enter into a grant agreement with the U.S. Department of Homeland Security
24 (“DHS”), Port Security Grant Program, in the amount of \$188,814.31.

25 Section 2. That the proper officers of the City are authorized to accept and
26 deposit the sum of \$188,814.31 into the Police Special Revenue Fund; and to



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authorize a required 25% grant match, in the amount of \$62,938.10, budgeted from the Police Special Revenue Fund, to fund the purchase of technical support equipment to assist in the prevention, detection, response, and recovery of improvised explosive devices.

Section 3. That the proper officers of the City are hereby authorized to execute an agreement with Harris Corporation, in the amount of \$251,752.41, to purchase said equipment, as on file in the Tacoma Police Department.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Deputy City Attorney



RESOLUTION NO. 38647

1 BY REQUEST OF DEPUTY MAYOR CAMPBELL AND COUNCIL MEMBER
2 WOODARDS

3 A RESOLUTION expressing support for the Metropolitan Park District of Tacoma
4 (“Metro Parks Tacoma”) Eastside Community Center feasibility study; and
5 dedicating up to \$25,000 in funds to match investments by Metro Parks
6 Tacoma, Tacoma School District No. 10, and Tacoma Housing Authority.

7 WHEREAS the City of Tacoma established strategic priorities for 2012-2013
8 which included “developing and maintaining healthy neighborhoods and families,”
9 “building citywide support for youth success,” and “strengthening regional
10 cooperation,” and

11 WHEREAS the City of Tacoma, Metropolitan Park District of Tacoma (“Metro
12 Parks Tacoma”), Tacoma School District No. 10 (“Tacoma School District”), and
13 community agencies have made a number of investments in youth amenities in the
14 East Side of Tacoma, including the East Side Boys and Girls Club, East Side Pool,
15 and Portland Avenue Community Center, and

16 WHEREAS the needs of the East Side community have changed, including
17 significant redevelopment in Salishan and the addition of First Creek Middle
18 School, and

19 WHEREAS youth facilities on the East Side have closed or have begun to
20 deteriorate, and

21 WHEREAS the Billy Ray Shirley Foundation has encouraged community
22 leaders to provide a youth center on the East Side to provide youth with the
23 necessary tools they need to succeed, attract more youth to support their
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community, encourage youth in positive activities, and encourage youth to care for
1 and love themselves and their neighbors, and

2 WHEREAS a staff coordinating committee of the Tacoma Housing
3 Authority, Metro Parks Tacoma, Tacoma School District, and City of Tacoma
4 identified a number of sites for consideration for a possible future community
5 center, and
6

7 WHEREAS the Tacoma Housing Authority, Metro Parks Tacoma, Tacoma
8 School District, and City of Tacoma jointly believe that a feasibility study will
9 identify opportunities to consolidate and replace existing facilities; prioritize
10 program, service and facility needs; identify opportunities to leverage existing
11 public resources, including existing community facilities; identify strategies and
12 funding needs to allow sustainable operations; and identify strategies to raise
13 necessary capital funding, and
14

15 WHEREAS Metro Parks Tacoma has committed to completing a feasibility
16 study with funding assistance from the other partner agencies, with an anticipated
17 completion date of October 2013; Now, Therefore,
18

19 BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

20 That the City of Tacoma supports the Metro Parks Tacoma Eastside
21 Community Center feasibility study and directs the City Manager to develop a
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funding agreement to provide up to \$25,000 in funds to match investments by
Metropolitan Park District of Tacoma, Tacoma School District No. 10, and Tacoma
Housing Authority.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

City Attorney



ORDINANCE NO. 28137

1 AN ORDINANCE of the City of Tacoma, Washington, providing for issuance and
2 sale of the City's Regional Water Supply System Revenue Refunding
3 Bonds, 2013, in the aggregate principal amount of not to exceed
4 \$83,000,000 to provide funds to refund or defease all or a portion of the
5 Regional Water Supply System Revenue Bonds, 2002, fixing or setting
6 parameters with respect to certain terms and covenants of the bonds,
7 appointing the City's designated representative to approve the final terms of
8 the sale of the bonds, and authorizing an amendment to the Repayment
9 Agreement dated August 24, 2010.

10 WHEREAS the City of Tacoma (the "City") owns and operates a water
11 system (the "Water System") and a Regional Water Supply System (the "Regional
12 System") as separate systems, and

13 WHEREAS the Regional System is a Contract Resource Obligation of the
14 Water System and, therefore, all payments under that Contract Resource
15 Obligation, including payments before commencement, during suspension, and
16 after termination of water supply or service, shall be treated as "Operation and
17 Maintenance Expenses" of the Water System, and

18 WHEREAS the City has obtained from the State of Washington, Department
19 of Ecology, and holds a permit to appropriate up to 100 cubic feet per second of
20 surface water from the Green River for municipal and industrial supply (the "Second
21 Diversion Water Right"), and

22 WHEREAS the City has entered into the Agreement for the Second Supply
23 Project (the "Project Agreement"), with the City of Kent ("Kent"), Covington Water
24 District ("CWD") and Lakehaven Utility District ("Lakehaven"), and collectively with
25 the City, Kent and CWD (the "Participants") to obtain required permits, design,
26 finance, construct, operate and maintain certain property and facilities to obtain



1 water for the Participants from the Green River through the exercise by the City of
2 the Second Diversion Water Right (the "Project"), and

3 WHEREAS, pursuant to the Project Agreement, the City has agreed to
4 design, construct, test and place in operation, own, operate, and maintain the
5 Project and may insure, improve, renew, add to, and replace the Project, and

6 WHEREAS, under the Project Agreement, the City may finance, to the extent
7 not otherwise provided by the Participants, all or part of certain Project costs, with
8 the proceeds of revenue bonds to be issued by the City, and

9 WHEREAS, pursuant to Substitute Ordinance No. 27001, the City has
10 issued its \$82,700,000 original principal amount of Regional Water System
11 Revenue Bonds, 2002 (the "2002 RWSS Bonds"), of which \$75,925,000 are
12 presently outstanding, and

13 WHEREAS, pursuant to Ordinance No. 27903, the City has issued its
14 \$3,595,000 original principal amount of Regional Water Supply System Revenue
15 Bonds, Series 2010A (the "2010A RWSS Bonds"), all of which are presently
16 outstanding, and its \$44,245,000 original principal amount of Regional Water
17 Supply System Revenue Bonds, Series 2010B (Taxable Build America Bonds –
18 Direct Payment) (the "2010B RWSS Bonds," and collectively with the 2002 RWSS
19 Bonds and the 2010A RWSS Bonds, the "Outstanding Parity Bonds"), all of which
20 are presently outstanding, and

21 WHEREAS, pursuant to the ordinances authorizing the issuance of the
22 Outstanding Parity Bonds, the City is authorized to issue revenue bonds that are
23 secured by a lien and charge on Regional System Revenues equal to the lien and
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1 charge securing the payment of principal of and interest on the Outstanding Parity
2 Bonds, if specified conditions are met and complied with at the time of issuance of
3 such bonds, and

4 WHEREAS the 2002 RWSS Bonds maturing in the years 2013 through
5 2015, inclusive, 2017, 2024, 2028, and 2032 (the "Refunding Candidates") may be
6 refunded in advance of their maturity, in whole or in part, on any date at
7 100 percent of the principal amount thereof, plus accrued interest to the date of
8 redemption, producing a debt service savings for the City and its ratepayers, and

9 WHEREAS the Public Utility Board has initiated and has recommended to
10 the City Council for its approval the issuance of Regional Water Supply System
11 revenue refunding bonds in one or more series (the "2013 RWSS Bonds") to refund
12 or defease all or a portion of the Refunding Candidates if interest rates are
13 favorable, and

14
15 WHEREAS it appears to the City Council that it is in the best interest of the
16 City to issue its 2013 RWSS Bonds in the aggregate principal amount of not to
17 exceed \$83,000,000 to refund all or a portion of the Refunding Candidates; Now,
18 Therefore,

19
20 BE IT ORDAINED BY THE CITY OF TACOMA:

21
22 Section 1. Definitions. As used in this ordinance the following words shall
23 have the following meanings:

24 "Accreted Value" means, with respect to any Capital Appreciation Bond, as
25 of the time of calculation, the sum of the amount representing the initial principal
26 amount of such bond plus interest accrued, compounded thereon as of the most



1 recent compounding date. With respect to any particular Payment Date, the
2 Accreted Value is the amount set forth on the Accreted Value Table included as
3 part of the form of Capital Appreciation Bond. In the event the Accreted Value of
4 any Capital Appreciation Bond is required to be determined as of a date other than
5 the Payment Date, the Accreted Value shall be determined by adding to the
6 Accreted Value for the next preceding Payment Date the product obtained by
7 multiplying (a) the difference between the Accreted Value for the next Payment
8 Date and the Accreted Value for the next preceding Payment Date, by (b) the ratio
9 obtained by dividing by 180 the number of days elapsed since the next preceding
10 Payment Date (calculated on the basis of a 360-day year of 12, 30-day months).
11

12 “Accreted Value Table” means the Accreted Value Table printed on the
13 Capital Appreciation Bonds reflecting the Accreted Value of such Bonds as of any
14 Payment Date.
15

16 “Acquired Obligations” means those United States Treasury Certificates of
17 Indebtedness, Notes, and Bonds--State and Local Government Series and other
18 direct, noncallable obligations of the United States of America purchased to
19 accomplish the refunding of the Refunded Bonds as authorized by this ordinance.
20

21 “Annual Debt Service” means the amount required to be paid in a calendar
22 year for (1) interest due in such calendar year on all outstanding Parity Bonds
23 (excluding the accrued interest paid to the City upon issuance of Parity Bonds),
24 (2) principal of all outstanding Serial Bonds due in such calendar year, and (3) any
25 Mandatory Amortization Installment for such calendar year. If on such date of
26 calculation the interest rate on any Variable Interest Rate Bonds shall then be fixed



1 for a specified period, including pursuant to a Payment Agreement, the interest rate
2 used for such specified period for the purpose of the foregoing calculation shall be
3 such actual interest rate. For purposes of computing Annual Debt Service on any
4 Parity Bonds which constitute Balloon Indebtedness, it shall be assumed that the
5 principal of such Balloon Indebtedness, together with interest thereon at the rate
6 applicable to such Balloon Indebtedness, shall be amortized in equal annual
7 installments over a term equal to the lesser of (1) 25 years or (2) the average
8 weighted useful life (expressed in years and rounded to the next highest integer) of
9 the properties and assets constituting the project (if any) financed out of the
10 proceeds of such Balloon Indebtedness. The interest on Parity Bonds designated
11 as Build America Bonds or similar bonds, including the 2010B RWSS Bonds, for
12 purposes of calculating the Annual Debt Service for purposes of the Reserve
13 Requirement, shall be based on the net interest after the 35% federal direct
14 payment or such other federal direct payment to be received for the 2010B RWSS
15 Bonds and Future Parity Bonds.
16
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18 "Average Annual Debt Service" means the sum of the Annual Debt Service
19 for the remaining years to the last scheduled maturity of the applicable issue or
20 issues of Parity Bonds divided by the number of those years.
21

22 "Balloon Indebtedness" means any series of Parity Bonds more than 25% of
23 the principal of which, in accordance with the terms of such Parity Bonds, is due
24 and payable in any one Fiscal Year either by reason of the stated maturity date of
25 such Parity Bonds or pursuant to a sinking fund installment; provided that with
26 respect to any Parity Bonds issued as Term Bonds, such Bonds shall only be



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treated as Balloon Indebtedness if more than 25% of the principal thereof is due in any one Fiscal Year pursuant to the applicable sinking fund requirement or upon the stated maturity date thereof (assuming that the only principal due on the stated maturity date thereof will be the principal remaining outstanding after all redemptions have been made pursuant to the applicable sinking fund requirement).

“Bond Counsel” means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the City for any purpose under this ordinance applicable to the use of that term.

“Bond Fund” means the City of Tacoma Regional Water Supply System Bond Fund, including any subfunds within such fund.

“Bond Obligation” means, as of any given date of calculation, the sum of (1) the aggregate principal amount of all outstanding Current Interest Bonds and (2) the aggregate Accreted Value of all outstanding Capital Appreciation Bonds calculated as of the date of calculation if that date is a Payment Date or as of the next preceding Payment Date if the date of calculation is not a Payment Date.

“Bond Register” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the 2013 RWSS Bonds.

“Bond Registrar” means the Fiscal Agent, or any successor bond registrar selected by the City.

“Build America Bonds” means any series of Parity Bonds to which the City irrevocably elects to have Section 54AA of the Code apply.

“Capital Appreciation Bonds” means Parity Bonds, the interest on which accrues and compounds, payable at maturity or earlier redemption.



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“Certified Public Accountant” means an independent licensed certified public accountant (or firm of certified public accountants) selected by the City.

“City” means the City of Tacoma, Washington.

“City Clerk” means the City Clerk of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary, or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the 2013 RWSS Bonds.

“Commission” means the Securities and Exchange Commission.

“Construction Account” means the Tacoma Second Supply Project Construction Account established by the Finance Director of the City in accordance with Substitute Ordinance No. 27001.

“Council” means the City Council of the City, as the same shall be duly and regularly constituted from time to time.

“Current Interest Bonds” means Parity Bonds, the interest on which is paid periodically.

“CWD” means Covington Water District.

“Debt Service Account” means the Debt Service Account in the Bond Fund.

“Department” means the Department of Public Utilities.



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“Designated Representative” means the officer of the City appointed in Section 3 of this ordinance to serve as the City’s designated representative in accordance with RCW 39.46.040(2).

“DTC” means The Depository Trust Company.

“Engineer” means an independent licensed professional engineer (or firm of licensed professional engineers) selected by the City and experienced and skilled in the operation of water systems of comparable size and character to the Regional System.

“Filtration Treatment Project” means the design and construction of the portion of the filtration treatment system financed by the Regional System.

“Final Terms” means the terms and conditions for the sale of a series of Bonds including, but not limited to, the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

“Finance Director” means the Director of the Department of Finance of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance.

“Fiscal Agent” means the fiscal agent of the State, as the same may be designated by the State from time to time.



1 "Fiscal Year" means the fiscal year used by the City at any time. At the time
2 of the adoption of this ordinance, the Fiscal Year is the 12-month period beginning
3 January 1 of each year.

4 "Future Parity Bonds" means any revenue bonds or any other revenue
5 obligations of the City issued in accordance with Section 19 after the date of
6 issuance of the 2013 RWSS Bonds, that are secured by a lien and charge as
7 described in Section 14 equal to the lien and charge securing the payment of the
8 principal of and interest on the 2013 RWSS Bonds and the Outstanding Parity
9 Bonds.

10 "Gross Revenues of the Water System" means in any Fiscal Year of the
11 Water System all of the revenues of the Water System, including, but not limited to,
12 revenue from the sale or transmission of water; the sale, lease or furnishing of other
13 commodities, services, properties or facilities; the imposition of connection, capital
14 improvement or other charges; utility local improvement district assessments that
15 are pledged to Water System Bonds; and earnings from the investment of money in
16 the Water System Revenue Fund. However, Gross Revenue shall not include
17 earnings of the Regional System or a separate utility system that may be acquired
18 or constructed by the City, including the Regional System; principal proceeds of
19 Water System bonds or other borrowings; grants or other capital contributions to
20 the Water System which by their terms are restricted to specific projects or
21 purposes; or earnings or proceeds from any investments in a trust, defeasance or
22 escrow fund created to defease or refund Water System obligations (until
23 commingled with other earnings and revenues of the Water System defined as
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1 Gross Revenue) or held in a special account for the purpose of paying a rebate to
2 the United States government under the Code.

3 "Issue Date" means, with respect to any Series of Bonds, the date of initial
4 issuance and delivery of such Series to the purchaser in exchange for the purchase
5 price of such Series.

6 "Kent" means the City of Kent.

7 "Lakehaven" means Lakehaven Utility District.

8 "Letter of Representations" means the Blanket Issuer Letter of
9 Representations from the City to DTC in the form on file with the Finance Director of
10 the City.
11

12 "Mandatory Amortization Installment" means, for any Fiscal Year, the
13 principal amount of Term Bonds required to be purchased, redeemed, or paid in
14 such year as established by the ordinance or resolution of the City authorizing the
15 issuance of such Term Bonds.

16 "Maximum Interest Rate" means, with respect to any particular Variable
17 Interest Rate Bond, a numerical rate of interest, which shall be set forth in any
18 ordinance authorizing such Bond that shall be the maximum rate of interest such
19 Bond may at any time bear.
20

21 "Moody's" means Moody's Investors Service, Inc., or its comparable
22 recognized business successor.
23

24 "MSRB" means the Municipal Securities Rulemaking Board or any successor
25 to its functions.
26



1 "Net Revenues" means, for any period, the excess of Revenues over
2 Operating Expenses for such period, excluding from the computation of Revenues
3 any profit or loss derived from the sale or other disposition, not in the ordinary
4 course of business, of properties, rights, or facilities of the Regional System or
5 gains or losses resulting from the early extinguishment of debt or the requirements
6 to mark assets or liabilities to market.

7 "Operating Expenses" means all expenses incurred by the City in causing
8 the Regional System to be operated and maintained in good repair, working order
9 and condition, including, without limitation: deposits, premiums, assessments or
10 other payments for insurance, if any, on the Regional System; payments into
11 pension funds; State-imposed taxes; payments made to any other person or entity
12 for the receipt of water supply or transmission or other right, commodity or service;
13 payments made to any other person or entity that are required in connection with
14 the operation of the Regional System or the acquisition or transmission of water
15 and that are not subordinate to the lien of the Parity Bonds; and payments with
16 respect to any other expenses of the Regional System that are properly treated as
17 operation and maintenance expenses under generally accepted accounting
18 principles applicable to municipal corporations. Operating Expenses do not include
19 any depreciation or taxes levied or imposed by the City, Payment Agreement
20 payments, or payments to the City in lieu of taxes, any Rebate Amount, or capital
21 additions or capital replacements to the Regional System.

22 "Outstanding Parity Bonds" means the 2002 RWSS Bonds and the 2010
23 RWSS Bonds.
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“Parity Bonds” means the Outstanding Parity Bonds, the 2013 RWSS Bonds and any Future Parity Bonds.

“Participants” mean the City, Kent, CWD and Lakehaven.

“Participants’ Payments” means all payments received from the Participants under the Project Agreement.

“Participants’ Systems” or “Participant’s System” means the City’s Water System, Kent’s water system, CWD’s water system, and Lakehaven’s water and sewer system.

“Payment Date” means the dates on which principal and/or interest on the Parity Bonds is due and payable.

“Permitted Investments” means investments that are now or may hereafter be permitted to the City by the laws of the State.

“Project Agreement” means the Agreement for the Regional System among the Participants and the Repayment Agreement among the Participants, as it may be amended.

“Public Utility Board” means the board of that name created under Section 4.8 of the Tacoma City Charter.

“Qualified Insurance” means any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by two Rating Agencies.



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“Qualified Letter of Credit” means any letter of credit issued by a financial institution for the account of the City on behalf of the owners of the Parity Bonds, which institution maintains an office, agency, or branch in the United States and as of the time of issuance of such letter of credit is currently rated in one of the two highest rating categories by two Rating Agencies.

“Rating Agencies” means Moody’s, S&P, or another nationally recognized rating agency rating municipal bonds.

“Rebate Amount” means the amount, if any, determined to be payable with respect to the 2013 RWSS Bonds by the City to the United States of America in accordance with Section 148(f) of the Code.

“Refunded Bonds” means all or a portion of the Refunding Candidates as designated by the Designated Representative.

“Refunding Candidates” means the outstanding 2002 RWSS Bonds.

“Refunding Plan” means:

- (a) the placement of sufficient proceeds of the 2013 RWSS Bonds which, with other money of the City, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;
- (b) the payment of the principal of and interest on the Refunded Bonds when due up to and including such date as shall be determined by the Designated Representative, and the call, payment, and redemption on such date of all of the then-outstanding Refunded Bonds at a price of par; and



1 (c) may include the payment of the costs of issuing the 2013
2 RWSS Bonds and the costs of carrying out the foregoing elements of the Refunding
3 Plan.

4 "Refunding Trust Agreement" means a Refunding Trust Agreement between
5 the City and the Refunding Trustee.

6 "Refunding Trustee" means the trustee or escrow agent or any successor
7 trustee or escrow agent serving as refunding trustee to carry out the Refunding
8 Plan.

9 "Regional Supply System Costs" means with respect to each month, all costs
10 attributable to the Regional System, to the extent not paid from the proceeds of
11 Parity Bonds or other sources, resulting from the ownership, operation,
12 maintenance, and termination of, and repair, renewals, replacements, additions,
13 improvements, betterments, and modifications to the Regional System, including,
14 without limitation, (1) Operating Expenses; (2) the amount required to be paid into
15 the Bond Fund; (3) any amount that the City may be required during such month to
16 pay for the prevention or correction of any unusual loss or damage or for renewals,
17 replacements, repairs, additions, improvements, betterments, and modifications
18 that are necessary to keep the Regional System in good operating condition, to
19 improve the operation thereof or to prevent a loss; and (4) all other charges or
20 obligations against the Revenues.

21 "Regional System" means the Regional Water Supply System, comprised of
22 certain property and facilities to obtain and receive deliveries of water for the
23 Participants from the exercise by Tacoma of the Second Diversion Water Right
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1 from the Green River and granted by the State of Washington Department of
2 Ecology, which property and facilities include (i) a Main Branch pipeline to Tacoma
3 with a 72 MGD nominal capacity; (ii) Headworks improvements associated with the
4 Second Diversion Water Right; (iii) related fisheries and environmental
5 enhancements; (iv) improvements and additions to the Howard Hanson Dam to
6 raise the summer storage pool to elevation 1,167 in phase I to provide an additional
7 20,000 acre feet of water storage, together with improvements and additions related
8 to accommodating fish passage; (v) the Filtration Treatment Project; and
9 (vi) additional related water treatment facilities; and as the same will be added to,
10 improved, and extended for as long as any of the Parity Bonds are outstanding.
11 The Regional System shall not include the Water System or any other separate
12 system.
13

14 “Reserve Account” means the Reserve Account in the Bond Fund, or such
15 separate reserve account that may be created for any Future Parity Bonds.
16

17 “Reserve Account Requirement” means an amount equal to Average Annual
18 Debt Service on the outstanding 2013 RWSS Bonds, but in no case shall the
19 amount in the Reserve Account allocable to the 2013 RWSS Bonds exceed 10% of
20 the proceeds of such 2013 RWSS Bonds. The Reserve Account Requirement with
21 respect to Future Parity Bonds will be either (1) an amount equal to Average Annual
22 Debt Service on such issuance of Future Parity Bonds, but in no case shall the
23 amount in the Reserve Account allocable to such issuance of Future Parity Bonds
24 exceed 10% of the proceeds of such bonds, or (2) the ordinance authorizing such
25 issuance of Future Parity Bonds may provide for the creation of a separate reserve
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1 account, in which case the Reserve Account Requirement, if any, for such issuance
2 of Future Parity Bonds may be set in such ordinance and the Reserve Account
3 created by Ordinance No. 27001 shall not secure such series of Future Parity
4 Bonds. In the case of Variable Interest Rate Bonds, for the purpose of calculating
5 Annual Debt Service, the interest rate thereon shall be calculated on the
6 assumption that such bonds will bear interest during such period at a rate equal to
7 the rate most recently reported by *The Bond Buyer* as the Bond Buyer Index for
8 long-term revenue bonds as of the date the Parity Bonds are sold; provided, that if
9 on such date of calculation the interest rate on such bonds shall then be fixed for a
10 specified period, the interest rate used for such specified period for the purpose of
11 the foregoing calculation shall be such actual interest rate.
12

13 "Revenue Fund" means the Regional Water Supply System Fund.

14 "Revenues" means the income, revenues, receipts and loan proceeds
15 derived by the City through the ownership and operation of the Regional System,
16 including Participants' Payments, but, except as provided in Sections 7 and 14,
17 shall not include any income derived by the City through the ownership and
18 operation of the Water System or any other separate utility system of the City.
19

20 "Rule 15c2-12" means the Commission's Rule 15c2-12 under the Securities
21 Exchange Act of 1934, as amended, and as the same may be amended from time
22 to time.
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24 "S&P" means Standard & Poor's Ratings Services, or its comparable
25 recognized business successor.
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"Serial Bonds" means Parity Bonds other than term bonds.



1 “Series of Bonds” or “Series” means a series of Bonds issued pursuant to
2 this ordinance.

3 “State” means the State of Washington.

4 “Tax Certificate” means the certificate executed by the Finance Director of
5 the City pertaining to the calculation and payment of any Rebate Amount with
6 respect to the 2013 RWSS Bonds.

7 “Term Bonds” means Bonds designated as such by the Designated
8 Representative and those Parity Bonds designated as such in the applicable
9 ordinance authorizing such Parity Bonds.

10 “2002 RWSS Bonds” means the City’s Regional Water Supply System
11 Revenue Bonds, 2002, issued in the original principal amount of \$82,700,000
12 pursuant to Substitute Ordinance No. 27001, passed on November 5, 2002.

13 “2010 RWSS Bonds” means the 2010A RWSS Bonds and the 2010B RWSS
14 Bonds.

15 “2010A RWSS Bonds” means the City’s Regional Water Supply System
16 Revenue Bonds, 2010A, issued in the original principal amount of \$3,595,000
17 pursuant to Ordinance No. 27903, passed on July 20, 2010.

18 “2010B RWSS Bonds” means the City’s Regional Water Supply System
19 Revenue Bonds, 2010B (Taxable Build America Bonds – Direct Payment), issued in
20 the original principal amount of \$44,245,000 pursuant to Ordinance No. 27903,
21 passed on July 20, 2010.
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1 “2013 RWSS Bonds” or “Bonds” means the “City of Tacoma, Washington,
2 Regional Water Supply System Revenue Refunding Bonds, 2013” to be hereafter
3 issued pursuant to and for the purposes provided in this ordinance.

4 “Variable Interest Rate” means a variable interest rate or rates to be borne
5 by a series of Parity Bonds or any one or more maturities within a series of Parity
6 Bonds. The method of computing such variable interest rate shall be specified in
7 the bond ordinance authorizing such series of Parity Bonds. Such variable interest
8 rate shall be subject to a Maximum Interest Rate and there may be an initial rate
9 specified, in each case as provided in such bond ordinance, or a stated interest rate
10 that may be changed from time to time as provided in the bond ordinance
11 authorizing such Bonds. Such bond ordinance shall also specify either (i) the
12 particular period or periods of time or manner of determining such period or periods
13 of time for which each value of such variable interest rate shall remain in effect or
14 (ii) the time or times upon which any change in such variable interest rate shall
15 become effective.
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18 “Variable Interest Rate Bonds” for any period of time means Parity Bonds
19 that during such period bear a Variable Interest Rate, provided that Parity Bonds
20 the interest rate on which shall have been fixed for the remainder of the term
21 thereof shall no longer be Variable Interest Rate Bonds.
22

23 “Water Bond Authorizing Ordinances” means Ordinances Nos. 27109,
24 27405, 27837, 27902, and the ordinance authorizing the Water System Revenue
25 and Refunding Bonds, 2013, of the City.
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1 “Water System” means the water system of the City as it now exists, and all
2 additions thereto and betterments and extensions thereof at any time made, but
3 shall not include the Regional System or any future separate water system created
4 by the City.

5 “Water System Bonds” means the City’s (i) \$51,380,000 original principal
6 amount of Water System Revenue and Refunding Bonds, 2003; (ii) \$46,550,000
7 original principal amount of Water System Revenue and Refunding Bonds, 2005;
8 (iii) \$76,755,000 original principal amount of Water System Revenue Bonds, 2009;
9 (iv) \$29,100,000 original principal amount of Water System Revenue Refunding
10 Bonds, 2010A; (v) \$74,985,000 original principal amount of Water System Revenue
11 Bonds, 2010B (Taxable Build America Bonds – Direct Payment); (vi) the Water
12 System Revenue and Refunding Bonds, 2013, issued on or around the date of the
13 2013 RWSS Bonds; and (vii) any obligations thereafter issued on a parity with such
14 Water System Bonds.
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17 Section 2. Parity Findings. In connection with the issuance of the 2013
18 RWSS Bonds on a parity of lien with the Outstanding Parity Bonds, the City hereby
19 makes the following findings:

20 (a) As of the date hereof, and as of the date of issuance of the
21 2013 RWSS Bonds, the Project Agreement is and will be in effect.

22 (b) There is, and as of the date of issuance of the 2013 RWSS
23 Bonds, there will be, no deficiency in the Bond Fund or any accounts therein.

24 (c) This ordinance requires that there shall be paid into the
25 Reserve Account in the Bond Fund from the proceeds of the 2013 RWSS Bonds an
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1 amount such that the amount on deposit in the Reserve Account is equal to the
2 Reserve Account Requirement for the 2013 RWSS Bonds and the Outstanding
3 Parity Bonds.

4 (d) The 2013 RWSS Bonds will be issued for refunding purposes.

5 Section 3. Authorization and Description of the Bonds; Appointment of
6 Designated Representative. For the purpose of providing part of the funds required
7 to refund all or part of the Refunding Candidates, if interest rates are favorable, to
8 make a deposit to the Reserve Account in the Bond Fund or purchase Qualified
9 Insurance or a Qualified Letter of Credit for the Reserve Account, if necessary, and
10 to provide for the costs of issuance of the 2013 RWSS Bonds, the Director of
11 Utilities, or, in his absence, the Superintendent of Water Division, is appointed as
12 the City's Designated Representative and is authorized and directed to conduct the
13 sale of such Bonds in the manner and upon the terms deemed most advantageous
14 to the City. The 2013 RWSS Bonds shall be special obligations of the City payable
15 only from the Bond Fund and shall be payable and secured as provided herein.
16 The 2013 RWSS Bonds shall not be general obligations of the City, the State or any
17 political subdivision thereof.

18 3.1 Description of the Bonds. The Designated Representative shall
19 approve the Final Terms of the Bonds, with such additional terms and covenants as
20 he or she deems advisable, within the following parameters:

21 (a) Principal Amount. The Bonds may be issued in one or more
22 Series and shall not exceed the aggregate principal amount of \$83,000,000.
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1 (b) Date or Dates. Each Series of Bonds shall be dated as of its
2 Issue Date, which date may not be later than June 30, 2014.

3 (c) Denominations, Series Designation, etc. The Bonds must be
4 issued in authorized denominations of \$5,000 or any integral multiple thereof within
5 a maturity, shall be numbered separately in the manner and shall bear any name
6 and additional designation as deemed necessary or appropriate by the Designated
7 Representative.

8 (d) Interest Rate(s). The Bonds shall bear interest at fixed rates
9 per annum (computed on the basis of a 360-day year of 12, 30-day months) from
10 their Issue Date or from the most recent date to which interest has been paid or
11 duly provided for, whichever is later. One or more rates of interest may be fixed for
12 the Bonds, provided that no rate of interest for any Bond may exceed 5.50%, and
13 the true interest cost to the City for a Series of Bonds may not exceed 4.25%.

14 (e) Payment Dates. Interest must be payable at fixed rates
15 semiannually on such dates as are acceptable to the Designated Representative,
16 commencing no later than one year following the Issue Date. Principal payments
17 shall commence on a payment date acceptable to the Designated Representative
18 and must be payable at maturity or in mandatory redemption installments on such
19 dates as are acceptable to the Designated Representative.
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23 (f) Final Maturity. The Bonds shall mature no later than
24 December 1, 2032.
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(g) Redemption Rights. In his or her discretion, the Designated

Representative may approve provisions for the optional and mandatory redemption of Bonds, as follows:

(i) Optional Redemption. Any Bond or Series of Bonds may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices determined by the Designated Representative; or (B) not subject to redemption prior to its maturity date. If a Bond is designated as subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

(ii) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts determined by the Designated Representative.

(h) Price. The purchase price for any Series of Bonds may not be less than 98% or more than 125% of the stated principal amount of that Series.

(i) Minimum Savings for Refunding Bonds. The Refunding Candidates designated by the Designated Representative to be refunded to achieve a savings must achieve a positive net present value savings after paying all costs of issuance. The Bonds must achieve a minimum of 5.0% net present value savings over the scheduled principal and interest of the Refunded Bonds, giving consideration to the fixed maturities of the corresponding Bonds and Refunded Bonds, the costs of issuance of the Bonds, and the known earned income from the



1 investment of the Bond proceeds in the Acquired Obligations, pending redemption
2 of the Refunded Bonds.

3 (j) Other Terms and Conditions.

4 (i) The Bonds may be sold by either negotiated sale or by
5 competitive bid, in accordance with Section 25 of this ordinance.

6 (ii) The Designated Representative may determine whether
7 it is in the City's best interest to provide for bond insurance or other credit
8 enhancement; and may accept such additional terms, conditions, and covenants as
9 he or she may determine are in the best interests of the City, consistent with this
10 ordinance.
11

12 3.2 Initial Immobilization of 2013 RWSS Bonds; Depository Provisions.

13 The 2013 RWSS Bonds initially shall be held in fully immobilized form by DTC
14 acting as depository pursuant to the terms and conditions set forth in the Letter of
15 Representations. Neither the City nor the Bond Registrar shall have any
16 responsibility or obligation to DTC participants or the persons for whom they act as
17 nominees with respect to the 2013 RWSS Bonds with respect to the accuracy of
18 any records maintained by DTC or any DTC participant, the payment by DTC or
19 any DTC participant of any amount in respect of principal or redemption price or
20 interest on the 2013 RWSS Bonds, any notice which is permitted or required to be
21 given to registered owners under this ordinance (except such notice as is required
22 to be given by the City to the Bond Registrar or to DTC), the selection by DTC or
23 any DTC participant of any person to receive payment in the event of a partial
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1 redemption of the Bonds or any consent given or other action taken by DTC as
2 owner of the 2013 RWSS Bonds.

3 The 2013 RWSS Bonds initially shall be issued in denominations equal to
4 the aggregate principal amount of each maturity of each Series and initially shall be
5 registered in the name of Cede & Co., as the nominee of DTC. The 2013 RWSS
6 Bonds so registered shall be held in fully immobilized form by DTC as depository.
7 For so long as any 2013 RWSS Bonds are held in fully immobilized form, DTC, its
8 successor or any substitute depository appointed by the City, as applicable, shall be
9 deemed to be the registered owner of the 2013 RWSS Bonds for all purposes
10 hereunder and all references to registered owners, bondowners, bondholders,
11 owners or the like shall mean DTC or its nominees and shall not mean the owners
12 of any beneficial interests in the 2013 RWSS Bonds. Registered ownership of such
13 2013 RWSS Bonds, or any portions thereof, may not thereafter be transferred
14 except:
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16 (a) To any successor of DTC or its nominee, if that successor shall
17 be qualified under any applicable laws to provide the services proposed to be
18 provided by it;

19 (b) To any substitute depository appointed by the City pursuant to
20 this subsection or such substitute depository's successor; or
21

22 (c) To any person as herein provided if the 2013 RWSS Bonds are
23 no longer held in immobilized form.
24

25 Upon the resignation of DTC or its successor (or any substitute depository or
26 its successor) from its functions as depository, or a determination by the City to no



1 longer continue the system of book entry transfers through DTC or its successor (or
2 any substitute depository or its successor), the City may appoint a substitute
3 depository. Any such substitute depository shall be qualified under any applicable
4 laws to provide the services proposed to be provided by it.

5 In the case of any transfer pursuant to clause (a) or (b) of the second
6 paragraph of this subsection, the Bond Registrar, upon receipt of all outstanding
7 2013 RWSS Bonds, together with a written request on behalf of the City, shall issue
8 new 2013 RWSS Bonds or Bond for each maturity of each series of 2013 RWSS
9 Bonds then outstanding, registered in the name of such successor or such
10 substitute depository, or their nominees, as the case may be, all as specified in
11 such written request of the City.

13 In the event that DTC or its successor (or substitute depository or its
14 successor) resigns from its functions as depository, and no substitute depository
15 can be obtained, or the City determines that the beneficial owners should be able to
16 obtain bond certificates, the ownership of 2013 RWSS Bonds may be transferred to
17 any person as herein provided, and the 2013 RWSS Bonds shall no longer be held
18 in fully immobilized form. The City shall deliver a written request to the Bond
19 Registrar, together with a supply of definitive 2013 RWSS Bonds, to issue
20 2013 RWSS Bonds as herein provided in any authorized denomination. Upon
21 receipt of all then outstanding 2013 RWSS Bonds by the Bond Registrar, together
22 with a written request on behalf of the City to the Bond Registrar, new 2013 RWSS
23 Bonds shall be issued in such denominations and registered in the names of such
24 persons as are requested in such a written request.
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1 Section 4. Place and Medium of Payment. Both principal of and interest on
2 the 2013 RWSS Bonds shall be payable in lawful money of the United States of
3 America. For so long as outstanding 2013 RWSS Bonds are registered in the
4 name of Cede & Co., or its registered assigns, as nominee of DTC, payments of
5 principal of and interest on the 2013 RWSS Bonds shall be made in next day funds
6 on the date such payment is due and payable at the place and in the manner
7 provided in the Letter of Representations.

8 In the event that 2013 RWSS Bonds are no longer immobilized by DTC,
9 interest on the 2013 RWSS Bonds shall be paid by check or draft mailed (on the
10 date such interest is due), or by wire transfer, to the registered owners or assigns at
11 the addresses for such owners appearing on the Bond Register as of the 15th day
12 of the calendar month preceding the interest payment date. Wire transfer will be
13 made only if so requested in writing and if the owner owns at least \$1,000,000
14 principal amount of the 2013 RWSS Bonds. Principal and premium, if any, of the
15 2013 RWSS Bonds shall be payable at maturity or on such date as may be fixed for
16 prior redemption upon presentation and surrender of the 2013 RWSS Bonds by the
17 owners at the principal office of the Bond Registrar in New York, New York, at the
18 option of such owners.
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21 Section 5. Transfer, Registration and Exchange of Bonds. The initial Bond
22 Registrar shall be the Fiscal Agent. Any 2013 RWSS Bond may be transferred
23 pursuant to its provisions at the Bond Registrar's principal office for such purpose
24 by surrender of such 2013 RWSS Bond for cancellation, accompanied by a written
25 instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by
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1 the registered owner in person or by the registered owner's duly authorized
2 attorney. Upon payment of any applicable tax or federal governmental charge, the
3 City will issue and the Bond Registrar will authenticate and deliver at the principal
4 office of the Bond Registrar (or send by registered mail to the owner thereof at the
5 owner's expense), in the name of the transferee or transferees, a new 2013 RWSS
6 Bond of the same Series, interest rate, principal amount and maturity. To the
7 extent of authorized denominations, one bond may be transferred for several
8 2013 RWSS Bonds of the same Series, interest rate and maturity, and for a like
9 aggregate principal amount, and several 2013 RWSS Bonds of the same Series,
10 interest rate and maturity may be transferred for one or several 2013 RWSS Bonds,
11 respectively, of the same Series, interest rate and maturity and for a like aggregate
12 principal amount.
13

14 In every case of a transfer of any 2013 RWSS Bonds, the surrendered bonds
15 shall be canceled by the Bond Registrar, and a certificate evidencing such
16 cancellation shall be promptly transmitted by the Bond Registrar to the City. As a
17 condition of any such transfer, the City, at its option, may require the payment of a
18 sum sufficient to reimburse it for any tax or other governmental charge that may be
19 imposed thereon. All 2013 RWSS Bonds executed, authenticated, and delivered in
20 exchange for or upon transfer of 2013 RWSS Bonds so surrendered shall be valid
21 obligations of the City evidencing the same debt as the 2013 RWSS Bonds
22 surrendered, and shall be entitled to all the benefits and protection of this ordinance
23 to the same extent as the surrendered 2013 RWSS Bonds.
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1 The City shall not be required to issue, transfer, or exchange 2013 RWSS
2 Bonds after the 15th day of the month prior to any interest payment date therefor.

3 Section 6. Redemption of 2013 RWSS Bonds.

4 (a) Optional Redemption. The 2013 RWSS Bonds shall be subject
5 to optional redemption on any date as provided by the Designated Representative,
6 within the parameters set forth in Section 3. For the purpose of selection of Bonds
7 for redemption, each \$5,000 of principal amount of 2013 RWSS Bonds shall be
8 treated as a separate Bond. If less than all of the 2013 RWSS Bonds subject to
9 redemption are called for redemption, the City shall choose the maturities to be
10 redeemed. If less than all the 2013 RWSS Bonds of an entire maturity are to be
11 redeemed, the 2013 RWSS Bonds to be redeemed shall be chosen in such manner
12 as the Bond Registrar or DTC, as appropriate, shall determine.

13 (b) Mandatory Redemption. Bonds may be designated as Term
14 Bonds by the Designated Representative, within the parameters set forth in
15 Section 3. Redemption shall be made upon written notice as provided herein and
16 by payment of the principal amount of the Term Bonds to be so redeemed, together
17 with the interest accrued thereon to the date fixed for redemption. For the purpose
18 of selection of Term Bonds for redemption, each \$5,000 of principal amount of
19 Term Bonds shall be treated as a separate Bond.

20 If, as of any Mandatory Amortization Installment due date, the principal
21 amount of Term Bonds retired by purchase or redemption, from any source
22 (including optional redemption) exceeds the cumulative Mandatory Amortization
23 Installments through such date, such excess shall be credited against Mandatory
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1 Amortization Installments in the manner determined by the City at the time of such
2 purchase or redemption.

3 (c) Notice of Redemption. Notice of any redemption of
4 2013 RWSS Bonds shall be given not less than 20 days nor more than 60 days
5 prior to the date fixed for redemption by mailing a copy of a redemption notice by
6 first class mail, postage prepaid, to the registered owner of any 2013 RWSS Bond
7 to be redeemed at the address appearing on the Bond Register.

8 All notices of redemption shall be dated and shall state: (1) the redemption
9 date; (2) the redemption price; (3) if less than all outstanding 2013 RWSS Bonds
10 are to be redeemed, the identification (and, in the case of partial redemption, the
11 respective principal amounts) of the 2013 RWSS Bonds to be redeemed, including
12 the CUSIP number; (4) that on the redemption date the redemption price will
13 become due and payable upon each such 2013 RWSS Bond or portion thereof
14 called for redemption, and that interest thereon shall cease to accrue from and after
15 said date; and (5) the place where such 2013 RWSS Bonds are to be surrendered
16 for payment of the redemption price, which place of payment shall be the principal
17 office of the Bond Registrar.

18 The requirements of this section shall be deemed to be complied with when
19 notice is mailed as herein provided, regardless of whether or not it is actually
20 received by the owner of any 2013 RWSS Bond. Interest on any
21 2013 RWSS Bonds so called for redemption shall cease to accrue on such
22 redemption date unless the same is not paid in full upon presentation made
23 pursuant to such call.
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1 Each notice of redemption shall be sent at least 20 days before the
2 redemption date to the MSRB, in accordance with Section 29, and shall be sent to
3 the Rating Agencies then rating the 2013 RWSS Bonds at the request of the City.

4 In the case of an optional redemption, the notice may state that the City
5 retains the right to rescind the redemption notice and the related optional
6 redemption of 2013 RWSS Bonds by giving a notice of rescission to the affected
7 registered owners at any time on or prior to the scheduled optional redemption
8 date. Any notice of optional redemption that is so rescinded shall be of no effect,
9 and the 2013 RWSS Bonds for which the notice of optional redemption has been
10 rescinded shall remain outstanding.

11
12 (d) Partial Redemption of Bonds. If less than all of the principal
13 amount of any 2013 RWSS Bond is redeemed, upon surrender of such Bond at the
14 principal office of the Bond Registrar, there shall be issued to the registered owner,
15 without charge therefor, for the then unredeemed balance of the principal amount
16 thereof, a new Bond or Bonds, at the option of the registered owner, of like maturity
17 and interest rate in any of the denominations authorized by this ordinance.

18
19 (e) Reservation of Right to Purchase. The City further reserves
20 the right at any time to purchase any of the 2013 RWSS Bonds at any price from
21 amounts in the Revenue Fund available for such purchase.

22
23 Section 7. Revenue Fund. The City covenants that it will pay, or cause to
24 be paid, into the Revenue Fund all of the Revenues and all other money required to
25 be paid into the Revenue Fund pursuant to this ordinance.
26



1 The City covenants that it shall pay into the Revenue Fund in each month, as
2 an operating expense of the Water System, from Gross Revenues of the Water
3 System, an amount which, together with other Participants' Payments and other
4 Revenues available for such purpose, is equal to the Regional Supply System
5 Costs which are then unpaid, together with the estimated Regional Supply System
6 Costs for the next succeeding month.

7 In each month, the City shall apply amounts in the Revenue Fund first, to the
8 payment of Operating Expenses for such month, and second, to the deposit in the
9 Bond Fund of the amounts required pursuant to Section 8 and, in the event the City
10 has entered into any Parity Payment Agreement (as described in Section 18) on a
11 parity of lien with the Parity Bonds, to make any regularly scheduled City Payments
12 adjusted by any regularly scheduled Receipt (provided, however, that termination
13 payments with respect to any Parity Payment Agreement shall not rank on a parity
14 of lien with the Parity Bonds); and, in the event the City has entered into a
15 reimbursement agreement authorized by Section 20, to make all payments required
16 to be made on a parity of lien with the Parity Bonds pursuant to such
17 reimbursement agreement in connection with a Qualified Letter of Credit, Qualified
18 Insurance, or other credit facility, provided that if there is not sufficient money to
19 make all payments under more than one such reimbursement agreement, the
20 payments shall be made on a pro rata basis. After such required payments are
21 made, amounts in the Revenue Fund may be used to pay junior lien obligations of
22 the Regional System, to finance capital improvements or for any other lawful
23 purpose of the Regional System.
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Section 8. Bond Fund.

1 (a) The Bond Fund has been created and divided into two
2 accounts: the Debt Service Account and the Reserve Account. At the option of the
3 City, separate accounts may be created in the Bond Fund for the purpose of paying
4 or securing the payment of principal, premium, if any, and interest on any series of
5 Parity Bonds. So long as any Parity Bonds are outstanding, the Bond Fund shall be
6 used solely and Revenues are appropriated for the purposes of paying the principal
7 of premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to
8 maturity in the manner provided herein or in any ordinance authorizing Parity
9 Bonds.
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12 The City shall set aside and pay into the Bond Fund out of the Revenue
13 Fund certain fixed amounts sufficient (together with other available funds on hand
14 and paid into the Bond Fund) to pay the principal of, premium, if any, and interest
15 on the 2002 RWSS Bonds, the 2010 RWSS Bonds, the 2013 RWSS Bonds, and all
16 other Parity Bonds from time to time outstanding pursuant to this ordinance and all
17 other ordinances authorizing Parity Bonds as the same respectively become due
18 and payable, either at the maturity thereof or in accordance with the terms of any
19 Mandatory Amortization Installment schedule established for the retirement of Term
20 Bonds. The fixed amounts to be paid into the Bond Fund, to the extent that such
21 payments are not made from bond proceeds or from other money that may legally
22 be available therefor, shall be made out of the Revenue Fund into the Bond Fund in
23 the following order of priority: first, to pay interest; second, to pay principal and
24 Mandatory Amortization Installments; and third, into the Reserve Account.
25
26



1 (i) Interest. In the case of all Parity Bonds, no later than
2 the day prior to the date on which an installment of interest falls due on any Parity
3 Bonds, there shall be on deposit in the Debt Service Account in the Bond Fund an
4 amount equal to the installment of interest then falling due on all outstanding Parity
5 Bonds.

6 (ii) Principal. No later than the day prior to the date upon
7 which an installment of principal on Parity Bonds that are Serial Bonds falls due,
8 there shall be on deposit in the Debt Service Account in the Bond Fund an amount
9 equal to the installment of principal then falling due on all outstanding Parity Bonds
10 that are Serial Bonds.

11 (iii) Term Bonds. No later than the day prior to the date
12 upon which a Mandatory Amortization Installment falls due, there shall be on
13 deposit in the Debt Service Account an amount equal to the Mandatory
14 Amortization Installment for such date. The City shall apply all such money to the
15 redemption or purchase of Term Bonds on the next ensuing Mandatory
16 Amortization Installment due date (or may so apply such money prior to such
17 Mandatory Amortization Installment due date), pursuant to the terms of this
18 ordinance or of the ordinance authorizing the issuance thereof. If the principal
19 amount of Term Bonds retired by purchase or redemption exceeds the cumulative
20 amount required to be redeemed by Mandatory Amortization Installment, then such
21 excess may be credited against Mandatory Amortization Installments in the manner
22 determined by the City at the time of such purchase or redemption. Any such
23 purchase of Term Bonds by the City may be made with or without tenders of such
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bonds in such manner as the City shall, in its discretion, deem to be in its best
1 interest.

2 (iv) Reserve Account.

3 A. The City hereby covenants that, if necessary, on
4 the Issue Date it shall pay into the Reserve Account out of proceeds of the
5 2013 RWSS Bonds and other funds lawfully available therefor and/or acquire
6 Qualified Insurance or a Qualified Letter of Credit so that the amount in the Reserve
7 Account at least equals the Reserve Account Requirement for the 2013
8 RWSS Bonds and the Outstanding Parity Bonds. The City may, at any time,
9 substitute Qualified Insurance or a Qualified Letter of Credit for the money and
10 investments in the Reserve Account or may substitute money and investments for
11 Qualified Insurance or a Qualified Letter of Credit in accordance with this
12 Section 8(a)(iv). The face amount of such Qualified Insurance or Qualified Letter of
13 Credit shall be at least equal to the amount of the money or investments for which
14 the Qualified Insurance or Qualified Letter of Credit is substituted.
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18 B. Valuation of the amount in the Reserve Account
19 and all subaccounts therein shall be made by the City on each December 31 and
20 may be made on any other date. Such valuation shall be at the market value of the
21 obligations in such account and such subaccounts (including accrued interest);
22 provided, that investments which mature within one year shall be valued at their
23 maturity value.
24

25 C. In the event of the issuance of any Future Parity
26 Bonds, the ordinance authorizing the issuance of such Future Parity Bonds shall



1 provide for further and additional approximately equal monthly payments into the
2 Reserve Account from the money in the Revenue Fund, in such amounts and at
3 such times so that by no later than five years from the date of issuance of such
4 Future Parity Bonds or by the final maturity established for such series of Future
5 Parity Bonds, whichever occurs first, there will be credited to the Reserve Account
6 an amount equal to the Reserve Account Requirement, if any. Notwithstanding the
7 foregoing provisions of this Subparagraph C, the proceedings authorizing the
8 issuance of Future Parity Bonds, to the extent permitted under the Code, may
9 provide for payments into the Reserve Account from the proceeds of such Future
10 Parity Bonds or from any other money lawfully available therefor, or may provide for
11 the City to obtain Qualified Insurance or a Qualified Letter of Credit for amounts
12 required by Subparagraph E of this Section 8(a)(iv) or similar provisions in other
13 ordinances authorizing Parity Bonds to be paid out of the Reserve Account. The
14 face amount of any such Qualified Insurance or Qualified Letter of Credit shall be
15 credited against the amounts required to be maintained in the Reserve Account by
16 this Section 8(a)(iv) or similar provisions in other ordinances authorizing Parity
17 Bonds to the extent that such payments and credits to be made are insured by an
18 insurance company, or guaranteed by a letter of credit from a financial institution.
19 Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on
20 less than five years' notice.
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24 On receipt of a notice of cancellation of any Qualified Letter of Credit or
25 Qualified Insurance or upon notice that the entity providing the Qualified Letter of
26 Credit or Qualified Insurance no longer meets the requirements specified herein,



1 the City shall substitute a Qualified Letter of Credit or Qualified Insurance in the
2 amount required to make up the deficiency created in the Reserve Account or in the
3 alternative shall create a special account in the Revenue Fund and deposit therein,
4 on or before the 25th day of each of the 36 succeeding calendar months
5 (commencing with the 25th day of the calendar month next following the date of the
6 notice) one thirty-sixth of the amount sufficient, together with other money and
7 investments on deposit in the Reserve Account, to equal the Reserve Account
8 Requirement in effect as of the date the cancellation or disqualification of the entity
9 becomes effective. Those amounts shall be deposited in the special account from
10 money in the Revenue Fund after making provision for payment of Operating
11 Expenses and for required payments into the Bond Fund. Amounts on deposit in
12 that special account shall not be available to pay debt service on Parity Bonds or for
13 any other purpose of the City, and shall be transferred to the Reserve Account on
14 the effective date of any cancellation of a Qualified Letter of Credit or Qualified
15 Insurance to make up all or part of the deficiency caused thereby. Amounts in that
16 special account or in the Reserve Account may be transferred to the Revenue Fund
17 and used for any purpose if and when a qualifying Qualified Letter of Credit or
18 Qualified Insurance is obtained.

21
22 D. If at any time the money and value of Permitted
23 Investments in the Reserve Account shall exceed the amount of money and value
24 of Permitted Investments then required to be maintained therein, such excess may
25 be transferred to the Revenue Fund.

26



1 (b) Money in the Bond Fund shall be transmitted to the Bond
2 Registrar in amounts sufficient to meet the maturing installments of principal of,
3 premium, if any, and interest on all Parity Bonds when due. All money remaining in
4 the Bond Fund after provision for the payment in full of the principal of, premium, if
5 any, and interest on all Parity Bonds shall be returned to the Revenue Fund.

6 The Bond Fund shall be drawn upon solely for the purpose of paying the
7 principal of, premium, if any, and interest on Parity Bonds. Money set aside from
8 time to time with the Bond Registrar for such payment shall be held in trust for the
9 owners of Parity Bonds in respect of which the same shall have been so set aside.
10 Until so set aside, all money in the Bond Fund shall be held in trust for the benefit of
11 the owners of all Parity Bonds at the time outstanding equally and ratably.

12 (c) Money in the Bond Fund may, at the option of the City, be
13 invested and reinvested as permitted by law in Permitted Investments maturing, or
14 which are redeemable at the option of the owner, prior to the date needed or prior
15 to the maturity date of the final installment of principal of the Parity Bonds payable
16 out of the Bond Fund. At the City's option, earnings on investments in the Bond
17 Fund may be retained in the Bond Fund or transferred to the Revenue Fund, except
18 that earnings on investments in the Reserve Account shall first be applied to
19 remedy any deficiency in such Account.

20 (d) Money in each of the subaccounts described in this Section 8
21 may be used, if necessary, to pay Rebate Amounts to the extent that such Rebate
22 Amounts are directly attributable to earnings on such subaccount.
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1 Section 9. Use of Bond Proceeds. Upon closing of the 2013 RWSS Bonds,
2 the City shall deposit amounts received upon sale of the 2013 RWSS Bonds as
3 follows:

4 (a) an amount sufficient to refund the Refunded Bonds to be
5 deposited with the Refunding Trustee;

6 (b) an amount, if any, of the City into the Reserve Account or used
7 to purchase Qualified Insurance; and

8 (c) the amount to pay costs of issuing the 2013 RWSS Bonds into
9 the Revenue Fund, or deposited with the Refunding Trustee.
10

11 The exact amount of such deposits shall be determined by the Designated
12 Representative of the City.

13 Section 10. Refunding of the Refunded Bonds.

14 10.1 Appointment of Refunding Trustee. The Designated
15 Representative or Finance Director is authorized to appoint a Refunding Trustee in
16 connection with the 2013 RWSS Bonds.
17

18 10.2 Use of Bond Proceeds; Acquisition of Acquired Obligations.

19 The portion of the proceeds of the sale of the 2013 RWSS Bonds allocated to
20 refunding the Refunded Bonds shall be deposited immediately upon the receipt
21 thereof with the Refunding Trustee and used to discharge the obligations of the City
22 relating to the Refunded Bonds under Substitute Ordinance No. 27001 by providing
23 for the payment of the amounts required to be paid by the Refunding Plan. To the
24 extent practicable, such obligations shall be discharged fully by the Refunding
25 Trustee's simultaneous purchase of Acquired Obligations, bearing such interest and
26



1 maturing as to principal and interest in such amounts and at such times so as to
2 provide, together with a beginning cash balance, if necessary, for the payment of
3 the amount required to be paid by the Refunding Plan. The Acquired Obligations
4 are listed and more particularly described in the Refunding Trust Agreement
5 between the City and the Refunding Trustee, but are subject to substitution as set
6 forth below. Any Bond proceeds or other money deposited with the Refunding
7 Trustee not needed to purchase the Acquired Obligations and provide a beginning
8 cash balance, if any, and pay the costs of issuance of the 2013 RWSS Bonds shall
9 be returned to the City and deposited in the Bond Fund to pay interest on the
10 2013 RWSS Bonds on the first interest payment date.
11

12 10.3 Substitution of Acquired Obligations. Prior to the purchase of
13 any Acquired Obligations by the Refunding Trustee, the City reserves the right to
14 substitute other direct, noncallable obligations of the United States of America
15 ("Substitute Obligations") for any of the Acquired Obligations and to use any
16 savings created thereby for any lawful City purpose if, (a) in the opinion of the City's
17 bond counsel, the interest on the 2013 RWSS Bonds and the Refunded Bonds will
18 remain excluded from gross income for federal income tax purposes under
19 Sections 103, 148, and 149(d) of the Code; and (b) such substitution shall not
20 impair the timely payment of the amounts required to be paid by the Refunding
21 Plan, as verified by a nationally recognized independent certified public accounting
22 firm.
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25 10.4 After the purchase of the Acquired Obligations by the
26 Refunding Trustee, the City reserves the right to substitute therefor cash or



1 Substitute Obligations subject to the conditions that such money or securities held
2 by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that
3 such substitution will not cause the 2013 RWSS Bonds or the Refunded Bonds to
4 be arbitrage bonds within the meaning of Section 148 of the Code and regulations
5 thereunder in effect on the date of such substitution and applicable to obligations
6 issued on the issue dates of the 2013 RWSS Bonds and the Refunded Bonds, as
7 applicable, and that the City obtain, at its expense: (1) a verification by a nationally
8 recognized independent certified public accounting firm acceptable to the
9 Refunding Trustee confirming that the payments of principal of and interest on the
10 Substitute Obligations, if paid when due, and any other money held by the
11 Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an
12 opinion from nationally recognized bond counsel to the City, to the effect that the
13 disposition and substitution or purchase of the Substitute Obligations, under the
14 statutes, rules, and regulations then in force and applicable to the 2013 RWSS
15 Bonds, will not cause the interest on the 2013 RWSS Bonds or the Refunded
16 Bonds to be included in gross income for federal income tax purposes and that
17 such disposition and substitution or purchase is in compliance with the statutes and
18 regulations applicable to the 2013 RWSS Bonds and the Refunded Bonds. Any
19 surplus money resulting from the sale, transfer, other disposition, or redemption of
20 the Acquired Obligations and the Substitute Obligations shall be released from the
21 trust estate and transferred to the City to be used for any lawful City purpose.
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25 10.5 Administration of Refunding Plan. The Refunding Trustee is
26 authorized and directed to purchase the Acquired Obligations (or Substitute



Obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or Substitute Obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of Substitute Ordinance No. 27001, this ordinance, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the 2013 RWSS Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the 2013 RWSS Bonds, including bond printing, verification fees, bond counsel's fees, and other related expenses, shall be paid out of the proceeds of the 2013 RWSS Bonds.

10.6 Authorization for Refunding Trust Agreement. To carry out the Refunding Plan provided for by this ordinance, the Designated Representative or Finance Director is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Designated Representative or Finance Director is authorized to make such changes therein that do not change the substance and



1 purpose thereof or that assure that the escrow provided therein and the
2 2013 RWSS Bonds are in compliance with the requirements of federal law
3 governing the exclusion of interest on the 2013 RWSS Bonds and the Refunded
4 Bonds from gross income for federal income tax purposes.

5 Section 11. Call for Redemption of the Refunded Bonds. The City calls for
6 redemption on such date as shall be determined by the Designated Representative,
7 all of the Refunded Bonds at par plus accrued interest. Such call for redemption
8 shall be irrevocable after the delivery of the 2013 RWSS Bonds to the initial
9 purchaser thereof.

10
11 The proper City officials are authorized and directed to give or cause to be
12 given such notices as required, at the times and in the manner required, pursuant to
13 Substitute Ordinance No. 27001, in order to effect the redemption prior to their
14 maturity of the Refunded Bonds.

15
16 Section 12. City Findings with Respect to Refunding. The Council
17 authorizes the Designated Representative to issue the 2013 RWSS Bonds if it is in
18 the best interest of the City and its ratepayers. In making such finding, the
19 Designated Representative will give consideration to the fixed maturities of the
20 2013 RWSS Bonds and the Refunded Bonds, the costs of issuance of the
21 2013 RWSS Bonds and the known earned income from the investment of the
22 proceeds of the issuance and sale of the 2013 RWSS Bonds pending payment and
23 redemption of the Refunded Bonds.

24
25 The Council further finds that the money to be deposited with the Refunding
26 Trustee for the Refunded Bonds in accordance with Section 10 of this ordinance will



1 discharge and satisfy the obligations of the City under Substitute Ordinance
2 No. 27001 with respect to the Refunded Bonds, and the pledges, charges, trusts,
3 covenants, and agreements of the City therein made or provided for as to the
4 Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be
5 outstanding under such ordinance immediately upon the deposit of such money
6 with the Refunding Trustee.

7 Section 13. Adequacy of Revenues of Regional System to Make Required
8 Payments. The Council declares, in fixing the amounts to be paid into the Bond
9 Fund as hereinbefore provided, that it has exercised due regard for Operating
10 Expenses and has not obligated the City to set aside and pay into the Bond Fund a
11 greater amount of the Revenues than in its judgment will be available over and
12 above such Operating Expenses.

13 Section 14. Security for Parity Bonds. The Parity Bonds are special limited
14 obligations of the City payable from and secured solely by Revenues, including the
15 amount of Gross Revenues of the Water System and Participants' Payments
16 required to be deposited in the Revenue Fund pursuant to Section 7, subject to the
17 prior payment of Operating Expenses, and other funds specifically pledged
18 hereunder. There are hereby pledged as security for the payment of the principal,
19 premium, if any, and interest on the Parity Bonds in accordance with their terms and
20 the provisions of this ordinance, and any City Payments or reimbursement
21 obligations as set forth in Sections 18 and 20: (1) the proceeds of the sale of the
22 Parity Bonds to the extent held in the Bond Fund and any construction fund
23 established for the Parity Bonds; (2) the Revenues, including such Gross Revenues
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of the Water System and Participants' Payments as provided in Section 7; and
1 (3) the money and investments, if any, credited to the Bond Fund and construction
2 fund established for the Parity Bonds, and the income therefrom. The Revenues
3 and other money and securities hereby pledged shall immediately be subject to the
4 lien of this pledge without any physical delivery or further act, and the lien of this
5 pledge shall be valid and binding as against all parties having claims of any kind in
6 tort, contract or otherwise against the City.
7

8 All Parity Bonds hereafter outstanding shall be equally and ratably payable
9 and secured without priority by reason of date of adoption of the ordinance
10 providing for their issuance or by reason of their number or date of sale, issuance,
11 execution or delivery, or by the liens, pledges, charges, trusts, assignments and
12 covenants made herein or in any ordinance authorizing Future Parity Bonds, except
13 as otherwise expressly provided or permitted in this ordinance and except as to
14 insurance which may be obtained by the City to insure the repayment of one or
15 more series or maturities within a series.
16
17

18 Parity Bonds shall not in any manner or to any extent constitute general
19 obligations of the City or of the State, or any political subdivision of the State, or a
20 charge upon any general fund or upon any money or other property of the City or of
21 the State, or of any political subdivision of the State, not specifically pledged thereto
22 by this ordinance.
23

24 Section 15. Defeasance. The City may issue refunding bonds pursuant to
25 the laws of the State of Washington or use money available from any other lawful
26 source to pay the principal of and interest on the 2013 RWSS Bonds, or such



1 portion thereof included in a refunding or defeasance plan, as the same become
2 due and payable and to redeem and retire, release, refund or defease all such
3 then-outstanding 2013 RWSS Bonds (the "defeased 2013 RWSS Bonds") and to
4 pay the costs of such refunding or defeasance. In the event that money and/or
5 "Government Obligations," as such obligations are now or may hereafter be defined
6 under RCW 39.53 or other applicable State law, maturing at such time or times and
7 bearing interest to be earned thereon in amounts sufficient to redeem and retire the
8 defeased 2013 RWSS Bonds or any of them in accordance with their terms are set
9 aside in a special account to effect such redemption or retirement and such money
10 and the principal of and interest on such obligations are irrevocably set aside and
11 pledged for such purpose, then no further payments need be made into the Bond
12 Fund for the payment of the principal of and interest on the defeased 2013 RWSS
13 Bonds so provided for and such defeased 2013 RWSS Bonds shall cease to be
14 entitled to any lien, benefit or security of this ordinance except the right to receive
15 the funds so set aside and pledged, and such defeased 2013 RWSS Bonds shall
16 be deemed not to be outstanding hereunder.

19 In the event that the refunding plan provides that the defeased 2013 RWSS
20 Bonds or the refunding bonds to be issued be secured by money and/or
21 Government Obligations pending the prior redemption of the defeased 2013 RWSS
22 Bonds and if such refunding plan also provides that certain money and/or
23 Government Obligations are pledged irrevocably for the prior redemption of the
24 defeased 2013 RWSS Bonds included in that refunding plan, then only the debt
25 service on the 2013 RWSS Bonds which are not defeased 2013 RWSS Bonds shall
26



1 be included in the computation of the requirement for the issuance of Future Parity
2 Bonds and for determining compliance with the rate covenants.

3 Section 16. Tax Provisions.

4 16.1 Preservation of Tax-Exemption on Bonds. The City hereby covenants
5 that it will take all actions necessary to prevent interest on any Series of 2013
6 RWSS Bonds issued as tax-exempt obligations from being included in gross
7 income for federal income tax purposes and that it will neither take any action nor
8 make or permit any use of the proceeds of such Series of 2013 RWSS Bonds or
9 any other funds of the City which may be deemed to be proceeds of such Series of
10 2013 RWSS Bonds pursuant to Section 148 of the Code and the applicable
11 regulations thereunder that will cause the Series of 2013 RWSS Bonds to be
12 “arbitrage bonds” within the meaning of such section and regulations. The City
13 further covenants that it will not take any action or permit any action to be taken that
14 would cause the 2013 RWSS Bonds to constitute “private activity bonds” under
15 Section 141 of the Code.
16

17
18 16.2 Arbitrage Rebate. The City covenants that it will, to the extent the
19 arbitrage rebate requirement of Section 148 of the Code is applicable to a Series of
20 2013 RWSS Bonds, pay the Rebate Amount, if any, to the United States of America
21 at the times and in the amounts necessary to meet the requirements of the Code to
22 maintain the federal income tax exemption for interest payments on the 2013
23 RWSS Bonds, in accordance with the Tax Certificate.
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25 Section 17. Covenants. The City covenants with the owner of each
26 2013 RWSS Bond at any time outstanding, as follows:



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(a) Operation and Maintenance. It will at all times maintain, preserve and keep the Regional System in good repair, working order and condition; will make all necessary and proper improvements, replacements and extensions thereof; and will at all times operate or cause to be operated the properties of the Regional System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) Rate Covenants.

(i) The City shall establish, maintain and collect contract charges or other amounts for water and other goods and services sold or supplied through the facilities of the Regional System that will provide the City with Revenues sufficient for the payment of Regional Supply System Costs.

(ii) The City shall establish, maintain, and collect rates and charges for water and other goods and services sold or supplied through the facilities of the Water System sufficient to pay the cost of operation and maintenance of the Water System and to provide Gross Revenues of the Water System sufficient, together with amounts on deposit in the Revenue Fund and available for such purpose (including Participants' Payments), to pay all Regional Supply System Costs and all obligations against Gross Revenues of the Water System now or hereafter imposed by law or contract.

(c) Project Agreement. The City shall not amend Sections 11.4.10, 25.3, 25.7, 25.8, or 31.3 of the Project Agreement in any manner that would materially impact the security for the Parity Bonds or increase or reduce a Participant's obligations to pay its share of debt service on the Parity Bonds or



1 any Future Parity Bonds, other than to allow for a new Participant or an existing
2 Participant (other than the City) to assign its interests in the Project Agreement if
3 (i) the new Participant signs a Project Agreement substantially in the form of the
4 Project Agreement, (ii) the new Participant's water system is rated at least in one of
5 the three highest categories by one Rating Agency, (iii) the Participant's resolutions
6 or ordinances authorizing outstanding water revenue bonds permit the Participant
7 to pay all costs it owes under the Project Agreement as an operating and
8 maintenance expense of its water system and any other utility that is combined with
9 its water system, (iv) the tax-exempt status of any outstanding Parity Bonds issued
10 as tax-exempt obligations or the entitlement of the City to receive federal direct
11 payments from the United States Treasury with respect to any outstanding Parity
12 Bonds issued as Build America Bonds will not be affected, and (v) to the extent that
13 the new Participant's share of debt service on any Parity Bonds exceeds 10%, the
14 new Participant shall execute a continuing disclosure undertaking that satisfies the
15 requirements of Rule 15c2-12.
16

17
18 (d) Sale, Transfer, or Disposition of the Regional System. The City
19 may sell, transfer, or otherwise dispose of any of the works, plant, properties,
20 facilities or other part of the Regional System or any real or personal property
21 comprising a part of the Regional System only consistent with State law and the
22 City Charter and one or more of the following:
23

24 (i) The City may exchange any of the works, plant,
25 properties, facilities or other part of the Regional System for works, plant, properties
26 or facilities of substantially the same type, use and value; or



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(ii) The City in its discretion may carry out such a sale, transfer or disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property transferred are not material to the operation of the Regional System, or shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Regional System or are no longer necessary, material or useful to the operation of the Regional System; or

(iii) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property of the Regional System being transferred under this subparagraph (iii) in any Fiscal Year comprises no more than 5% of the total assets of the Regional System; or

(iv) The City may sell, lease, mortgage or otherwise dispose of the Regional System, including all additions to and betterments and extensions thereof at any time made, that are used, useful or material in the operation of the Regional System, if provision is made for the replacement thereof or provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:

A. An amount that will be in the same proportion to the net Bond Obligation of Parity Bonds then outstanding (defined as the total Bond Obligation of such Parity Bonds outstanding less the amount of cash and investments in the Debt Service Account) that the revenues attributable to the part of the Regional System sold or disposed of for any 12 consecutive of the most recent 24 months bears to the total revenues for such period; or



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B. An amount that will be in the same proportion to

the net Bond Obligation of Parity Bonds then outstanding that the book value of the part of the Regional System sold or disposed of bears to the book value of the entire Regional System immediately prior to such sale or disposition.

(e) Books and Accounts. It will keep proper books, records and accounts with respect to the operations, income, and expenditures of the Regional System in accordance with generally accepted accounting practices relating to municipal utilities, and will cause those books, records, and accounts to be audited on an annual basis by the State Auditor or by a Certified Public Accountant selected by the City. It will prepare annual financial and operating statements after the close of each Fiscal Year of the Regional System showing in reasonable detail the financial condition of the Regional System.

(f) Maintenance of Insurance. The City will keep the Regional System insured, and will carry such other insurance, with responsible insurers, with policies payable to the City, against risks, accidents or casualties, at least to the extent that insurance is deemed prudent and/or necessary by the other Participants; provided, however, that the City may, with the other Participants' approval, institute or continue a self-insurance program with respect to any or all of the aforementioned risks. In the event of any loss or damage, the City will promptly deposit the insurance proceeds into the Construction Account or other capital account, or any construction fund hereafter created for the Regional System, and use such funds to repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy or self-insurance funding for that



1 purpose; or in the event the City should determine not to repair or reconstruct such
2 damaged portion of the properties of the Regional System, the proceeds of such
3 insurance or self-insurance funding shall be transferred to the Reserve Account to
4 the extent that such transfer shall be necessary to make up any deficiency in the
5 Reserve Account and the balance, if any, shall, at the option of the City, be used for
6 repairs, renewals, replacements, or additions to or extension of the Regional
7 System or be used in the retirement of Parity Bonds prior to maturity, either by
8 purchase at prices not to exceed the next applicable redemption price or by call for
9 redemption.
10

11 Section 18. Parity Derivative Products. For purposes of this section, the
12 following words shall have the following definitions:

13 (a) "Payment" means any payment (designated as such by an
14 ordinance) required to be made by or on behalf of the City under a Payment
15 Agreement and which is determined according to a formula set forth in the Payment
16 Agreement.
17

18 (b) "Parity Payment Agreement" means a Payment Agreement
19 under which the City's payment obligations are expressly stated to be secured by a
20 pledge of and lien on Net Revenues on an equal and ratable basis with the Net
21 Revenue required to be paid into the Bond Fund to pay and secure the payment of
22 the principal of and interest on Parity Bonds.
23

24 (c) "Payment Agreement" means a written agreement, for the
25 purpose of managing or reducing the City's exposure to fluctuations or levels of
26 interest rates, currencies or commodities or for other interest rate, investment, asset



1 or liability management purposes, entered into on either a current or forward basis
2 by the City and a Qualified Counterparty, all as authorized by any applicable laws of
3 the State. Such agreement may or may not be characterized by a structure of
4 reciprocity of payment.

5 (d) "Payment Date" means any date specified in the Payment
6 Agreement on which a City Payment or Receipt is due and payable under the
7 Payment Agreement.

8 (e) "Receipt" means any payment (designated as such by an
9 ordinance) to be made to, or for the benefit of, the City under a Payment Agreement
10 by the Payor.
11

12 (f) "Payor" means a Qualified Counterparty to a Payment
13 Agreement that is obligated to make one or more payments thereunder.

14 (g) "Qualified Counterparty" means a party (other than the City or a
15 party related to the City) who is the other party to a Payment Agreement that has or
16 whose obligations are unconditionally guaranteed by a party that has at least an
17 investment grade rating from a Rating Agency or who is otherwise qualified to act
18 as the other party to a Payment Agreement under any applicable laws of the State.
19

20 A Payment made under a Payment Agreement may be on a parity with the
21 2013 RWSS Bonds if the Payment Agreement satisfies the requirements for Future
22 Parity Bonds described in Section 19, taking into consideration regularly scheduled
23 Payments and Receipts (if any) under the Payment Agreement. The following shall
24 be conditions precedent to the use of any Payment Agreement on parity with the
25 2013 RWSS Bonds:
26



1 (i) The City shall obtain an opinion of Bond Counsel on the
2 due authorization and execution of such Payment Agreement, the validity and
3 enforceability thereof and opining that the action proposed to be taken is authorized
4 or permitted by this ordinance or the applicable provisions of any supplemental
5 ordinance and will not adversely affect the excludability for federal income tax
6 purposes of the interest on any outstanding Parity Bonds issued as tax-exempt
7 obligations or the entitlement of the City to receive federal direct payments from the
8 United States Treasury with respect to any outstanding Parity Bonds issued as
9 Build America Bonds.
10

11 (ii) Prior to entering into a Payment Agreement, the City
12 shall adopt an ordinance, which shall:

13 A. set forth the manner in which the Payments and
14 Receipts are to be calculated and a schedule of Payment Dates;

15 B. establish general provisions for the rights of
16 parties to Payment Agreements; and

17 C. set forth such other matters as the City deems
18 necessary or desirable in connection with the management of Payment Agreements
19 as are not clearly inconsistent with the provisions of this ordinance. The Payment
20 Agreement may oblige the City to pay, on one or more scheduled and specified
21 Payment Dates, the Payments in exchange for the Payor's obligation to pay or to
22 cause to be paid to the City, on scheduled and specified Payment Dates, the
23 Receipts. The City may also enter into Payment Agreements that are not
24 reciprocated by the other party to the agreement.
25
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1 If the City enters into a Parity Payment Agreement, Payments shall be made
2 from the Debt Service Account in the Bond Fund and Annual Debt Service shall
3 include any regularly scheduled City Payments adjusted by any regularly scheduled
4 Receipts during a Fiscal Year. Receipts shall be made directly into the Bond Fund.
5 Obligations to make unscheduled payments, such as termination payments, may
6 not be entered into on parity with the 2013 RWSS Bonds.

7 Nothing in this section shall preclude the City from entering into Payment
8 Agreements with a claim on Net Revenues junior to that of the 2013 RWSS Bonds.
9 Furthermore, nothing in this section shall preclude the City from entering into
10 obligations on parity with the 2013 RWSS Bonds in connection with the use of
11 Payment Agreements or similar instruments if the City obtains an opinion of Bond
12 Counsel that the obligations of the City thereunder are consistent with this
13 ordinance.
14

15 Section 19. Future Parity Bonds.

16 (a) The City reserves the right to issue Future Parity Bonds from
17 time to time as may be required for any lawful purpose of the City relating to the
18 Regional System, including, but not limited to, acquiring, constructing and installing
19 additions, betterments and improvements to and extensions of, acquiring necessary
20 equipment for, or making necessary renewals, replacements or repairs and capital
21 improvements to the Regional System and refunding any outstanding
22 indebtedness.
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24 (b) The City covenants that Future Parity Bonds shall be issued
25 only upon compliance with the following conditions:
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(i) The Project Agreement shall be in effect.

(ii) At the times of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund or in any of the accounts therein.

The ordinances authorizing the issuance of the Future Parity Bonds shall require that there shall be paid into the Reserve Account in the Bond Fund (A) from the proceeds of such Future Parity Bonds an amount such that the amount on deposit in the Reserve Account, allowing for any amount covenanted in an ordinance authorizing the issuance of outstanding Parity Bonds to be paid into such Account over five years, in equal monthly installments, as provided in Section 8(a)(iv), is equal to the Reserve Account Requirement, if any, or (B) from the Revenue Fund in not more than five years, in equal monthly installments, as provided in Section 8(a)(iv) such that the amount on deposit in the Reserve Account is equal to the Reserve Account Requirement. Upon the issuance of any series of Future Parity Bonds, the City shall recalculate the Reserve Account Requirement, which recalculated Reserve Account Requirement shall become effective as of such date of recalculation.

(iii) Without obtaining a certificate described in (iv)(A) or (B), Future Parity Bonds may be issued for refunding purposes as described in Subsection 19(c). For all other Future Parity Bonds there shall be on file with the City Clerk either:

A. A certificate of the Finance Director (or equivalent official) of each Participant (including the City in the case of the Water System) that will be responsible for paying debt service on the Future Parity Bonds stating that



1 "Revenues" or "Gross Revenues" (as defined in the Participant's System bond
2 ordinances or resolutions) in any 12 consecutive months out of the most recent
3 24 months preceding the delivery of the Future Parity Bonds then proposed to be
4 issued, as determined from the financial statements of the Participant's System,
5 were sufficient to pay the operation and maintenance expenses of the Participant's
6 System and the Participant's portion of the debt service on the Future Parity Bonds
7 then proposed to be issued based on the highest debt service in the next three
8 calendar years following the year interest is capitalized or the Project being
9 financed is placed in service, whichever is later, and "Net Revenues" (as defined in
10 the Participant's System bond ordinance or resolution) for such 12-month period
11 were sufficient to pay debt service on the Participant's senior lien water revenue
12 bonds and meet the Participant's rate coverage required by such ordinance or
13 resolution; or
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16 B. For each Participant (including the City) that will
17 be responsible for paying debt service on the Future Parity Bonds, a certificate of
18 an Engineer or a Certified Public Accountant showing that the "Adjusted Revenues"
19 (determined as described herein) for each calendar year during the life of the
20 Future Parity Bonds proposed to be issued will be sufficient to pay the operation
21 and maintenance expenses of the Participant's System and the Participant's portion
22 of the debt service on outstanding Parity Bonds and on the Future Parity Bonds
23 then proposed to be issued, based on the highest debt service in the three calendar
24 years following the year interest is capitalized, or the Project being financed is
25 placed in service, whichever is later, and "Adjusted Net Revenues" (determined as
26



1 described herein) will be sufficient to pay debt service on the Participant's senior
2 lien water revenue bonds and meet the Participant's rate coverage required by the
3 ordinances or resolutions authorizing such senior lien bonds.

4 The "Adjusted Revenues" or "Adjusted Net Revenues," as applicable, shall
5 be the Participant's System water revenue for a period of any 12 consecutive
6 months out of the 24 months immediately preceding the date of delivery of such
7 proposed Future Parity Bonds (the "Base Period") as adjusted by such Engineer or
8 Accountant to take into consideration changes in revenues estimated to occur
9 under the following conditions for each year after such delivery for so long as any
10 Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be
11 outstanding:
12

13 (1) the additional revenues that would have
14 been received if any change in rates and charges adopted prior to the date of such
15 certificate and subsequent to the beginning of the Base Period and effective within
16 12 months of the certificate had been in force during the full Base Period;
17

18 (2) the additional net revenues that would
19 have been received if any facility of the Participant's System that became fully
20 operational after the beginning of the Base Period had been so operating for the
21 entire Base Period;
22

23 (3) the additional revenues to the Participant's
24 System estimated by such Engineer or Accountant to be received (a) as a result of
25 any additions, betterments and improvements to and extensions of any facilities of
26 the Participant's System which are under construction at the time of such certificate



1 or (b) as a result of improvements to the Regional System to be constructed or
2 acquired from the proceeds of the Future Parity Bonds to be issued; and

3 (4) the additional revenues that would have
4 been received if any customers added to the Participant's System during the Base
5 Period or subsequent thereto had been customers for the entire Base Period.

6 Such Accountant or Engineer may rely upon, and the Accountant's or Engineer's
7 certificate shall have attached thereto, financial statements of the Participant's
8 System, certified by the Finance Director, or equivalent official of such Participant,
9 showing income and expenses for the period upon which the same is based.

10
11 (c) In the event that any Future Parity Bonds provided for in this
12 Section 19 are issued for refunding purposes and the issuance of such refunding
13 Future Parity Bonds results in a present value monetary saving to the City and such
14 refunding Future Parity Bonds will not require an increase of greater than \$5,000 in
15 debt service payments to be paid in any Fiscal Year or calendar year thereafter
16 than would have been required to be paid in the same Fiscal Year or calendar year
17 for Annual Debt Service on the Parity Bonds being refunded, then paragraph (iv) of
18 Subsection 19(b) need not be complied with to permit such refunding Future Parity
19 Bonds to be issued, although the provisions of paragraphs (i), (ii) and (iii) of
20 Subsection 19(b) must still be complied with.

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22
23 (d) In making any calculations required to be made by a Finance
24 Director or the Engineer or Accountant in paragraph (iv) of Subsection 19(b), in the
25 case of Variable Interest Rate Bonds, for purposes of calculating Annual Debt
26 Service the interest rate thereon shall be calculated on the assumption that such



1 bonds will bear interest at a rate equal to the rate most recently reported by
2 *The Bond Buyer* as the Bond Buyer's Index for long-term revenue bonds; provided,
3 that if on such date of calculation the interest rate on such bonds shall then be fixed
4 to maturity, the interest rate used for such specified period for the purpose of the
5 foregoing calculation shall be such actual interest rate.

6 Section 20. Reimbursement Obligations. In the event that the City elects to
7 meet the requirements of subsection 8(a)(iv) with respect to the Reserve Account
8 as to any issue of Parity Bonds through the use of a Qualified Letter of Credit,
9 Qualified Insurance or other equivalent credit enhancement device, the City may
10 contract with the entity providing such Qualified Letter of Credit, Qualified Insurance
11 or other equivalent credit enhancement device that the City's reimbursement
12 obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.
13

14 In the event that the City elects additionally to secure any issue of Variable
15 Interest Rate Bonds through the use of a letter of credit, insurance or other
16 equivalent credit enhancement device, the City may contract with the entity
17 providing such letter of credit, insurance or other equivalent credit enhancement
18 device that the City's reimbursement obligation, if any, to such entity ranks on a
19 parity of lien with the Parity Bonds; provided, that the payments due under such
20 reimbursement agreement are such that if such reimbursement obligation were a
21 series of Future Parity Bonds, such Future Parity Bonds could be issued in
22 compliance with the provisions of Section 19.
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Section 21. Junior Lien Obligations. Nothing herein shall prevent the City from issuing bonds, notes, warrants, or other obligations payable from and secured by a lien and charge junior to the lien and charge described in Section 14.

Section 22. Lost or Destroyed Bonds. In case any 2013 RWSS Bonds shall be lost, stolen, or destroyed, the Bond Registrar may authenticate and deliver a new 2013 RWSS Bond or 2013 RWSS Bonds of like amount, date, tenor, and effect to the owner thereof upon the owner paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such 2013 RWSS Bond or 2013 RWSS Bonds were actually lost, stolen, or destroyed and of his or her ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 23. Form of Bonds and Certificate of Authentication. The 2013 RWSS Bonds shall be in substantially the form set forth in Exhibit A hereto.

Section 24. Execution of 2013 RWSS Bonds. The 2013 RWSS Bonds shall be signed in the name of the City with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk. The seal of the City shall be impressed or a facsimile thereof imprinted on the face of each 2013 RWSS Bond. Such seal is hereby adopted as the seal of the City for the 2013 RWSS Bonds.

As set forth in Exhibit A hereof, the certificate of authentication on the 2013 RWSS Bonds shall be executed manually by the Bond Registrar.



1 Only such 2013 RWSS Bonds as shall bear thereon such certificate of
2 authentication shall be valid or obligatory for any purpose or entitled to the benefits
3 of this ordinance.

4 In case either of the officers who shall have executed the 2013 RWSS Bonds
5 shall cease to be an officer or officers of the City before the 2013 RWSS Bonds so
6 signed shall have been authenticated or delivered by the Bond Registrar, or issued
7 by the City, such 2013 RWSS Bonds may nevertheless be authenticated, delivered
8 and issued and upon such authentication, delivery and issuance, shall be as
9 binding upon the City as though those who signed the same had continued to be
10 such officers of the City. Any 2013 RWSS Bond also may be signed and attested
11 on behalf of the City by such persons as at the actual date of execution of such
12 2013 RWSS Bond shall be the proper officers of the City although at the original
13 date of such 2013 RWSS Bond any such person shall not have been such officer of
14 the City.
15

16
17 Section 25. Manner of Sale of Bonds; Delivery of Bonds. The Designated
18 Representative is authorized to sell the Bonds by negotiated sale or by competitive
19 sale in accordance with a notice of sale consistent with this ordinance, based on his
20 or her assessment of market conditions, in consultation with appropriate City
21 officials and staff, Bond Counsel and other advisors. In determining the Final
22 Terms and the method of sale of the Bonds, the Designated Representative shall
23 take into account those factors that, in his or her judgment, may be expected to
24 result in the lowest true interest cost on the Bonds to their maturity, including, but
25 not limited to, current interest rates for obligations comparable to the Bonds.
26



1 The proper City officials are authorized and directed to do everything
2 necessary for the prompt delivery of the Bonds to the initial purchaser and for the
3 proper application and use of the proceeds of the sale thereof.

4 Section 26. Official Statement.

5 26.1 Preliminary Official Statement. The Superintendent of Water Division
6 shall review the form of the preliminary official statement prepared in connection
7 with the sale of the Bonds to the public. For the sole purpose of the initial
8 purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Superintendent
9 of Water Division is authorized to "deem final" that preliminary official statement as
10 of its date, except for the omission of information permitted to be omitted by
11 Rule 15c2-12. The City approves the distribution to potential purchasers of the
12 Bonds of a preliminary official statement that has been "deemed final" in
13 accordance with this paragraph.
14

15 26.2 Approval of Final Official Statement. The City approves the
16 preparation of a final official statement for each Series of Bonds to be sold to the
17 public in the form of the preliminary official statement, with such modifications and
18 amendments as the Superintendent of Water Division deems necessary or
19 desirable, and further authorizes the Superintendent of Water Division to execute
20 and deliver such final official statement to the initial purchaser. The City authorizes
21 and approves the distribution by the initial purchaser of that final official statement
22 to purchasers and potential purchasers of the Bonds.
23

24 Section 27. Authorization to Officials and Agents. The appropriate City
25 officials, agents, and representatives are hereby authorized and directed to do
26



1 everything necessary for the prompt issuance, execution, and delivery of the
2 2013 RWSS Bonds, and for the proper use and application of the proceeds of the
3 sale thereof.

4 Section 28. Additional or Supplemental Ordinances.

5 (a) The Council from time to time and at any time may pass an
6 ordinance or ordinances supplemental hereto, which ordinance or ordinances
7 thereafter shall become a part of this ordinance, for any one or more or all of the
8 following purposes:

9 (i) To add to the covenants and agreements of the City
10 contained in this ordinance other covenants and agreements thereafter to be
11 observed which shall not adversely affect the interests of the owners of any Parity
12 Bonds or to surrender any right or power reserved to or conferred upon the City; or

13 (ii) To make such provisions for the purpose of curing any
14 ambiguities or of curing, correcting or supplementing any defective provision
15 contained in this ordinance or any ordinance authorizing Parity Bonds in regard to
16 matters or questions arising under such ordinances as the Council may deem
17 necessary or desirable and not inconsistent with such ordinances and which shall
18 not adversely affect the interest of the owners of the Parity Bonds. Any such
19 supplemental ordinance of the City may be passed without the consent of the
20 owners of any Parity Bonds at any time outstanding, notwithstanding any of the
21 provisions of Subsection (b) of this section, if the City obtains an opinion of Bond
22 Counsel to the effect that such supplemental ordinance is solely for one or more of
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1 the purposes stated above and will not adversely affect the interests of the owners
2 of Parity Bonds.

3 (b) With the consent of the owners of not less than 51% in
4 aggregate Bond Obligations of the Parity Bonds at the time outstanding, the City
5 may pass an ordinance or ordinances supplemental hereto for the purpose of
6 adding any provisions to or changing in any manner or eliminating any of the
7 provisions of this ordinance or of any supplemental ordinance; provided, however,
8 that no such supplemental ordinance shall:

9 (i) Extend the fixed maturity of any Parity Bonds, or reduce
10 the rate of interest thereon, or extend the times of payment of interest thereon from
11 their due dates, or reduce the amount of the principal thereof, or reduce any
12 premium payable on the redemption thereof, without the consent of the owner of
13 each Parity Bond so affected; or

14 (ii) Reduce the aforesaid percentage of bondowners
15 required to approve any such supplemental ordinance, without the consent of the
16 owners of all of the Parity Bonds then outstanding.

17 It shall not be necessary for the consent of bondowners under this
18 Subsection (b) to approve the particular form of any proposed supplemental
19 ordinance, but it shall be sufficient if such consent shall approve the substance
20 thereof.

21 (c) Upon the passage of any supplemental ordinance pursuant to
22 the provisions of this section, this ordinance shall be deemed to be modified and
23 amended in accordance therewith, and the respective rights, duties and obligations
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1 of the City under this ordinance and of all owners of Parity Bonds outstanding
2 hereunder shall thereafter be determined, exercised, and enforced thereunder,
3 subject in all respects to such modification and amendments, and all the terms and
4 conditions of any such supplemental ordinance shall be deemed to be part of the
5 terms and conditions of this ordinance for any and all purposes.

6 To the extent the Bonds are insured, the insurer may consent on behalf of
7 owners of the Bonds to any amendment to this ordinance so long as the Insurer is
8 not in default on its obligations to pay.

9 Section 29. Continuing Disclosure.

10 29.1 Contract/Undertaking. To meet the requirements of paragraph (b)(5)
11 of United States Securities and Exchange Commission ("SEC") Rule 15c2-12
12 ("Rule 15c2-12"), as applicable to a participating underwriter for the Bonds, the City
13 makes the following written undertaking (the "Undertaking") for the benefit of
14 holders of the Bonds:
15

16 (a) Undertaking to Provide Annual Financial Information and
17 Notice of Listed Events. The City undertakes to provide or cause to be provided,
18 either directly or through a designated agent, to the MSRB, in an electronic format
19 as prescribed by the MSRB, accompanied by identifying information as prescribed
20 by the MSRB:
21

22 (i) Annual financial information and operating data of the
23 type included in the final official statement for the Bonds and described in
24 subsection (b) of this section ("annual financial information");
25

26



(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB), or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

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(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements showing ending fund balances for the Water System, including the Regional System, prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor, pursuant to RCW 43.09.200 (or any successor statute), which statements may be unaudited, provided, that if and when audited financial statements are otherwise prepared and available they will be provided; (2) principal amount of outstanding Parity Bonds and debt service coverage; and (3) list of current Participants if other than the Participants at the date of this ordinance;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2012; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.



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(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and the Beneficial Owner of a Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected.



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No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of a Beneficial Owner of a Bond shall be to take action to compel the City or other obligated person to comply with the Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking.

The Finance Director, or his or her designee, is authorized to take such further actions as may be necessary, appropriate, or convenient to carry out this Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person in accordance with Rule 15c2-12;



1 (iv) Selecting, engaging, and compensating designated
2 agents and consultants, including, but not limited to, financial advisors and legal
3 counsel, to assist and advise the City in carrying out the Undertaking; and

4 (v) Effecting any necessary amendment of the Undertaking.

5 Section 30. Defaults and Remedies.

6 (a) Events of Default. The following shall constitute "Events of
7 Default" with respect to the Parity Bonds:

8 (i) If a default is made in the payment of the principal of or
9 interest on any of the Parity Bonds when the same shall become due and payable;
10

11 or

12 (ii) If the City defaults in the observance and performance
13 of any of the covenants, conditions and agreements on the part of the City set forth
14 in this ordinance or any covenants, conditions, or agreements on the part of the City
15 contained in any ordinance authorizing Parity Bonds and such default or defaults
16 have continued for a period of six months after it has received from the
17 Bondowners' Trustee (as defined below) or from the registered owners of not less
18 than 25% in principal amount of the Parity Bonds, a written notice specifying and
19 demanding the cure of such default. However, if the default in the observance and
20 performance of any other of the covenants, conditions, and agreements is one
21 which cannot be completely remedied within the six months after written notice has
22 been given, it shall not be an Event of Default with respect to the Parity Bonds as
23 long as the City has taken active steps within the six months after written notice has
24 been given to remedy the default and is diligently pursuing such remedy; or
25
26



1 (iii) If the City files a petition in bankruptcy or is placed in
receivership under any state or federal bankruptcy or insolvency law.

2 (b) Bondowners' Trustee. So long as such Event of Default has
3 not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be
4 appointed by the registered owners of 25% in principal amount of the Parity Bonds,
5 by an instrument or concurrent instruments in writing signed and acknowledged by
6 such registered owners of the Parity Bonds or by their attorneys-in-fact duly
7 authorized and delivered to such Bondowners' Trustee, notification thereof being
8 given to the City. That appointment shall become effective immediately upon
9 acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee
10 appointed under the provisions of this Subsection (b) shall be a bank or trust
11 company organized under the laws of the State of Washington or the State of
12 New York or a national banking association. The bank or trust company acting as
13 Bondowners' Trustee may be removed at any time, and a successor Bondowners'
14 Trustee may be appointed, by the registered owners of a majority in principal
15 amount of the Parity Bonds, by an instrument or concurrent instruments in writing
16 signed and acknowledged by such registered owners of the Parity Bonds or by their
17 attorneys-in-fact duly authorized. The Bondowners' Trustee may require such
18 security and indemnity as may be reasonable against the costs, expenses, and
19 liabilities that may be incurred in the performance of its duties.

24 In the event that any Event of Default in the sole judgment of the
25 Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the City a
26 certificate so stating, that Event of Default shall be conclusively deemed to be cured



1 and the City, the Bondowners' Trustee and the registered owners of the Parity
2 Bonds shall be restored to the same rights and position which they would have held
3 if no Event of Default had occurred.

4 The Bondowners' Trustee appointed in the manner herein provided, and
5 each successor thereto, is declared to be a trustee for the registered owners of all
6 the Parity Bonds and is empowered to exercise all the rights and powers herein
7 conferred on the Bondowners' Trustee.

8 (c) Suits at Law or in Equity. Upon the happening of an Event of
9 Default and during the continuance thereof, the Bondowners' Trustee may, and
10 upon the written request of the registered owners of not less than 25% in principal
11 amount of the Parity Bonds outstanding shall, take such steps and institute such
12 suits, actions, or other proceedings, all as it may deem appropriate for the
13 protection and enforcement of the rights of the registered owners of the Parity
14 Bonds, to collect any amounts due and owing to or from the City, or to obtain other
15 appropriate relief, and may enforce the specific performance of any covenant,
16 agreement, or condition contained in this ordinance or in any ordinance authorizing
17 Parity Bonds.
18 Parity Bonds.

19 Nothing contained in this Section 30 shall, in any event or under any
20 circumstance, be deemed to authorize the acceleration of maturity of principal on
21 the Parity Bonds, and the remedy of acceleration is expressly denied to the
22 registered owners of the Parity Bonds under any circumstances including, without
23 limitation, upon the occurrence and continuance of an Event of Default.
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1 Any action, suit, or other proceedings instituted by the Bondowners' Trustee
2 hereunder shall be brought in its name as trustee for the owners of Parity Bonds
3 and all such rights of action upon or under any of the Parity Bonds or the provisions
4 of this ordinance may be enforced by the Bondowners' Trustee without the
5 possession of any of those Parity Bonds and without the production of the same at
6 any trial or proceedings relative thereto except where otherwise required by law.
7 Any such suit, action, or proceeding instituted by the Bondowners' Trustee shall be
8 brought for the ratable benefit of all of the registered owners of those Parity Bonds,
9 subject to the provisions of this ordinance. The respective registered owners of the
10 Parity Bonds, by taking and holding the same, shall be conclusively deemed
11 irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the
12 respective registered owners of those Parity Bonds, with authority to institute any
13 such action, suit, or proceeding; to receive as trustee and deposit in trust any sums
14 becoming distributable on account of those Parity Bonds; to execute any paper or
15 documents for the receipt of money; and to do all acts with respect thereto that the
16 registered owner himself or herself might have done in person. Nothing herein shall
17 be deemed to authorize or empower the Bondowners' Trustee to consent to accept
18 or adopt, on behalf of any registered owner of the Parity Bonds, any plan of
19 reorganization or adjustment affecting the Parity Bonds or any right of any
20 registered owner thereof, or to authorize or empower the Bondowners' Trustee to
21 vote the claims of the registered owners thereof in any receivership, insolvency,
22 liquidation, bankruptcy, reorganization or other proceeding to which the City is a
23 party.
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(d) Application of Money Collected by Bondowners' Trustee. Any

money collected by the Bondowners' Trustee at any time pursuant to this Section 30 shall be applied in the following order of priority:

(i) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

(ii) second, to the payment to the persons entitled thereto of all installments of interest then due on the Parity Bonds in the order of maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

(iii) third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

(e) Duties and Obligations of Bondowners' Trustee. The

Bondowners' Trustee shall not be liable except for the performance of such duties



as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this ordinance.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any



neglect or default of any person, firm or corporation employed and selected-by it
1 with reasonable care.

2 (f) Suits by Individual Bondowners Restricted. Neither the
3 registered owner nor the beneficial owner of any one or more of Parity Bonds shall
4 have any right to institute any action, suit, or proceeding at law or in equity for the
5 enforcement of same unless:
6

7 (i) an Event of Default has happened and is continuing;
8 and

9 (ii) a Bondowners' Trustee has been appointed; and

10 (iii) such owner previously shall have given to the
11 Bondowners' Trustee written notice of the Event of Default on account of which
12 such suit, action, or proceeding is to be instituted; and
13

14 (iv) the registered owners of 25% in principal amount of the
15 Parity Bonds, after the occurrence of such Event of Default, have made written
16 request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a
17 reasonable opportunity to institute such suit, action, or proceeding; and
18

19 (v) there have been offered to the Bondowners' Trustee
20 security and indemnity satisfactory to it against the costs, expenses, and liabilities
21 to be incurred therein or thereby; and
22

23 (vi) the Bondowners' Trustee has refused or neglected to
24 comply with such request within a reasonable time.

25 No registered owner or beneficial owner of any Parity Bond shall have any
26 right in any manner whatever by his or her action to affect or impair the obligation of



1 the City to pay from the Net Revenue the principal of and interest on such Parity
2 Bonds to the respective owners thereof when due.

3 (g) Payment Solely From Net Revenue and Certain Funds.

4 Nothing in this Section 30 shall be deemed to require payment to owners of Parity
5 Bonds from any source other than the Net Revenue and money and investments in
6 the funds pledged in Section 14 of this ordinance.

7 Section 31. Approval of Amendment to the Repayment Agreement. The
8 Council hereby approves the Amendment to the August 24, 2010, Repayment
9 Agreement among the Participants. The Superintendent of Water Division is
10 authorized to execute the amendment.
11

12 Section 32. Severability. If any one or more of the covenants or agreements
13 provided in this ordinance to be performed on the part of the City shall be declared
14 by any court of competent jurisdiction to be contrary to law, then such covenant or
15 covenants, agreement or agreements, shall be null and void and shall be deemed
16 separable from the remaining covenants and agreements of this ordinance and
17 shall in no way affect the validity of the other provisions of this ordinance or of the
18 2013 RWSS Bonds.
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Section 33. Ratification. Any act taken pursuant to the authority of this

ordinance but prior to its effective date is hereby ratified and confirmed.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form and legality:

FOSTER PEPPER PLLC
Bond Counsel to the City of Tacoma

By: _____

Requested by Public Utility Board
Resolution No. U-10606



EXHIBIT "A"

FORM OF BOND

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON
CITY OF TACOMA, WASHINGTON

REGIONAL WATER SUPPLY SYSTEM REVENUE REFUNDING BOND, 2013

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO.: _____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Tacoma, Washington, a municipal corporation of the State of Washington (hereinafter called the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on December 1, 2013, and semiannually thereafter on the first days of December and June. Both principal of and interest on this bond are payable in lawful money of the United States of America. While bonds are held in an immobilized "book-entry" system of registration, the principal of this bond is payable to the order of the Registered Owner in next day funds received by the Registered Owner on the maturity date of this bond, and the interest on this bond is payable to the order of the Registered Owner in next day funds received by the Registered Owner on each interest



1 payment date. When Bonds are no longer held in an immobilized “book-entry”
2 registration system, the principal shall be paid to the Registered Owner or nominee
3 of such owner upon presentation and surrender of this bond at either of the
4 principal offices of the fiscal agent of the State of Washington in either Seattle,
5 Washington or New York, New York (collectively the “Bond Registrar”), and the
6 interest shall be paid by mailing a check or draft (on the date such interest is due) to
7 the Registered Owner or nominee of such owner at the address shown on the
8 registration books maintained by the Bond Registrar (the “Bond Register”) as of the
9 15th day of the month prior to the interest payment date. If so requested in writing
10 by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will
11 be paid by wire transfer.
12

13 This bond is one of an authorized issue of \$_____ City of Tacoma,
14 Washington, Regional Water Supply System Revenue Refunding Bonds, 2013 (the
15 “Bonds”). The Bonds are issued under and in accordance with the provisions of the
16 Constitution and applicable statutes of the State of Washington, Ordinance
17 No. _____ (the “Bond Ordinance”) of the City. The Bonds are issued for the
18 purpose of refunding the City’s outstanding Regional Water Supply System
19 Revenue Bonds, 2002.
20

21 The Bonds are subject to redemption prior to maturity as provided in the
22 Bond Ordinance.
23

24 The City hereby irrevocably covenants and agrees with the registered owner
25 of this bond that it will keep and perform all the covenants of this bond and of the
26 Bond Ordinance to be by it kept and performed. Reference is hereby made to the



1 Bond Ordinance for a complete statement of such covenants, for the terms and
2 conditions upon which the Outstanding Parity Bonds and the Bonds have been
3 issued and upon which Future Parity Bonds may be issued, for the terms and
4 conditions upon which this Bond shall no longer be secured by the Bond Ordinance
5 or deemed to be outstanding thereunder, and for the definition of capitalized terms
6 used herein.

7 The City has pledged and bound itself to pay into the Revenue Fund as
8 collected all of the Revenues derived by the City from the operation of the City's
9 Regional Water Supply System. The City by the Bond Ordinance has further
10 pledged and bound itself to set aside from the money in the Revenue Fund of the
11 City and to pay into the Bond Fund and the accounts therein certain fixed amounts
12 sufficient to pay the principal, premium, if any, and interest on the Outstanding
13 Parity Bonds, the Bonds and all Future Parity Bonds as the same become due. As
14 security for the payment of the principal of, premium, if any, and interest on all
15 Parity Bonds the City has pledged (i) the proceeds of the sale of Parity Bonds to the
16 extent held in funds established by the Bond Ordinance, (ii) the Revenues and such
17 Gross Revenues of the Water System and Participants' Payments as provided in
18 the Bond Ordinance, and (iii) the money and investments, if any, credited to the
19 funds and accounts established by the Bond Ordinance and the income therefrom.
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23 Bonds are interchangeable for bonds of any authorized denomination of
24 equal aggregate principal amount and of the same interest rate and maturity upon
25 presentation and surrender to the Bond Registrar.
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This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this Bond do exist, have happened, been done and performed and that the issuance of this Bond and the bonds of this series does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused this Bond to be signed with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and the seal of the City to be impressed or a manual or facsimile thereof to be imprinted hereon, as of this ____ day of _____, 2013.

Mayor

ATTEST:

City Clerk



CERTIFICATE OF AUTHENTICATION

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This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Regional Water Supply System Revenue Refunding Bonds, 2013, of the City, dated _____, 2013.

WASHINGTON STATE FISCAL AGENT

BY: _____
Authorized Signer

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM – as tenants in common
TEN ENT – as tenants by the entireties
JT TEN – as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT (TRANSFERS) MIN ACT – _____ Custodian_____

(Cust) (Minor)
under Uniform Gifts (Transfers) to
Minors Act

(State)

Additional abbreviations may also be used though not in list above.



ASSIGNMENT

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FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address, including zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION

NUMBER OF TRANSFEREE

_____ the within bond and does hereby irrevocably constitute and appoint _____ attorney in fact, to transfer said bond on the registration books kept of the Bond Registrar with full power of substitution in the premises.

DATED: _____.

SIGNATURE GUARANTEED:

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.



CLERK'S CERTIFICATE

1 I, the undersigned, the duly chosen, qualified City Clerk of the City of
2 Tacoma, Washington, and keeper of the records of the City Council (herein called
3 the "Council"), DO HEREBY CERTIFY:

4
5 1. That the attached Ordinance No. _____ (herein called the
6 "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally
7 passed at a regular meeting of the Council held on the ____ day of _____,
8 2013, and duly recorded in my office.

9
10 2. That said meeting was duly convened and held in all respects in
11 accordance with law, and to the extent required by law, due and proper notice of
12 such meeting was given; that a legal quorum was present throughout the meeting
13 and a legally sufficient number of members of the Council voted in the proper
14 manner for the passage of said Ordinance; that all other requirements and
15 proceedings incident to the proper adoption of said Ordinance have been duly
16 fulfilled, carried out and otherwise observed, and that I am authorized to execute
17 this certificate.
18

19 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the
20 official seal of the City as of this ____ day of _____, 2013.
21

22 _____
23 City Clerk
24 City of Tacoma, Washington
25
26



SUBSTITUTE ORDINANCE NO. 28138

1 AN ORDINANCE relating to the water system of the City of Tacoma; providing for
2 the sale and issuance of water system revenue bonds in the aggregate
3 principal amount of not to exceed \$87,000,000 to provide funds to finance or
4 refinance costs of capital improvements to the water system and to refund
5 or defease all or a portion of the Water System Revenue and Refunding
6 Bonds, 2003, fixing or setting parameters with respect to certain terms and
7 covenants of the bonds, and appointing the City's designated representative
8 to approve the final terms of the sale of the bonds.

9 WHEREAS the City of Tacoma (the "City") owns and operates a water
10 system (the "Water System") for which capital improvements and other expenses
11 may be financed through the issuance of water revenue bonds, and

12 WHEREAS, pursuant to Ordinance No. 27109, the City issued its
13 \$51,380,000 Water System Revenue and Refunding Bonds, 2003 (the "2003
14 Bonds"), and

15 WHEREAS, pursuant to Ordinance No. 27405, the City issued its
16 \$46,550,000 Water System Revenue and Refunding Bonds, 2005 (the "2005
17 Bonds"); and

18 WHEREAS, pursuant to Ordinance No. 27837, the City issued its
19 \$76,775,000 Water System Revenue Bonds, 2009 (Taxable Build America
20 Bonds – Direct Payment) (the "2009 Bonds"), and

21 WHEREAS, pursuant to Ordinance No. 27902, the City issued its
22 \$29,100,000 Water System Revenue Refunding Bonds, 2010A (the "2010A
23 Bonds") and its \$74,985,000 Water System Revenue Bonds, 2010B (Taxable
24 Build America Bonds – Direct Payment) (the "2010B Bonds," and collectively with
25

26



the outstanding 2003 Bonds, 2005 Bonds, 2009 Bonds, and 2010A Bonds, the
1 “Outstanding Parity Bonds”), and

2 WHEREAS, pursuant to the ordinances authorizing the Outstanding Parity
3 Bonds, the City is authorized to issue water system revenue bonds for purposes
4 of the Water System with a lien and charge on net revenue of the Water System
5 equal to the lien and charge thereon of the Outstanding Parity Bonds, if specified
6 conditions are met and complied with at the time of the issuance of those bonds,
7
8 and

9 WHEREAS the 2003 Bonds maturing in the years 2013 through 2023,
10 inclusive (the “Refunding Candidates”) may be refunded in advance of their
11 maturity on and after June 1, 2013, in whole or in part on any date at 100 percent
12 of the principal amount thereon, plus accrued interest to the date of redemption,
13
14 and

15 WHEREAS it is deemed necessary and advisable to acquire and construct
16 certain additions and betterments to and extensions of the Water System, and

17 WHEREAS the Public Utility Board has initiated and has recommended to
18 the City Council for its approval the issuance of water revenue bonds in one or
19 more series (the “Bonds”) to finance or refinance such capital improvements to
20 the Water System and to pay costs of issuance and to refund or defease all or a
21
22 portion of the Refunding Candidates, and

23 WHEREAS the City has determined that it is in the best interests of the
24 City and its ratepayers to issue the Bonds to provide the funds to finance or
25
26 refinance costs of capital improvements to the Water System and pay the cost of



issuance and sale of the Bonds and to refund or defease all or a portion of the
1 Refunding Candidates; Now, Therefore,

2 BE IT ORDAINED BY THE CITY OF TACOMA:

3 Section 1. Definitions. As used in this ordinance and for the purposes of
4 this ordinance the following words shall have the following meanings:
5

6 "Accreted Value" means either: (1) with respect to any Capital
7 Appreciation Bonds, as of the time of calculation, the sum of the amount
8 representing the initial principal amount of such Capital Appreciation Bonds as
9 set forth in the applicable Parity Bond Authorizing Ordinance plus the interest
10 accumulated, compounded and unpaid thereon as of the most recent
11 compounding date; or (2) with respect to original issue discount bonds under the
12 Code, as of the time of calculation, the amount representing the initial public
13 offering price of such original issue discount bonds plus the amount of the
14 discounted principal which has accreted since the date of issue, determined in
15 accordance with the provisions of the applicable Parity Bond Authorizing
16 Ordinance.
17

18
19 "Acquired Obligations" means those United States Treasury Certificates of
20 Indebtedness, Notes, and Bonds -- State and Local Government Series and
21 other direct, noncallable obligations of the United States of America purchased to
22 accomplish the refunding of the Refunded Bonds as authorized by this
23 ordinance.
24

25 "Annual Debt Service" means, for any fiscal year of the Water System, all
26 amounts required to be paid in respect of interest on and principal of Parity



1 Bonds (excluding interest payments capitalized by Parity Bonds and excluding
2 the accrued interest paid to the City upon the issuance of Parity Bonds) and
3 Payment Agreement Payments in respect of Parity Payment Agreements,
4 subject to the following:

5 (1) Debt Service on Term Bonds. For purposes of calculating debt
6 service on Term Bonds, only the scheduled mandatory redemption amounts
7 payable in respect of principal of Term Bonds shall be taken into account in any
8 fiscal year prior to the Term Bond Maturity Year, and only the principal amount
9 scheduled to remain outstanding after payment of all prior mandatory redemption
10 amounts shall be taken into account in the Term Bond Maturity Year;

11 (2) Interest on Parity Bonds. For purposes of determining compliance
12 with the Coverage Requirement, the Reserve Requirement and the conditions for
13 the issuance of Future Parity Bonds or the creation of Contract Resource
14 Obligations:

15 (a) Generally. Except as otherwise provided by
16 Subparagraph (2)(b) with respect to Variable Interest Rate Bonds and by
17 Subparagraph (2)(c) with respect to Parity Bonds with respect to which a
18 Payment Agreement is in force, interest on any issue of Parity Bonds payable in
19 a fiscal year shall be calculated based on the actual amount of accrued,
20 accreted, or otherwise accumulated interest that is payable in that fiscal year in
21 respect of that issue taken as a whole, at the rate or rates set forth in the Parity
22 Bond Authorizing Ordinance;
23
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26



1 (b) Interest on Variable Interest Rate Bonds. The amount of
2 interest deemed to be payable on any issue of Variable Interest Rate Bonds shall
3 be calculated on the assumption that the interest rate on those bonds would be
4 equal to the rate (the "assumed RBI-based rate") that is 90% of the average
5 Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
6 preceding the quarter in which the calculation is made; except that, for purposes
7 of determining actual compliance with the Coverage Requirement under 21.2(b)
8 in any past fiscal year, the actual amount of interest paid on any issue of Variable
9 Interest Rate Bonds shall be taken into account;

11 (c) Interest on Parity Bonds with Respect to Which a Payment
12 Agreement or Parity Payment Agreement is in Force. Debt service on Parity
13 Bonds with respect to which a Payment Agreement or Parity Payment
14 Agreement is in force shall be based on the net economic effect on the City
15 expected to be produced by the terms of the Parity Bonds and the terms of the
16 Payment Agreement, including, but not limited to, the effects set forth in
17 Section 32 of this ordinance;

19 (d) Interest on Parity Bonds designated as "Build America
20 Bonds." Ordinance Nos. 27109 and 27405 have been amended to provide that
21 the interest on Parity Bonds designated as Build America Bonds, including the
22 2009 Bonds and the 2010B Bonds, only for purposes of calculating the Reserve
23 Requirement, shall be based on the net interest after the 35 percent federal
24 direct payment or such other federal direct payment to be received for Parity
25 Bonds. The owners of the Bonds shall be deemed to have consented to this
26



1 subsection. This subsection shall be in effect when 60 percent of the then
2 current owners of Parity Bonds, including the 2009 Bonds, 2010 Bonds, and
3 Bonds, have consented to this amendment to the definition of Annual Debt
4 Service, which will occur upon the issuance of the Bonds.

5 “Average Annual Debt Service” means the sum of the Annual Debt
6 Service for the remaining years to the last scheduled maturity of the applicable
7 issue or issues of Parity Bonds divided by the number of those years.

8 “Beneficial Owner” means, with respect to a Bond, the owner of any
9 beneficial interest in that Bond.

10 “Bond Counsel” means a firm of lawyers nationally recognized and
11 accepted as bond counsel and so employed by the City for any purpose under
12 this ordinance applicable to the use of that term.

13 “Bond Fund” means the special fund or subfunds of the City known as the
14 Water Revenue Bond Fund, created in the Water Division Fund of the City for the
15 payment of the principal of, mandatory sinking fund payments and interest on the
16 Parity Bonds.

17 “Bond Insurance” means any bond insurance, letter of credit, guaranty,
18 surety bond, or similar credit enhancement device providing for or securing the
19 payment of all or part of the principal of and interest on any Parity Bonds.

20 “Bond Insurer” means any provider of Bond Insurance approved by the
21 City Council by ordinance or resolution.

22 “Bond Register” means the books or records maintained by the Bond
23 Registrar for the purpose of identifying ownership of the Bonds.



1 “Bond Registrar” means the Fiscal Agent, or any successor bond registrar
selected by the City.

2 “Bonds” means the Water System Revenue and Refunding Bonds, 2013,
3 authorized to be issued in one or more series by this ordinance.
4

5 “Build America Bonds” means any series of Parity Bonds to which the City
6 irrevocably elects to have Section 54AA of the Code apply.

7 “Capital Appreciation Bonds” means any Parity Bonds, all or a portion of
8 the interest on which is compounded and accumulated at the rates or in the
9 manner, and on the dates, set forth in the applicable Parity Bond Authorizing
10 Ordinance and is payable only upon redemption or on the maturity date of such
11 Parity Bonds. Parity Bonds that are issued as Capital Appreciation Bonds, but
12 later convert to obligations on which interest is paid periodically, shall be Capital
13 Appreciation Bonds until the conversion date and thereafter shall no longer be
14 Capital Appreciation Bonds, but shall be treated as having a principal amount
15 equal to their Accreted Value on the conversion date.
16
17

18 “City” means the City of Tacoma, Washington.

19 “City Clerk” means the City Clerk of the City, or any other officer who
20 succeeds to substantially all of the responsibilities of that office specified in this
21 ordinance.
22

23 “Code” means the Internal Revenue Code of 1986, as amended, together
24 with corresponding and applicable final, temporary, or proposed regulations and
25 revenue rulings issued or amended with respect thereto by the United States
26



Treasury Department or the Internal Revenue Service, to the extent applicable to
1 the Bonds.

2 "Commission" means the Securities and Exchange Commission.

3 "Construction Fund" means the 2013 Water Division Construction Fund,
4 created by this ordinance in the Water Division Fund.

5 "Contract Resource Obligation" means an obligation of the City,
6 designated as a Contract Resource Obligation and entered into pursuant to
7 Section 26 of this ordinance, to make payments for water supply, transmission or
8 other commodity or service to another person or entity (including, without
9 limitation, a separate utility system created pursuant to Section 25 of this
10 ordinance). The Water System has designated the Regional System as a
11 Contract Resource Obligation.
12

13 "Council" means the City Council of the City as the same shall be duly and
14 regularly constituted from time to time.
15

16 "Coverage Requirement" in any fiscal year of the Water System means an
17 amount of Net Revenue of the Water System equal to at least 1.25 times the
18 Annual Debt Service that year on all Parity Bonds.
19

20 "DTC" means The Depository Trust Company.

21 "Designated Representative" means the officer of the City appointed in
22 Section 4 of this ordinance to serve as the City's designated representative in
23 accordance with RCW 39.46.040(2).
24

25 "Final Terms" means the terms and conditions for the sale of a series of
26 Bonds including, but not limited to, the amount, date or dates, denominations,



1 interest rate or rates (or mechanism for determining interest rate or rates),
2 payment dates, final maturity, redemption rights, price, and other terms or
3 covenants.

4 "Finance Director" means the Director of the Department of Finance of the
5 City, or any other officer who succeeds to substantially all of the responsibilities
6 of that office specified in this ordinance.

7 "Fiscal Agent" means the fiscal agent of the State, as the same may be
8 designated by the State from time to time.

9 "Future Parity Bonds" means all revenue bonds and other obligations
10 (including Parity Payment Agreements) of the City issued or entered into after the
11 date of the issuance of the Bonds and then outstanding, the payment of which
12 constitutes a charge and lien on the Net Revenue of the Water System equal in
13 rank with the charge and lien upon such revenue required to be paid into the
14 Bond Fund to pay and secure the payment of the principal of and interest on the
15 Bonds and the Outstanding Parity Bonds.

16 "Government Obligations" means those government obligations defined by
17 RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

18 "Gross Revenue of the Water System" or "Gross Revenue" means in any
19 fiscal year of the Water System all of the revenues of the Water System,
20 including, but not limited to, revenue from the sale or transmission of water; the
21 sale, lease, or furnishing of other commodities, services, properties or facilities;
22 the imposition of connection, capital improvement or other charges; utility local
23 improvement district assessments that are pledged to Parity Bonds; and earnings
24
25
26



1 from the investment of money in the Water Division Fund. However, Gross
2 Revenue shall not include earnings of the Regional System or any other separate
3 utility system that may be acquired or constructed by the City pursuant to
4 Section 25 hereof; principal proceeds of Parity Bonds or other borrowing; grants
5 or other capital contributions which by their terms are restricted to specific
6 projects or purposes; or earnings or proceeds from any investments in a trust,
7 defeasance, or escrow fund created to defease or refund Water System
8 obligations (until commingled with other earnings and revenues of the Water
9 System defined as Gross Revenue) or held in a special account for the purpose
10 of paying a rebate to the United States government under the Code.
11

12 “Independent Consulting Engineer” means either (1) an independent
13 licensed professional engineer experienced in the design, construction, or
14 operation or the development of rates and charges of municipal utilities of
15 comparable size and character to the Water System; or (2) an independent
16 certified public accountant or other professional consultant experienced in the
17 development of rates and charges for municipal utilities of comparable size and
18 character to the Water System.
19

20 “Issue Date” means, with respect to any Series of Bonds, the date of initial
21 issuance and delivery of such Series to the purchaser in exchange for the
22 purchase price of such Series.
23

24 “Letter of Representations” means the Blanket Letter of Representations
25 from the City to DTC in the form on file with the Finance Director.
26



1 “Maximum Annual Debt Service” means at the time of calculation, the
2 maximum amount of Annual Debt Service that will mature or come due in the
3 current year or any future year on the Parity Bonds.

4 “Moody’s” means Moody’s Investors Service, Inc., or its comparable
5 recognized business successor.

6 “MSRB” means the Municipal Securities Rulemaking Board or any
7 successor to its functions.

8 “Net Revenue of the Water System” or “Net Revenue” means the Gross
9 Revenue minus: (1) Operation and Maintenance Expenses; (2) deposits into the
10 Rate Stabilization Account; and (3) proceeds from the sale of property of the
11 Water System, and plus withdrawals from the Rate Stabilization Account.

12 “Operation and Maintenance Expenses” means all expenses incurred by
13 the City in causing the Water System of the City to be operated and maintained
14 in good repair, working order and condition, including, without limitation:
15 deposits, premiums, assessments, or other payments for insurance, if any, on
16 the Water System; payments into pension funds; State-imposed taxes; amounts
17 due under Contract Resource Obligations, including Regional Supply System
18 Costs, but only at the times described in Section 26 of this ordinance; payments
19 made to any other person or entity for the receipt of water supply or transmission
20 or other right, commodity or service; payments made to any other person or
21 entity that are required in connection with the operation of the Water System or
22 the acquisition or transmission of water and that are not subordinate to the lien of
23 the Parity Bonds; and payments with respect to any other expenses of the Water
24
25
26



1 System that are properly treated as operation and maintenance expenses under
2 generally accepted accounting principles applicable to municipal corporations.
3 Operation and Maintenance Expenses do not include any depreciation or taxes
4 levied or imposed by the City, Payment Agreement Payments, or payments to
5 the City in lieu of taxes; or capital additions or capital replacements to the Water
6 System.

7 "Outstanding Parity Bonds" means the 2003 Bonds, 2005 Bonds,
8 2009 Bonds and 2010 Bonds.

9 "Owner" means, without distinction, the Registered Owner and the
10 Beneficial Owner.
11

12 "Parity Bonds" means the Outstanding Parity Bonds, the Bonds, and any
13 Future Parity Bonds.

14 "Parity Bond Authorizing Ordinance" means the ordinance and/or
15 resolution of the City that authorizes the issuance and sale and establishes the
16 terms of a particular issue of Parity Bonds.
17

18 "Parity Payment Agreement" means a Payment Agreement under which
19 the City's payment obligations are expressly stated to constitute a charge and
20 lien on the Net Revenue of the Water System equal in rank with the charge and
21 lien upon such revenue required to be paid into the Bond Fund to pay and secure
22 the payment of the principal of and interest on Parity Bonds.
23

24 "Payment Agreement" means a written agreement, for the purpose of
25 managing or reducing the City's exposure to fluctuations or levels of interest
26 rates, currencies, or commodities, or for other interest rate, investment, asset, or



1 liability management purposes, entered into on either a current or forward basis
2 by the City and a Qualified Counterparty, all as authorized by any applicable laws
3 of the State.

4 "Payment Agreement Payments" means the amounts periodically required
5 to be paid by the City to the Qualified Counterparty pursuant to a Payment
6 Agreement.

7 "Payment Agreement Receipts" means the amounts periodically required
8 to be paid by the Qualified Counterparty to the City pursuant to a Payment
9 Agreement.

10 "Plan of Additions" means the system or plan of additions to and
11 betterments and extensions of the Water System described in Section 2 of this
12 ordinance, as such plan of additions may be amended, updated, supplemented,
13 or replaced consistent with the Water Comprehensive Plan.

14 "Principal and Interest Account" means the account of that name created
15 in the Bond Fund for the payment of the principal of and interest and mandatory
16 redemption requirements, if any, on the Parity Bonds.

17 "Public Utility Board" means the board of that name created under
18 Section 4.8 of the Tacoma City Charter.

19 "Qualified Counterparty" means a party (other than the City or a party
20 related to the City) who is the other party to a Payment Agreement and (1)(a)
21 whose senior debt obligations are rated in one of the three highest rating
22 categories of each of the Rating Agencies (without regard to any gradations
23 within a rating category) or (b) whose obligations under the Payment Agreement
24
25
26



1 are guaranteed for the entire term of the Payment Agreement by a bond insurer
2 or other institution which has been assigned a credit rating in one of the two
3 highest rating categories of each of the Rating Agencies, and (2) who is
4 otherwise qualified to act as the other party to a Payment Agreement under any
5 applicable laws of the State.

6 "Rate Stabilization Account" means the account of that name created in
7 the Water Division Fund for the purposes described in this ordinance.

8 "Rating Agencies" means Moody's, S&P, or another nationally recognized
9 rating agency rating municipal bonds.

10 "Record Date" means the Bond Registrar's close of business on the 15th
11 day of the month preceding an interest payment date. With respect to
12 redemption of a Bond prior to its maturity, the Record Date shall mean the Bond
13 Registrar's close of business on the date on which the Bond Registrar sends the
14 notice of redemption in accordance with Section 8.

15 "Refunded Bonds" means all or a portion of the Refunding Candidates as
16 designated by the Designated Representative.

17 "Refunding Candidates" means the outstanding 2003 Bonds.

18 "Refunding Plan" means:

19 (a) the placement of sufficient proceeds of the Bonds which,
20 with other money of the City, if necessary, will acquire the Acquired Obligations
21 to be deposited, with cash, if necessary, with the Refunding Trustee;

22 (b) the payment of the principal of and interest on the Refunded
23 Bonds when due up to and including June 1, 2013, or such other date as shall be
24



1 determined by the Designated Representative, and the call, payment, and
2 redemption on such date of all of the then-outstanding Refunded Bonds at a
3 price of par; and

4 (c) may include the payment of the costs of issuing the Bonds
5 and the costs of carrying out the foregoing elements of the Refunding Plan.

6 "Refunding Trust Agreement" means a Refunding Trust Agreement
7 between the City and the Refunding Trustee.

8 "Refunding Trustee" means the trustee or escrow agent or any successor
9 trustee or escrow agent serving as refunding trustee to carry out the Refunding
10 Plan.

11 "Regional Supply System Costs" means with respect to each month all
12 costs attributable to the Regional System, to the extent not paid from the
13 proceeds of Parity Bonds or other sources, resulting from the ownership,
14 operation, maintenance, and termination of, and repair, renewals, replacements,
15 additions, improvements, betterments, and modifications to the Regional System,
16 including, without limitation: (1) operating expenses; (2) the amount required to
17 be paid into the bond fund for Regional System bonds; (3) any amount that the
18 City may be required during such month to pay for the prevention or correction of
19 any unusual loss or damage or for renewals, replacements, repairs, additions,
20 improvements, betterments, and modifications that are necessary to keep the
21 Regional System in good operating condition, to improve the operation thereof,
22 or to prevent a loss; and (4) all other charges or obligations against the revenues
23 of the Regional System.
24
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26



1 "Regional System" means the Regional Water Supply System, comprised
2 of certain property and facilities to obtain and receive deliveries of water for the
3 participants from the exercise by the City of the Second Diversion Water Right
4 from the Green River and granted by the State of Washington Department of
5 Ecology, which property and facilities include: (1) a Main Branch pipeline to
6 Tacoma with a 72 MGD nominal capacity; (2) headworks improvements
7 associated with the second diversion water right; (3) related fisheries and
8 environmental enhancements; (4) improvements and additions to the Howard
9 Hanson Dam to raise the summer storage pool to elevation of 1,167 feet in
10 phase I to provide an additional 20,000 acre feet of water storage, together with
11 improvements and additions related to accommodating fish passage; and
12 (5) additional related water treatment facilities; and as the same will be added to,
13 improved, and extended.
14

15 "Registered Owner" means, with respect to a Bond, the person in whose
16 name that Bond is registered on the Bond Register. For so long as the City
17 utilizes the book-entry system for the Bonds under the Letter of Representations,
18 Registered Owner shall mean the Securities Depository.
19

20 "Reserve Account" means the account of that name created in the Bond
21 Fund for the purpose of securing the payment of the principal of and interest on
22 the Parity Bonds.
23

24 "Reserve Insurance" means any bond insurance, letter of credit, guaranty,
25 surety bond, or similar credit enhancement device obtained by the City equal to
26 part or all of the Reserve Requirement for any Parity Bonds which is issued by an



1 institution which has been assigned a credit rating at the time of issuance of the
2 device in one of the two highest rating categories of each of the Rating Agencies.

3 "Reserve Requirement" means as of any date the lesser of Maximum
4 Annual Debt Service or 125% of average Annual Debt Service on all the
5 outstanding Parity Bonds. The Reserve Requirement for a series of Parity Bonds
6 shall not exceed 10% of the net proceeds of such Bonds.

7 "Rule 15c2-12" means the Commission's Rule 15c2-12 under the
8 Securities Exchange Act of 1934, as amended and as the same may be
9 amended from time to time.

10 "S&P" means Standard & Poor's Ratings Services, or its comparable
11 recognized business successor.

12 "Securities Depository" means DTC, any successor thereto, any substitute
13 securities depository selected by the City, or the nominee of any of the foregoing.
14 Any Securities Depository must be qualified under applicable laws and
15 regulations to provide the services proposed to be provided by it.

16 "Series of Bonds" or "Series" means a series of Bonds issued pursuant to
17 this ordinance.

18 "State" means the State of Washington.

19 "State Auditor" means the office of the Auditor of the State or such other
20 department or office of the State authorized and directed by State law to make
21 audits.

22 "Term Bond Maturity Year" means any calendar year in which Term Bonds
23 are scheduled to mature.



1 “Term Bonds” means those Bonds designated as such by the Designated
2 Representative and those Parity Bonds designated as such in the applicable
3 Parity Bond Authorizing Ordinance.

4 “2003 Bonds” means the City’s Water System Revenue and Refunding
5 Bonds, 2003, issued in the original principal amount of \$51,380,000 pursuant to
6 Ordinance No. 27109, passed on July 1, 2003.

7 “2005 Bonds” means the City’s Water System Revenue and Refunding
8 Bonds, 2005, issued in the original principal amount of \$46,550,000 pursuant to
9 Ordinance No. 27405, passed on August 30, 2005.

10 “2009 Bonds” means the City’s Water System Revenue Bonds, 2009
11 (Taxable Build America Bonds – Direct Payment), issued in the original principal
12 amount of \$76,775,000 pursuant to Ordinance No. 27837, passed on
13 October 13, 2009.

14 “2010 Bonds” means the 2010A Bonds and 2010B Bonds.

15 “2010A Bonds” means the City’s Water System Revenue Refunding
16 Bonds, 2010A, issued in the original principal amount of \$29,100,000 pursuant to
17 Ordinance No. 27902, passed on July 20, 2010.

18 “2010B Bonds” means the City’s Water System Revenue Bonds, 2010B
19 (Taxable Build America Bonds – Direct Payment), issued in the original principal
20 amount of \$74,985,000 pursuant to Ordinance No. 27902, passed on July 20,
21 2010.

22 “Undertaking” means the undertaking to provide continuing disclosure
23 entered into pursuant to Section 12 of this ordinance.
24



1 "Variable Interest Rate" means any variable interest rate or rates to be
2 borne by any Parity Bonds. The method of computing such a variable interest
3 rate shall be as specified in the applicable Parity Bond Authorizing Ordinance,
4 which ordinance or resolution also shall specify either: (1) the particular period or
5 periods of time or manner of determining such period or periods of time for which
6 each value of such variable interest rate shall remain in effect; or (2) the time or
7 times upon which any change in such variable interest rate shall become
8 effective. A Variable Interest Rate may, without limitation, be based on the
9 interest rate on certain bonds or may be based on interest rate, currency,
10 commodity, or other indexes.
11

12 "Variable Interest Rate Bonds" means, for any period of time, any Parity
13 Bonds that bear a Variable Interest Rate during that period, except that Parity
14 Bonds shall not be treated as Variable Interest Rate Bonds if the net economic
15 effect of interest rates on particular Parity Bonds of an issue and interest rates on
16 other Parity Bonds of the same issue, as set forth in the applicable Parity Bond
17 Authorizing Ordinance, or the net economic effect of a Payment Agreement with
18 respect to particular Parity Bonds, in either case is to produce obligations that
19 bear interest at a fixed interest rate; and Parity Bonds with respect to which a
20 Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if
21 the net economic effect of the Payment Agreement is to produce obligations that
22 bear interest at a Variable Interest Rate.
23
24

25 "Water Division Fund" means Fund No. 4600 of the City, or any successor
26 fund or funds, into which is paid the Gross Revenue of the Water System.



1 "Water System" means the water system of the City as it now exists, and
2 all additions thereto and betterments and extensions thereof at any time made for
3 so long as any of the Parity Bonds are outstanding. The Water System shall not
4 include the Regional System or any water supply or service or other facilities that
5 may be created, acquired, or constructed by the City as a separate utility system,
6 as provided in Section 25 of this ordinance.

7 Section 2. Parity and Other Findings.

8 2.1 Parity Findings. In connection with the issuance of the Bonds on a
9 parity of lien with the Outstanding Parity Bonds, the City hereby makes the
10 following findings:
11

12 (a) There is, and as of the date of the issuance of the Bonds
13 there will be, no deficiency in the Bond Fund, and no Event of Default, as defined
14 in Ordinance Nos. 27109, 27405, 27837, or 27902, has occurred or is continuing.

15 (b) This ordinance provides that all assessments and interest
16 thereon that may be levied in any utility local improvement district created for the
17 purpose of paying, in whole or in part, the principal of and interest on the Bonds,
18 shall be paid directly into the Bond Fund, except for any prepaid assessments
19 permitted by law to be paid into a construction fund or account.
20

21 (c) This ordinance provides for the payment of the principal of
22 and interest on the Bonds out of the Bond Fund.
23

24 (d) This ordinance provides for the payment of amounts into the
25 Bond Fund to meet mandatory redemption requirements applicable to any Term
26 Bonds to be issued and for regular payments to be made for the payment of the



1 principal of such Term Bonds on or before their maturity, or, as an alternative, the
2 mandatory redemption of those Term Bonds prior to their maturity date from
3 money in the Principal and Interest Account.

4 (e) This ordinance provides for the deposit into the Reserve
5 Account of: (1) an amount, if any, necessary to fund the Reserve Requirement
6 upon the issuance of the Bonds from Bond proceeds or other money legally
7 available; or (2) Reserve Insurance or an amount necessary to fund the Reserve
8 Requirement upon the issuance of the Bonds.

9 (f) On the date of issuance of the Bonds, there will be on file
10 with the City a certificate of the Finance Director demonstrating that during any
11 12 consecutive calendar months out of the immediately preceding 24 calendar
12 months Net Revenue was at least equal to 1.25 times the projected Maximum
13 Annual Debt Service for all Outstanding Parity Bonds plus the Bonds.

14 2.2 Other Findings. The City specifies, adopts, and orders to be
15 carried out the system or plan of additions to and betterments and extensions of
16 the Water System (the "Plan of Additions" and each element thereof an
17 "Addition") as generally provided for in the capital portions of the 2013-2014
18 Biennial Budget (the "2013-2014 Budget") and as provided in subsequent
19 budgets if Bond proceeds are available after 2014, and described as follows:
20 capital improvements to the Water System, including construction and installation
21 of a new filtration system and other supply system improvements. A portion of
22 the Bond proceeds will be used to finance and reimburse the City for costs of the
23 Plan of Additions.
24
25
26



1 The estimated cost of the Plan of Additions to be financed with Bond
proceeds is not expected to exceed \$52,000,000.

2 The Plan of Additions shall include any amendments, updates,
3 supplements, or replacements to the Water System comprehensive plan or
4 budget, all of which shall constitute amendments to the Plan of Additions. The
5 Plan of Additions also may be modified to include other improvements if the City
6 determines by ordinance or resolution that those amendments or other
7 improvements constitute a system or plan of additions to and betterments and
8 extensions of the Water System.
9
10

11 The Plan of Additions includes the purchase and installation of all
12 materials, supplies, appliances, equipment (including, but not limited to, data
13 processing hardware and software and conservation equipment) and facilities;
14 the acquisition of all permits, franchises, property and property rights; other
15 capital assets; and all engineering, consulting, and other professional services
16 and studies (whether performed by the City or by other public or private entities)
17 necessary or convenient to carry out the Plan of Additions.
18

19 Section 3. Authorization and Description of Bonds. For the purpose of
20 providing all or a part of the money required to: (a) pay part of the cost of
21 carrying out the Plan of Additions; (b) provide for a reserve for the Bonds;
22 (c) refund all or part of the Refunding Candidates; and (d) pay the costs of
23 issuance of the Bonds, the City shall issue the Bonds in the principal amount of
24 not to exceed \$87,000,000. The Bonds shall be designated Water System
25 Revenue and Refunding Bonds, 2013, and may be issued in one or more series,
26



1 shall be dated as specified by the Designated Representative, shall be in
2 denominations of \$5,000 or any integral multiple thereof within a single maturity
3 of each series or such other denomination within each maturity of a series as
4 specified by the Designated Representative, shall be numbered separately in the
5 manner and with any additional designation as the Bond Registrar deems
6 necessary for the purpose of identification, shall bear interest at such rate or
7 rates (computed on the basis of a 360-day year of 12, 30-day months) as shall
8 be specified in and approved by the Designated Representative payable
9 semiannually on the dates as specified by the Designated Representative; and
10 shall mature on the dates and in years and amounts as specified by the
11 Designated Representative.
12

13 Section 4. Description of the Bonds; Appointment of Designated
14 Representative. The Director of Utilities, or, in his absence, the Superintendent
15 of Water Division, is appointed as the City's Designated Representative and is
16 authorized and directed to conduct the sale of such Bonds in the manner and
17 upon the terms deemed most advantageous to the City, and to approve the Final
18 Terms of the Bonds, with such additional terms and covenants as he or she
19 deems advisable, within the following parameters:
20

21 4.1 Principal Amount. The Bonds may be issued in one or more Series
22 and shall not exceed the aggregate principal amount of \$87,000,000.
23

24 4.2 Date or Dates. Each Series of Bonds shall be dated as of its Issue
25 Date, which date may not be later than June 30, 2014.
26



1 4.3 Denominations, Series Designation, etc. The Bonds must be
2 issued in authorized denominations of \$5,000 or any integral multiple thereof
3 within a maturity, shall be numbered separately in the manner and shall bear any
4 name and additional designation as deemed necessary or appropriate by the
5 Designated Representative.

6 4.4 Interest Rate(s). The Bonds shall bear interest at fixed rates per
7 annum (computed on the basis of a 360-day year of 12, 30-day months) from their
8 Issue Date or from the most recent date to which interest has been paid or duly
9 provided for, whichever is later. One or more rates of interest may be fixed for the
10 Bonds, provided that no rate of interest for any Bond may exceed 5.50%, and the
11 true interest cost to the City for a Series of Bonds may not exceed 5.50%.

12 4.5 Payment Dates. Interest must be payable at fixed rates
13 semiannually on such dates as are acceptable to the Designated Representative,
14 commencing no later than one year following the Issue Date. Principal payments
15 shall commence on a payment date acceptable to the Designated
16 Representative and must be payable at maturity or in mandatory redemption
17 installments on such dates as are acceptable to the Designated Representative.

18 4.6 Final Maturity. The Bonds shall mature no later than December 1,
19 2043.

20 4.7 Redemption Rights. In his or her discretion, the Designated
21 Representative may approve provisions for the optional and mandatory
22 redemption of Bonds, as follows:
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1 (a) Optional Redemption. Any Bond or Series of Bonds may be
2 designated as being (i) subject to redemption at the option of the City prior to its
3 maturity date on the dates and at the prices determined by the Designated
4 Representative; or (ii) not subject to redemption prior to its maturity date. If a
5 Bond is designated as subject to optional redemption prior to its maturity, it must
6 be subject to such redemption on one or more dates occurring not more than
7 10½ years after the Issue Date.

8 (b) Mandatory Redemption. Any Bond may be designated as a
9 Term Bond, subject to mandatory redemption prior to its maturity on the dates
10 and in the amounts determined by the Designated Representative.
11

12 4.8 Price. The purchase price for any Series of Bonds may not be less
13 than 98% or more than 125% of the stated principal amount of that Series.

14 4.9 Other Terms and Conditions.

15 (a) The Bonds may be sold by either negotiated sale or by
16 competitive bid, in accordance with Section 28 of this ordinance.
17

18 (b) The Designated Representative may determine whether it is
19 in the City's best interest to provide for bond insurance or other credit
20 enhancement, and may accept such additional terms, conditions and covenants
21 as he or she may determine are in the best interests of the City, consistent with
22 this ordinance.
23

24 Section 5. Registration and Transfer or Exchange of Bonds.

25 5.1 Registrar/Bond Register. The City hereby adopts the system of
26 registration approved by the Washington State Finance Committee, which utilizes



1 the Fiscal Agent, as registrar, authenticating agent, paying agent and transfer
2 agent for the Bonds (collectively, the "Bond Registrar"). The Bond Registrar shall
3 keep, or cause to be kept, at its principal corporate trust office, sufficient records
4 for the registration and transfer of the Bonds (the "Bond Register"), which shall
5 be open to inspection by the City. The Bond Registrar is authorized, on behalf of
6 the City, to authenticate and deliver Bonds transferred or exchanged in
7 accordance with the provisions of such Bonds and this ordinance and to carry out
8 all of the Bond Registrar's powers and duties under this ordinance. The Bond
9 Registrar shall be responsible for its representations contained in the Bond
10 Registrar's Certificate of Authentication on the Bonds.
11

12 5.2 Registered Ownership. The City and the Bond Registrar may deem
13 and treat the registered owner of each Bond as the absolute owner for all
14 purposes, and neither the City nor the Bond Registrar shall be affected by any
15 notice to the contrary. Payment of any such Bond shall be made only as
16 described in Section 7, but such registration may be transferred as herein
17 provided. All such payments made as described in Section 7 shall be valid and
18 shall satisfy the liability of the City upon such Bond to the extent of the amount so
19 paid.
20

21 5.3 Transfer or Exchange of Registered Ownership; Change in
22 Denominations. The registered ownership of any Bond may be transferred or
23 exchanged, but no transfer of any Bond shall be valid unless it is surrendered to
24 the Bond Registrar with the assignment form appearing on the Bond duly
25 executed by the registered owner or such registered owner's duly authorized
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agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the registered owner or transferee, a new Bond (or Bonds at the option of the new registered owner) of the same Series, date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as registered owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same Series, date, maturity, and interest rate in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

5.4 Bond Registrar's Ownership of Bonds. The Bond Registrar may become the registered owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the registered owners of the Bonds.



1 5.5 Registration Covenant. The City covenants that, until all Bonds
2 have been surrendered and canceled, it will maintain a system for recording the
3 ownership of each Bond that complies with the provisions of Section 149 of the
4 Code.

5 5.6 Securities Depository; Book-Entry Form. The Bonds initially shall
6 be registered in the name of Cede & Co., as the nominee of DTC, acting as
7 Securities Depository. Bonds so registered shall be held fully immobilized in
8 book-entry form by DTC in accordance with the provisions of the Letter of
9 Representations. Registered ownership of any Bond (or portion of a Bond) held
10 in book-entry form may not be transferred except: (i) to any successor Securities
11 Depository; (ii) to any substitute Securities Depository appointed by the City or
12 such substitute Securities Depository's successor; or (iii) to any person if the
13 Bond is no longer held in book-entry form. Upon the resignation of the Securities
14 Depository from its functions as depository, or upon a termination of the services
15 of the Securities Depository by the City, the City may appoint a substitute
16 Securities Depository. If (i) a Securities Depository resigns from its functions as
17 depository, and no substitute Securities Depository can be obtained, or (ii) the
18 City determines that a Bond is to be in certificated form, such Bond no longer
19 shall be held in book-entry form and the ownership of such Bond may be
20 transferred to any person as provided in this ordinance.
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23

24 Neither the City nor the Bond Registrar shall have any obligation to
25 participants of any Securities Depository or the persons for whom they act as
26 nominees regarding accuracy of any records maintained by the Securities



1 Depository or its participants. Neither the City nor the Bond Registrar shall be
2 responsible for any notice which is permitted or required to be given to a
3 Registered Owner except such notice as is required to be given by the Bond
4 Registrar to the Securities Depository.

5 Section 6. Lost or Destroyed Bonds. If any Bonds are lost, stolen, or
6 destroyed, the Bond Registrar may authenticate and deliver a new Bond or
7 Bonds of like Series, amount, maturity, and tenor to the registered owner upon
8 the owner paying the expenses and charges of the Bond Registrar and the City
9 in connection with preparation and authentication of the replacement Bond or
10 Bonds and upon his or her filing with the Bond Registrar and the City evidence
11 satisfactory to both that such Bond or Bonds were actually lost, stolen, or
12 destroyed and of his or her ownership, and upon furnishing the City and the Bond
13 Registrar with indemnity satisfactory to both.
14

15 Section 7. Payment of Bond Principal and Interest. Both principal of and
16 interest on the Bonds shall be payable in lawful money of the United States of
17 America. Interest on the Bonds shall be paid by checks or drafts mailed by the
18 Bond Registrar on the interest payment date to the registered owners at the
19 addresses appearing on the Bond Register on the 15th day of the month
20 preceding the interest payment date or, at the request of an owner of \$1,000,000
21 or more in aggregate principal amount of Bonds, by wire transfer to an account in
22 the United States designated in writing by such owner prior to the record date.
23 Principal of the Bonds shall be payable upon presentation and surrender of the
24 Bonds by the registered owners at the principal office of the Bond Registrar at
25
26



1 the option of the owners. The Bonds shall be payable solely out of the Bond
2 Fund and shall not be general obligations of the City. Notwithstanding the
3 foregoing, as long as the Bonds are registered in the name of DTC or its
4 nominee, payment of principal of and interest on the Bonds shall be made in the
5 manner set forth in the Letter of Representations.

6 Section 8. Redemption and Open Market Purchase of Bonds.

7 8.1 Optional Redemption. The Bonds shall be subject to optional
8 redemption on any date as provided by the Designated Representative, within
9 the parameters set forth in Section 4. Any Bond that is subject to optional
10 redemption may be selected by the City, in its sole discretion, for redemption in
11 whole or in part, at any time at which redemption is permitted as determined by
12 the Designated Representative.

13 8.2 Mandatory Redemption. Bonds designated as Term Bonds by the
14 Designated Representative, within the parameters set forth in Section 4, if not
15 previously redeemed under any optional redemption provisions, defeased, or
16 purchased and surrendered for cancellation under the provisions set forth below,
17 shall be called for redemption at a price equal to the stated principal amount to
18 be redeemed, plus accrued interest, on the redemption dates and in the
19 redemption amounts as determined by the Designated Representative. If Term
20 Bonds are redeemed under the optional redemption provisions, defeased, or
21 purchased by the City and cancelled, the principal amount of the Term Bonds so
22 redeemed, defeased, or purchased (irrespective of their actual redemption or
23 purchase prices) shall be credited against one or more scheduled mandatory
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1 redemption amounts for those Term Bonds. The City shall determine the manner
2 in which the credit is to be allocated and shall notify the Bond Registrar in writing
3 of its allocation prior to the earliest mandatory redemption date for that maturity
4 of Term Bonds for which notice of redemption has not already been given.

5 8.3 Selection of Bonds for Redemption; Partial Redemption. All or a
6 portion of the principal amount of any Bond that is subject to optional or
7 mandatory redemption may be redeemed in any authorized denomination. If less
8 than all of the outstanding principal amount of any Bond is redeemed, upon
9 surrender of that Bond to the Bond Registrar, there shall be issued to the
10 Registered Owner, without charge, a new Bond (or Bonds, at the option of the
11 Registered Owner) of the same Series, maturity, and interest rate in any
12 authorized denomination in the aggregate principal amount remaining
13 unredeemed. The principal portion of any Bond registered in the name of the
14 Securities Depository which is to be partially redeemed shall be selected in
15 accordance with the Letter of Representations. If a Bond ceases to be held in
16 book-entry form, the portion to be partially redeemed shall be selected randomly
17 in such manner as the Bond Registrar shall determine.

18 8.4 Notice of Redemption. While a Bond is registered in the name of
19 the Securities Depository, notice of redemption shall be given as required in
20 accordance with the Letter of Representations. If a Bond ceases to be held in
21 the name of the Securities Depository, unless waived by the Registered Owner of
22 the Bond to be redeemed, the City shall cause notice of an intended redemption
23 of Bonds to be given by the Bond Registrar not less than 20 nor more than
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60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner of any Bond. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of a Bond.

8.5 Rescission of Optional Redemption Notice. In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the optional redemption of those Bonds by giving a notice of rescission to the affected Registered Owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and a Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

8.6 Effect of Redemption. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund (or in an escrow account



1 established to carry out a refunding or defeasance of the redeemed Bonds, if
2 any).

3 8.7 Open Market Purchase. The City reserves the right to purchase
4 any or all of the Bonds in the open market at any time at any price acceptable to
5 the City, plus accrued interest to the date of purchase.

6 Section 9. Failure to Redeem Bonds. If any Bond is not redeemed when
7 properly presented at its maturity or call date, the City shall be obligated to pay
8 interest on that Bond at the same rate provided in the Bond from and after its
9 maturity or call date until that Bond, both principal and interest, is paid in full or
10 until sufficient money for its payment in full is on deposit in the Bond Fund and
11 the Bond has been called for payment by giving notice of that call to the
12 registered owner of the Bond.
13

14 Section 10. Form and Execution of Bonds.

15 10.1 Form of the Bonds. The Bonds shall be in substantially the
16 following form:
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UNITED STATES OF AMERICA

1 NO. _____ \$ _____

2 STATE OF WASHINGTON
3 CITY OF TACOMA, WASHINGTON

4 WATER SYSTEM REVENUE AND REFUNDING BOND, 2013

5 INTEREST RATE: MATURITY DATE: CUSIP NO.:
6 _____% _____

7 REGISTERED OWNER: Cede & Co.

8 PRINCIPAL AMOUNT: _____

9 The City of Tacoma, Washington (the "City") hereby acknowledges itself to
10 owe and for value received promises to pay to the Registered Owner identified
11 above, or registered assigns, on the Maturity Date identified above, the Principal
12 Amount indicated above and to pay interest from _____, 2013, or the most
13 recent date to which interest has been paid or duly provided for, until payment of
14 this bond at the Interest Rate set forth above, payable on December 1, 2013, and
15 semiannually thereafter on the first days of each succeeding December 1 and
16 June 1. Both principal of and interest on this bond are payable in lawful money of
17 the United States of America. For so long as the bonds of this issue are held in
18 fully immobilized form, payments of principal of and interest hereon shall be made
19 as provided in accordance with the operational arrangements of The Depository
20 Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations
21 from the City to DTC. In the event that the bonds of this issue are no longer held in
22 fully immobilized form, interest on this bond shall be paid by check or draft mailed
to the Registered Owner at the address appearing on the Bond Register on the
15th day of the month preceding the interest payment date, and principal of this
bond shall be payable upon presentation and surrender of this bond by the
Registered Owner at the principal office of the fiscal agent of the State of
Washington (the "Bond Registrar"); provided, however, that if so requested in
writing by the Registered Owner of at least \$1,000,000 principal amount of bonds,
interest will be paid by wire transfer on the date due to an account with a bank
located within the United States.

23 This bond is one of an authorized issue of bonds of like date and tenor,
24 except as to number, amount, rate of interest, redemption provisions and date of
25 maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and
26 is issued pursuant to Ordinance No. _____ (the "Bond Ordinance") passed by the
City Council on _____, 2013, to finance or refinance capital improvements to the
Water System, to provide for a reserve fund, to refund certain outstanding revenue
bonds of the Water System and to pay costs of issuance.



1 Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Ordinance.

2 The Bonds are subject to redemption prior to their maturities as provided in the Bond Ordinance.

3
4 The Bonds are payable solely from the special fund of the City known as the Water Revenue Bond Fund of the Water Division Fund (the "Bond Fund"), created by Ordinance No. 25392. The City has irrevocably obligated and bound itself to pay into the Bond Fund out of Net Revenue of the Water System or from such other money as may be provided for such purpose certain amounts necessary to pay and secure the payment of the principal and interest on the Outstanding Parity Bonds, the Bonds, and any Future Parity Bonds.

8 The City has pledged to set aside from the Gross Revenue of the Water System and to pay into the Bond Fund the various amounts required by the Bond Ordinance to be paid into and maintained in such Fund within the times provided by the Bond Ordinance.

11 To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid out of the Gross Revenue of the System into the Bond Fund shall be a lien and charge thereon equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the City's Outstanding Parity Bonds and any Future Parity Bonds, and superior to all other liens and charges of any kind or nature, except subject to the Operation and Maintenance Expenses of the Water System.

16 The City has further bound itself to maintain the Water System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain, and collect rates and charges for as long as any of the Bonds are outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenue in an amount at least equal to the Coverage Requirement. The City hereby covenants that it will perform all the covenants of this Bond and of the Bond Ordinance, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

22 The pledge of Net Revenue of the Water System and other obligations of the City under the Bond Ordinance may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

25 This Bond is a special limited obligation of the City and is not an obligation of the State of Washington or any political subdivision thereof other than the City,



and neither the full faith and credit nor the taxing power of the City or the State of Washington is pledged to the payment of this Bond.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication has been manually signed by the Bond Registrar.

This Bond is transferable only on the records maintained by the Bond Registrar for that purpose upon the surrender of this Bond by the Registered Owner or his or her duly authorized agent and only if endorsed in the manner provided hereon, and a new fully registered Bond of like principal amount, maturity, and interest rate shall be issued to the transferee in exchange. Such exchange or transfer shall be without cost to the Registered Owner or transferee. The City and Bond Registrar may deem the person in whose name this Bond is registered to be the absolute owner for the purpose of receiving payment of the principal of and interest on this Bond and for all other purposes.

The Bond Registrar is not required to issue, register, transfer, or exchange any Bonds during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on the interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

It is hereby certified that all acts, conditions, and things required by the Constitution and statutes of the State of Washington and the Charter and ordinances of the City to exist, to have happened, been done, and performed precedent to and in the issuance of this Bond do exist, have happened, been done, and performed and that the issuance of this bond and the Bonds does not violate any constitutional, statutory, or other limitation upon the amount of bonded indebtedness that the City may incur.

The City has caused this Bond to be executed by the manual or facsimile signature of the Mayor and to be attested by the manual or facsimile signature of the City Clerk, and has caused the seal of the City to be impressed or imprinted on this Bond, as of this _____, 2013.

CITY OF TACOMA, WASHINGTON

By _____ /s/
Mayor

ATTEST:

/s/
City Clerk



The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This is one of the Water System Revenue and Refunding Bonds, 2013 of the City of Tacoma, Washington, dated _____, 2013, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENT, as Bond Registrar

By _____ Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE)

[Empty rectangular box for Social Security or Taxpayer Identification Number]

(Please print or typewrite name and address, including zip code, of transferee)

_____ the within bond and does hereby irrevocably constitute and appoint

_____ as attorney-in-fact to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: _____, _____.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed pursuant to law.

NOTE: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.



1 10.2 Execution of the Bonds. The Bonds shall be signed by the Mayor
2 and City Clerk, either or both of whose signatures may be manual or in facsimile,
3 and the seal of the City or a facsimile reproduction thereof shall be impressed or
4 printed thereon.

5 Only Bonds bearing a Certificate of Authentication in the form set forth
6 above, manually signed by the Bond Registrar, shall be valid or obligatory for any
7 purpose or entitled to the benefits of this ordinance. The authorized signing of a
8 Certificate of Authentication shall be conclusive evidence that the Bonds so
9 authenticated have been duly executed, authenticated, and delivered and are
10 entitled to the benefits of this ordinance.
11

12 If any officer whose facsimile signature appears on the Bonds ceases to be
13 an officer of the City authorized to sign bonds before the Bonds bearing his or her
14 facsimile signature are authenticated or delivered by the Bond Registrar or issued
15 by the City, those Bonds nevertheless may be authenticated, delivered, and issued
16 and, when authenticated, issued, and delivered, shall be as binding on the City as
17 though that person had continued to be an officer of the City authorized to sign
18 bonds. Any Bond also may be signed on behalf of the City by any person who, on
19 the actual date of signing of the Bond, is an officer of the City authorized to sign
20 bonds, although he or she did not hold the required office on the date of issuance
21 of the Bonds.
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24 Section 11. Bond Registrar. The Bond Registrar shall keep, or cause to be
25 kept, at its principal corporate trust office, sufficient books for the registration and
26 transfer of the Bonds which shall at all times be open to inspection by the City. The



1 Bond Registrar is authorized, on behalf of the City, to authenticate and deliver
2 Bonds transferred or exchanged in accordance with the provisions of the Bonds
3 and this ordinance, to serve as the City's paying agent for the Bonds, and to carry
4 out all of the Bond Registrar's powers and duties under this ordinance and
5 Ordinance No. 22999, establishing a system of registration for the City's bonds and
6 obligations.

7 The City reserves the right, in its discretion, to appoint special paying
8 agents, registrars, or trustees in connection with the payment of some or all of the
9 principal of or interest on the Bonds. If a new Bond Registrar is appointed by the
10 City, notice of the name and address of the new Bond Registrar shall be mailed to
11 the registered owners of the Bonds. The notice may be mailed together with the
12 next interest payment due on the Bonds, but, to the extent practicable, shall be
13 mailed not less than 15 days prior to a maturity date of the principal or a mandatory
14 redemption date of any Bond.
15

16
17 Section 12. Continuing Disclosure.

18 12.1 Contract/Undertaking. To meet the requirements of paragraph (b)(5)
19 of United States Securities and Exchange Commission ("SEC") Rule 15c2-12
20 ("Rule 15c2-12"), as applicable to a participating underwriter for the Bonds, the City
21 makes the following written undertaking (the "Undertaking") for the benefit of
22 holders of the Bonds:
23

24 (a) Undertaking to Provide Annual Financial Information and
25 Notice of Listed Events. The City undertakes to provide or cause to be provided,
26 either directly or through a designated agent, to the MSRB, in an electronic format



1 as prescribed by the MSRB, accompanied by identifying information as prescribed
2 by the MSRB:

3 (i) Annual financial information and operating data of the
4 type included in the final official statement for the Bonds and described in
5 subsection (b) of this section (“annual financial information”);

6 (ii) Timely notice (not in excess of 10 business days after
7 the occurrence of the event) of the occurrence of any of the following events with
8 respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-
9 payment related defaults, if material; (3) unscheduled draws on debt service
10 reserves reflecting financial difficulties; (4) unscheduled draws on credit
11 enhancements reflecting financial difficulties; (5) substitution of credit or liquidity
12 providers, or their failure to perform; (6) adverse tax opinions, the issuance by the
13 Internal Revenue Service of proposed or final determinations of taxability, Notice of
14 Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations
15 with respect to the tax status of the Bonds; (7) modifications to rights of holders of
16 the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions
17 of Term Bonds), if material, and tender offers; (9) defeasances; (10) release,
18 substitution, or sale of property securing repayment of the Bonds, if material;
19 (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of
20 the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the
21 consummation of a merger, consolidation, or acquisition involving the City or the
22 sale of all or substantially all of the assets of the City other than in the ordinary
23 course of business, the entry into a definitive agreement to undertake such an
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1 action or the termination of a definitive agreement relating to any such actions,
2 other than pursuant to its terms, if material; and (14) appointment of a successor or
3 additional trustee or the change of name of a trustee, if material; and

4 (iii) Timely notice of a failure by the City to provide required
5 annual financial information on or before the date specified in subsection (b) of this
6 section.

7 (b) Type of Annual Financial Information Undertaken to be
8 Provided. The annual financial information that the City undertakes to provide in
9 subsection (a) of this section:

10 (i) Shall consist of (1) annual financial statements showing
11 ending fund balances for the Water System prepared in accordance with the
12 Budget Accounting and Reporting System prescribed by the Washington State
13 Auditor, pursuant to RCW 43.09.200 (or any successor statute), which statements
14 may be unaudited, provided, that if and when audited financial statements are
15 otherwise prepared and available, they will be provided; (2) principal amount of
16 outstanding Parity Bonds and debt service coverage; (3) water rates; and
17 (4) number of customers and water sales;

18 (ii) Shall be provided not later than the last day of the ninth
19 month after the end of each fiscal year of the City (currently, a fiscal year ending
20 December 31), as such fiscal year may be changed as required or permitted by
21 State law, commencing with the City's fiscal year ending December 31, 2012; and
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1 (iii) May be provided in a single or multiple documents, and
2 may be incorporated by specific reference to documents available to the public on
3 the Internet website of the MSRB or filed with the SEC.

4 (c) Amendment of Undertaking. The Undertaking is subject to
5 amendment after the primary offering of the Bonds without the consent of any
6 holder of any Bond, or of any broker, dealer, municipal securities dealer,
7 participating underwriter, Rating Agency or the MSRB, under the circumstances
8 and in the manner permitted by Rule 15c2-12. The City will give notice to the
9 MSRB of the substance (or provide a copy) of any amendment to the Undertaking
10 and a brief statement of the reasons for the amendment. If the amendment
11 changes the type of annual financial information to be provided, the annual financial
12 information containing the amended financial information will include a narrative
13 explanation of the effect of that change on the type of information to be provided.

14 (d) Beneficiaries. The Undertaking evidenced by this section shall
15 inure to the benefit of the City and the Beneficial Owner of a Bond, and shall not
16 inure to the benefit of or create any rights in any other person.

17 (e) Termination of Undertaking. The City's obligations under this
18 Undertaking shall terminate upon the legal defeasance of all of the Bonds. In
19 addition, the City's obligations under this Undertaking shall terminate if those
20 provisions of Rule 15c2-12 which require the City to comply with this Undertaking
21 become legally inapplicable in respect of the Bonds for any reason, as confirmed
22 by an opinion of Bond Counsel delivered to the City, and the City provides timely
23 notice of such termination to the MSRB.
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(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of a Beneficial Owner of a Bond shall be to take action to compel the City or other obligated person to comply with the Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director, or his or her designee, is authorized to take such further actions as may be necessary, appropriate, or convenient to carry out this Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

- (i) Preparing and filing the annual financial information undertaken to be provided;
- (ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;
- (iii) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual



1 financial information and notice of listed events for that person in accordance with
2 Rule 15c2-12;

3 (iv) Selecting, engaging, and compensating designated
4 agents and consultants, including, but not limited to financial advisors and legal
5 counsel, to assist and advise the City in carrying out the Undertaking; and

6 (v) Effecting any necessary amendment of the Undertaking.

7 Section 13. Bond Fund. The Bond Fund has been created in the Water
8 Division Fund, known as the Water Revenue Bond Fund, and is further divided into
9 two accounts: the Principal and Interest Account and the Reserve Account. So
10 long as any Parity Bonds are outstanding, the City shall set aside and pay into the
11 Bond Fund out of the Net Revenue, certain fixed amounts without regard to any
12 fixed proportion, namely:

13 (a) Into the Principal and Interest Account on or before each
14 interest or principal and interest payment date of any Parity Bonds at least an
15 amount which, together with other money on deposit therein, will be sufficient to pay
16 the interest, or principal and interest, to become due and payable on the Parity
17 Bonds on that payment date, including any Parity Bonds subject to mandatory
18 redemption on that date, and net payments due on Parity Payment Agreements; and

19 (b) Into the Reserve Account the Reserve Requirement for the
20 Bonds. The City may, at any time, provide all or any part of the Reserve
21 Requirement through Reserve Insurance, and the amount available to be drawn
22 upon under that Reserve Insurance shall be credited against the Reserve
23 Requirement, subject to the following:
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1 The Reserve Insurance shall not be cancelable on less than three years'
2 notice. On receipt of a notice of cancellation of any Reserve Insurance or upon
3 notice that the entity providing the Reserve Insurance no longer meets the
4 requirements specified herein, the City shall substitute Reserve Insurance in the
5 amount required to make up the deficiency created in the Reserve Account or in the
6 alternative shall create a special account in the Water Division Fund and deposit
7 therein, on or before the 25th day of each of the 36 succeeding calendar months
8 (commencing with the 25th day of the calendar month next following the date of the
9 notice) 1/36th of the amount sufficient, together with other money and investments
10 on deposit in the Reserve Account, to equal the Reserve Requirement in effect as
11 of the date the cancellation or disqualification of the entity becomes effective.
12

13 Those amounts shall be deposited in the special account from money in the Water
14 Division Fund after making provision for payment of Operation and Maintenance
15 Expenses and for required payments into the Bond Fund. Amounts on deposit in
16 that special account shall not be available to pay debt service on Parity Bonds or for
17 any other purpose of the City, and shall be transferred to the Reserve Account on
18 the effective date of any cancellation of a Reserve Insurance to make up all or part
19 of the deficiency caused thereby. Amounts in that special account or in the
20 Reserve Account may be transferred back to the Water Division Fund and used for
21 any purpose if and when qualifying Reserve Insurance is obtained.
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24 Except for withdrawals therefrom and payments over time as authorized
25 herein, the Reserve Account shall be maintained at the Reserve Requirement, as it
26 is adjusted from time to time, at all times so long as any Parity Bonds are



1 outstanding. For the purpose of determining the amount credited to the Reserve
2 Account, obligations in which money in the Reserve Account has been invested
3 shall be valued at the greater of cost or accreted value.

4 In the event that there shall be a deficiency in the Principal and Interest
5 Account to meet maturing installments of either principal or interest or mandatory
6 redemption requirements, as the case may be, that deficiency shall be made up
7 from the Reserve Account by the withdrawal of cash or draws on the Reserve
8 Insurance therefrom for that purpose. Any deficiency created in the Reserve
9 Account by reason of any such withdrawal shall, within 12 months, be made up
10 from Net Revenue available after making necessary provisions for the required
11 payments into the Principal and Interest Account.

12 The money in the Reserve Account may be applied to the payment of the
13 last outstanding Parity Bonds payable out of the Bond Fund, except that any
14 money in the Reserve Account (including investment earnings) in excess of the
15 Reserve Requirement may be withdrawn and deposited in the Principal and
16 Interest Account and spent for the purpose of retiring Parity Bonds or may be
17 deposited in any other fund or account and spent for any other lawful Water
18 System purpose. When the total amount in the Bond Fund (including investment
19 earnings) shall equal the total amount of principal and interest for all Parity Bonds
20 to the last maturity thereof, no further payment need be made into the Bond Fund.

21 The City may provide for the purchase, redemption, or defeasance of any
22 Parity Bonds by the use of money on deposit in any account in the Bond Fund as
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1 long as the money remaining in those accounts is sufficient to satisfy the required
2 deposits in those accounts for the remaining Parity Bonds.

3 All money in the Bond Fund may be kept in cash or invested in legal
4 investments (including the City's investment pool) maturing, for investments in the
5 Principal and Interest Account, not later than the dates when the funds are required
6 for the payment of principal of or interest on the Parity Bonds and, for investments
7 in the Reserve Account, maturing (or subject to redemption, or repurchase, and
8 redemption, at the option of the City) on a date not later than 15 years from the date
9 of investment.
10

11 Earnings from investments in the Principal and Interest Account shall be
12 deposited in that account. Earnings from investments in the Reserve Account shall
13 be deposited in that account if necessary to meet the Reserve Account
14 Requirement. Notwithstanding the provisions for the deposit of earnings, any
15 earnings that are subject to federal arbitrage rebate requirements may be withdrawn
16 from the Bond Fund for deposit into a separate fund or account created for the
17 purpose of compliance with those rebate requirements.
18

19 If the City provides for all or part of the Reserve Requirement by Reserve
20 Insurance, excess amounts in the Reserve Account may be withdrawn from that
21 account and deposited either in the Principal and Interest Account and/or in the
22 Water Division Fund, subject to applicable state and federal law.
23

24 Once the 2003 Bonds and the 2005 Bonds are no longer outstanding, a
25 supplemental ordinance may establish a separate reserve account for a series of
26



1 Future Parity Bonds, in which case the Reserve Account shall not secure such
2 Future Parity Bonds.

3 The City may create sinking fund accounts or other accounts in the Bond
4 Fund for the payment or securing the payment of Parity Bonds, as long as the
5 maintenance of such accounts does not conflict with the rights of the owners of
6 such Parity Bonds.

7 So long as any Outstanding Parity Bonds are insured or reinsured by
8 National Public Finance Guarantee Corporation, if federal credit payments for any
9 Outstanding Parity Bonds are reduced or not received during any 12-month period
10 ending December 31, the City will calculate the Average Annual Debt Service for
11 the subsequent 12 months ending December 31, based on the actual reduction in
12 the amount of the federal credit payments, for the purpose of calculating the
13 Reserve Requirement, until the receipt of the federal credit payments is restored or
14 resumes. In case of such shortfall, the City will have 90 days to fully fund the
15 Reserve Requirement created as a result of such reduction or failure to receive the
16 federal credit payments. This paragraph shall not be in effect unless approved by
17 the Utility Board.

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20 Section 14. Construction Fund and Deposit of Bond Proceeds. There is
21 created in the Water Division Fund a fund known as the 2013 Water Division
22 Construction Fund (the "Construction Fund"). The principal proceeds of the sale of
23 the Bonds remaining after: (a) the deposit of the amount necessary to refund the
24 Refunded Bonds into the escrow account and (b) the deposit of any proceeds into
25 the Reserve Account, shall be deposited to the Construction Fund as determined by
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1 the Designated Representative to be used for the purpose of paying part of the
2 costs of carrying out the Plan of Additions and to pay for the costs of issuance of
3 the Bonds, if necessary. Money in the Construction Fund may be used to
4 reimburse the Water Division Fund for prior expenditures in connection with the
5 Plan of Additions described and ordered to be carried out in Section 2. Until
6 needed to pay such costs, the City may invest principal proceeds and interest
7 thereon temporarily in any legal investment, and the investment earnings may be
8 retained in the Construction Fund and be spent for the purposes of those funds or
9 may be deposited in the Bond Fund.
10

11 Section 15. Refunding of the Refunded Bonds.

12 15.1 Appointment of Refunding Trustee. The Designated Representative
13 or Finance Director is authorized to appoint a Refunding Trustee in connection with
14 the Bonds.

15 15.2 Use of Bond Proceeds; Acquisition of Acquired Obligations. The
16 portion of the proceeds of the sale of the Bonds allocated to refunding the
17 Refunded Bonds shall be deposited immediately upon the receipt thereof with the
18 Refunding Trustee and used to discharge the obligations of the City relating to the
19 Refunded Bonds under Ordinance No. 27109 by providing for the payment of the
20 amounts required to be paid by the Refunding Plan. To the extent practicable,
21 such obligations shall be discharged fully by the Refunding Trustee's simultaneous
22 purchase of Acquired Obligations, bearing such interest and maturing as to
23 principal and interest in such amounts and at such times so as to provide, together
24 with a beginning cash balance, if necessary, for the payment of the amount
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1 required to be paid by the Refunding Plan. The Acquired Obligations will be listed
2 and more particularly described in the Refunding Trust Agreement between the
3 City and the Refunding Trustee, but are subject to substitution as set forth below.
4 Any Bond proceeds or other money deposited with the Refunding Trustee not
5 needed to purchase the Acquired Obligations and provide a beginning cash
6 balance, if any, and pay the costs of issuance of the Bonds shall be returned to the
7 City and deposited in the Construction Fund or in the Bond Fund to pay interest on
8 the Bonds on the first interest payment date.

9
10 15.3 Substitution of Acquired Obligations. Prior to the purchase of any
11 Acquired Obligations by the Refunding Trustee, the City reserves the right to
12 substitute other direct, noncallable obligations of the United States of America
13 ("Substitute Obligations") for any of the Acquired Obligations and to use any
14 savings created thereby for any lawful City purpose if, (a) in the opinion of the
15 City's bond counsel, the interest on the Bonds and the Refunded Bonds will remain
16 excluded from gross income for federal income tax purposes under Sections 103,
17 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely
18 payment of the amounts required to be paid by the Refunding Plan, as verified by a
19 nationally recognized independent certified public accounting firm.

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22 15.4 After the purchase of the Acquired Obligations by the Refunding
23 Trustee, the City reserves the right to substitute therefor cash or Substitute
24 Obligations subject to the conditions that such money or securities held by the
25 Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such
26 substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds



1 within the meaning of Section 148 of the Code and regulations thereunder in effect
2 on the date of such substitution and applicable to obligations issued on the issue
3 dates of the Bonds and the Refunded Bonds, as applicable, and that the City
4 obtain, at its expense: (1) a verification by a nationally recognized independent
5 certified public accounting firm acceptable to the Refunding Trustee, confirming
6 that the payments of principal of and interest on the Substitute Obligations, if paid
7 when due, and any other money held by the Refunding Trustee will be sufficient to
8 carry out the Refunding Plan; and (2) an opinion from nationally recognized bond
9 counsel to the City, to the effect that the disposition and substitution or purchase of
10 such Substitute Obligations, under the statutes, rules, and regulations then in force
11 and applicable to the Bonds, will not cause the interest on the Bonds or the
12 Refunded Bonds to be included in gross income for federal income tax purposes
13 and that such disposition and substitution or purchase is in compliance with the
14 statutes and regulations applicable to the Bonds and the Refunded Bonds. Any
15 surplus money resulting from the sale, transfer, other disposition, or redemption of
16 the Acquired Obligations and the Substitute Obligations shall be released from the
17 trust estate and transferred to the City to be used for any lawful City purpose.

20 15.5 Administration of Refunding Plan. The Refunding Trustee is
21 authorized and directed to purchase the Acquired Obligations (or Substitute
22 Obligations) and to make the payments required to be made by the Refunding Plan
23 from the Acquired Obligations (or Substitute Obligations) and money deposited with
24 the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or
25 Substitute Obligations) and the money deposited with the Refunding Trustee and
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1 any income therefrom shall be held irrevocably, invested and applied in accordance
2 with the provisions of Ordinance No. 27109, this ordinance, chapter 39.53 RCW
3 and other applicable statutes of the State of Washington and the Refunding Trust
4 Agreement. All necessary and proper fees, compensation, and expenses of the
5 Refunding Trustee for the Bonds and all other costs incidental to the setting up of
6 the escrow to accomplish the refunding of the Refunded Bonds and costs related to
7 the issuance and delivery of the Bonds, including bond printing, verification fees,
8 bond counsel's fees, and other related expenses, shall be paid out of the proceeds
9 of the Bonds.
10

11 15.6 Authorization for Refunding Trust Agreement. To carry out the
12 Refunding Plan provided for by this ordinance, the Designated Representative or
13 Finance Director is authorized and directed to execute and deliver to the Refunding
14 Trustee a Refunding Trust Agreement setting forth the duties, obligations and
15 responsibilities of the Refunding Trustee in connection with the payment,
16 redemption, and retirement of the Refunded Bonds as provided herein and stating
17 that the provisions for payment of the fees, compensation, and expenses of such
18 Refunding Trustee set forth therein are satisfactory to it. Prior to executing the
19 Refunding Trust Agreement, the Designated Representative or Finance Director is
20 authorized to make such changes therein that do not change the substance and
21 purpose thereof or that assure that the escrow provided therein and the Bonds are
22 in compliance with the requirements of federal law governing the exclusion of
23 interest on the Bonds and the Refunded Bonds from gross income for federal
24 income tax purposes.
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1 Section 16. Call for Redemption of the Refunded Bonds. The City calls for
2 redemption on June 1, 2013, or such other date as shall be determined by the
3 Designated Representative, all of the Refunded Bonds at par plus accrued interest.
4 Such call for redemption shall be irrevocable after the delivery of the Bonds to the
5 initial purchaser thereof. The date on which the Refunded Bonds are herein called
6 for redemption is the first date after the Issue Date on which those bonds may be
7 called.

8 The proper City officials are authorized and directed to give or cause to be
9 given such notices as required, at the times and in the manner required, pursuant
10 to Ordinance No. 27109, in order to effect the redemption prior to their maturity of
11 the Refunded Bonds.
12

13 Section 17. City Findings with Respect to Refunding. The Council
14 authorizes the Designated Representative to issue the refunding portion of the
15 Bonds if it is in the best interest of the City and its ratepayers. In making such
16 finding, the Designated Representative will give consideration to the fixed maturities
17 of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the
18 known earned income from the investment of the proceeds of the issuance and sale
19 of the Bonds pending payment and redemption of the Refunded Bonds.
20

21 The Council further finds that the money to be deposited with the Refunding
22 Trustee for the Refunded Bonds in accordance with Section 15 of this ordinance
23 will discharge and satisfy the obligations of the City under Ordinance No. 27109
24 with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants,
25 and agreements of the City therein made or provided for as to the Refunded
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1 Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding
2 under such ordinance immediately upon the deposit of such money with the
3 Refunding Trustee.

4 Section 18. Rate Stabilization Account. There has previously been
5 established in the Water Division Fund a Rate Stabilization Account. The City may,
6 at any time, as determined by the City and as consistent with Section 22 of this
7 ordinance, deposit in the Rate Stabilization Account Gross Revenue and any other
8 money received by the Water System and available to be used therefor, excluding
9 principal proceeds of Parity Bonds or other borrowing. Net Revenue for a fiscal
10 year shall not include deposits into the Rate Stabilization Account. The City may
11 withdraw money from the Rate Stabilization Account for inclusion in the Net
12 Revenue for any fiscal year of the Water System, except that: (a) the total amount
13 withdrawn from the Rate Stabilization Account in any fiscal year of the Water
14 System may not exceed the total debt service of the Water System in that year; and
15 (b) the Net Revenue in that fiscal year, disregarding the amounts withdrawn from
16 the Rate Stabilization Account, must equal at least 1.0 times the Annual Debt
17 Service that year on all Parity Bonds. Such deposits or withdrawals may be made
18 up to and including the date 90 days after the end of the fiscal year for which the
19 deposit or withdrawal will be included as Net Revenue for that fiscal year.

20 Earnings from investments in the Rate Stabilization Account shall be
21 deposited in that fund or another Water System fund and shall not be included as
22 Net Revenue unless and until withdrawn from that fund as provided herein.
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No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

Section 19. Finding as to Sufficiency of Gross Revenue. The City finds that the Gross Revenue and benefits to be derived from the operation and maintenance of the Water System of the City at the rates to be charged for water and other services and commodities from the Water System will be more than sufficient to meet all Operation and Maintenance Expenses and to permit the setting aside into the Bond Fund out of the Gross Revenue of amounts sufficient to pay the principal of and interest on the Bonds and any mandatory redemption requirements when due. The City further declares that in creating the Bond Fund and in fixing the amounts to be paid into the Bond Fund, it has exercised due regard for Operation and Maintenance Expenses, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Gross Revenue than in the judgment of the City will be available over and above the Operation and Maintenance Expenses.

Section 20. Pledge of Net Revenue and Lien Position. The Net Revenue of the Water System and all money and investments held in the Bond Fund, the Rate Stabilization Account, and the Construction Fund (except money and investments held in a separate fund or account created for the purpose of compliance with rebate requirements under the Code), is pledged to the payment of the Parity Bonds and to make payments into the Reserve Account required by this ordinance and the Parity Bond Authorizing Ordinances, and this pledge shall constitute a lien



and charge upon the Net Revenue prior and superior to any other charges
1 whatsoever.

2 Section 21. Covenants. The City covenants and agrees with the owner of
3 each Bond at any time outstanding, as follows:
4

5 21.1 Operation and Maintenance. It will at all times maintain, preserve,
6 and keep the properties of the Water System in good repair, working order, and
7 condition; will make all necessary and proper additions, betterments, renewals,
8 and repairs thereto; and improvements, replacements, and extensions thereof; and
9 will at all times operate or cause to be operated the properties of the Water System
10 and the business in connection therewith in an efficient manner and at a
11 reasonable cost.
12

13 21.2 Establishment and Collection of Rates and Charges and Other
14 Covenants. It will establish, maintain, and collect rates and charges for services
15 and facilities provided by the Water System which will be fair and equitable, and
16 will adjust those rates and charges from time to time so that:
17

18 (a) The Gross Revenue will be sufficient to: (i) pay all Operation
19 and Maintenance Expenses; (ii) pay when due all amounts that the City is
20 obligated to pay into the Bond Fund and the accounts therein; and (iii) pay all
21 taxes, assessments, or other governmental charges lawfully imposed on the Water
22 System or the revenue therefrom or payments in lieu thereof, and any and all other
23 amounts which the City may now or hereafter become obligated to pay from the
24 Gross Revenue by law or contract; and
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(b) The Net Revenue of the Water System in each fiscal year of the Water System will be at least equal to the Coverage Requirement.

The failure of the City to comply with subparagraphs (a) and (b) of this Section 21.2 shall not be an Event of Default as defined in Section 31 of this ordinance if the City promptly retains an Independent Consulting Engineer or, once the 2003 Bonds, 2005 Bonds, and 2009 Bonds are no longer Outstanding, an independent certified public accountant, to recommend to the Council adjustments in the rates of the Water System necessary to meet the requirements of those subparagraphs and if the Council adopts the recommended modifications within 180 days of the date the failure become known to the Council.

21.3 Sale, Transfer, or Disposition of the Water System. It will sell, transfer, or otherwise dispose of any of the works, plant, properties, facilities, or other part of the Water System or any real or personal property comprising a part of the Water System only upon approval by ordinance and only consistent with one or more of the following:

(a) The City may exchange any of the works, plant, properties, facilities, or other part of the Water System for works, plant, properties, or facilities of substantially the same type, use, and value; or

(b) The City, in its discretion, may carry out such a sale, transfer, or disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property transferred are not material to the operation of the Water System, or shall have become unserviceable, inadequate, obsolete, or unfit to be used in the



1 operation of the Water System or are no longer necessary, material, or useful to
2 the operation of the Water System; or

3 (c) The City, in its discretion, may carry out such a transfer if the
4 aggregate depreciated cost value of the facilities or property being transferred
5 under this subparagraph (iii) in any fiscal year of the Water System comprises no
6 more than 3 percent of the total assets of the Water System; or

7 (d) The City may sell, lease, mortgage, or otherwise dispose of
8 the Water System, including all additions to and betterments and extensions
9 thereof at any time made, that are used, useful, or material in the operation of the
10 Water System, if provision is made for the replacement thereof or if the City
11 receives from the purchaser or transferee an amount equal to or greater than the
12 greatest of the following:

13 (i) An amount which will be in the same proportion to the
14 net amount of Parity Bonds then outstanding (defined as the total amount of the
15 Parity Bonds less the amount of cash and investments in the Bond Fund and
16 accounts therein) that the Gross Revenue of the Water System from the portion of
17 the Water System sold or disposed of for the preceding year bears to the total
18 Gross Revenue of the Water System for that period;

19 (ii) An amount which will be in the same proportion to the
20 net amount of Parity Bonds then outstanding (as defined above) that the Net
21 Revenue from the portion of the Water System sold or disposed of for the preceding
22 year bears to the total Net Revenue of the Water System for such period; or
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(iii) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the depreciated cost value of the portion of the Water System sold or disposed of bears to the depreciated cost value of the entire Water System immediately prior to such sale or disposition.

The amount required to be paid to the City under this paragraph may be reduced by any "equity credits" or similar amounts based on prior capital contributions or other payments to the City which, under any contract between the City and the purchaser or transferee, are allowed as a setoff against the purchase or transfer price that would otherwise be payable to the City.

The City may accept from the purchaser or transferee the amount calculated as described in this paragraph, payable, with interest, amortized over the number of years of remaining life of the portion of the Water System sold or disposed of or such shorter period of time as determined by the City. However, the contract of transfer or sale must provide that the payments to the City shall be either superior to or equal to the lien on the revenues of the purchaser or transferee of all other obligations of the purchaser or transferee.

21.4 No Free Service. Except to aid the poor or infirm and for firefighting purposes and if the City elects to provide free service for such purposes, it will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the Water System free of charge to any person, firm, or corporation, public or private.



1 21.5 Liens Upon the Water System. Except as otherwise provided in this
2 ordinance, it will not at any time create or permit to accrue or to exist any lien or
3 other encumbrance or indebtedness upon the Gross Revenue or any part thereof,
4 prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay
5 and discharge, or cause to be paid and discharged, any and all lawful claims for
6 labor, materials, or supplies which, if unpaid, might become a lien or charge upon
7 the Gross Revenue or any part thereof, prior or superior to, or on a parity with, the
8 lien of the Parity Bonds, or which might impair the security of the Parity Bonds.

9 21.6 Books and Accounts. It will keep proper books, records, and
10 accounts with respect to the operations, income, and expenditures of the Water
11 System in accordance with generally accepted accounting practices relating to
12 municipal utilities and any applicable rules and regulations prescribed by the State,
13 and will cause those books, records, and accounts to be audited on an annual
14 basis by the State Auditor and/or independent auditor (or, if such audit is not made
15 by the State Auditor within 270 days after the close of any fiscal year of the Water
16 System, by a certified public accountant selected by the City). It will prepare
17 annual financial and operating statements as soon as practicable after the close of
18 each fiscal year of the Water System showing in reasonable detail the financial
19 condition of the Water System as of the close of the previous year, and the income
20 and expenses for such year, including the amounts paid into the Bond Fund and
21 into any and all special funds or accounts created pursuant to the provisions of this
22 ordinance, the status of all funds and accounts as of the end of such year, and the
23 amounts expended for maintenance, renewals, replacements, and capital additions
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1 to the Water System. Such statements shall be sent to the owner of any Parity
2 Bonds upon written request therefor being made to the City. The City may charge
3 a reasonable cost for providing such financial statements.

4 21.7 Collection of Delinquent Accounts. On at least an annual basis, it will
5 determine all accounts that are delinquent and will take such actions as the City
6 determines are reasonably necessary to enforce payment of those delinquent
7 accounts.

8 21.8 Maintenance of Insurance. It at all times will carry fire and extended
9 coverage, public liability and property damage, and such other forms of insurance
10 with responsible insurers and with policies payable to the City on such of the
11 buildings, equipment, works, plants, facilities, and properties of the Water System
12 as are ordinarily carried by municipal or privately-owned utilities engaged in the
13 operation of like systems, and against such claims for damages as are ordinarily
14 carried by municipal or privately-owned utilities engaged in the operation of like
15 systems, or it will self-insure or will participate in an insurance pool or pools with
16 reserves adequate, in the reasonable judgment of the City, to protect the Water
17 System and the owners of the Parity Bonds against loss.

18 21.9 Condemnation Awards and Insurance Proceeds. If the City receives
19 any condemnation awards or proceeds of an insurance policy in connection with
20 any loss of or damage to any property of the Water System, it shall apply the
21 condemnation award or insurance proceeds, in the City's sole discretion, either:
22 (A) to the cost of replacing or repairing the lost or damaged properties; (B) to the
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1 payment, purchase or redemption of Parity Bonds; or (C) to the cost of
2 improvements to the Water System.

3 Section 22. Flow of Funds. The Gross Revenue of the Water System shall be
4 used for the following purposes only and shall be applied in the following order of
5 priority:

6 (a) To pay the Operation and Maintenance Expenses;

7 (b) To pay interest on Parity Bonds and net payments on Parity
8 Payment Agreements when due;

9 (c) To pay the principal of Parity Bonds as it comes due at maturity
10 or as the principal is required to be paid pursuant to mandatory redemption
11 requirements applicable to Term Bonds, and to make payments due under any
12 reimbursement agreement with a Bond Insurer which agreement requires those
13 payments to be treated on a parity of lien with the Parity Bonds;

14 (d) To make all payments required to be made into the Reserve
15 Account, all payments required to be made under any agreement relating to the
16 provision of Reserve Insurance, and payments due under any reimbursement
17 agreement with a Bond Insurer which agreement requires those payments to be
18 treated on a parity of lien with the payments required to be made into the Reserve
19 Account;

20 (e) To make all payments required to be made into any revenue
21 bond, note, warrant, or other revenue obligation redemption fund, debt service
22 account, or reserve account created to pay or secure the payment of the principal
23 of and interest on any revenue bonds, notes, warrants, or other obligations of the
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1 City having a lien upon the revenue of the Water System junior and inferior to the
2 lien thereon for the payment of the principal of and interest on the Parity Bonds,
3 including the State Loans; and

4 (f) To retire by redemption or purchase in the open market any
5 outstanding revenue bonds or other revenue obligations of the Water System; to
6 make necessary additional betterments, improvements, and repairs to or
7 extensions and replacements of the Water System; to make deposits into the Rate
8 Stabilization Account; or for any other lawful Water System purposes, including
9 payment of gross earnings taxes to the City's General Fund.
10

11 The City may transfer any money from any funds or accounts of the Water
12 System legally available therefor, except bond redemption funds, refunding escrow
13 funds or defeasance funds, to meet the required payments to be made into the
14 Bond Fund.

15 The City shall promptly collect all assessments levied in any utility local
16 improvement district now or hereafter created to secure the payment of the
17 principal of and interest on any Parity Bonds and shall pay the same into the Bond
18 Fund, except for any prepaid assessments permitted by law to be paid into a
19 construction fund or account.
20

21 Section 23. Provisions for Future Parity Bonds. The City reserves the right
22 to issue Future Parity Bonds and to enter into Parity Payment Agreements for
23 purposes of the Water System or to refund a portion of the Parity Bonds if the
24 following conditions are met and complied with at the time of the issuance of those
25 Future Parity Bonds or entering into the Parity Payment Agreement:
26



1 (a) There shall be no deficiency in the Bond Fund and no Event of
2 Default as defined in Section 31 shall have occurred and be continuing.

3 (b) The Parity Bond Authorizing Ordinance shall provide that all
4 assessments and interest thereon that may be levied in any utility local
5 improvement district created for the purpose of paying, in whole or in part, the
6 principal of and interest on those Future Parity Bonds, shall be paid directly into the
7 Bond Fund, except for any prepaid assessments permitted by law to be paid into a
8 construction fund or account.

9 (c) The Parity Bond Authorizing Ordinance shall provide for the
10 payment of the principal thereof and interest thereon out of the Bond Fund.
11

12 (d) The Parity Bond Authorizing Ordinance shall provide for the
13 payment of amounts into the Bond Fund to meet mandatory redemption
14 requirements applicable to any Term Bonds to be issued and for regular payments
15 to be made for the payment of the principal of such Term Bonds on or before their
16 maturity, or, as an alternative, the mandatory redemption of those Term Bonds
17 prior to their maturity date from money in the Principal and Interest Account.
18

19 (e) The Parity Bond Authorizing Ordinance shall provide for the
20 deposit into the Reserve Account of: (i) an amount, if any, necessary to fund the
21 Reserve Requirement upon the issuance of those Future Parity Bonds from Future
22 Parity Bond proceeds or other money legally available; or (ii) Reserve Insurance or
23 an amount plus Reserve Insurance necessary to fund the Reserve Requirement
24 upon the issuance of those Future Parity Bonds; or (iii) amounts necessary to fund
25 the Reserve Requirement from Net Revenue within five years from the date of
26



1 issuance of those Future Parity Bonds, in five approximately equal annual
2 payments.

3 (f) There shall be on file with the City either:

4 (i) A certificate of the Finance Director demonstrating that
5 during any 12 consecutive calendar months out of the immediately preceding
6 24 calendar months, Net Revenue was at least equal to 1.25 times the projected
7 Maximum Annual Debt Service for all Parity Bonds, including the Future Parity
8 Bonds proposed to be issued; or

9 (ii) A certificate of an Independent Consulting Engineer or,
10 once the 2003 Bonds, 2005 Bonds, and 2009 Bonds are no longer outstanding, an
11 independent certified public accountant, that, in his or her opinion, the Net Revenue
12 will be at least equal to 1.25 times the projected Average Annual Debt Service for all
13 Parity Bonds including the Future Parity Bonds proposed to be issued. In providing
14 that certificate, the Independent Consulting Engineer, or independent certified public
15 accountant, may take into account the following adjustments:
16

17 (A) Any changes in rates in effect and being charged,
18 or rates expected to be charged in accordance with a program of specific rates, rate
19 levels, or increases in overall rate revenue approved by ordinance or resolution;
20

21 (B) Net revenue from customers of the Water
22 System who have become customers during the 12 consecutive month period, or
23 thereafter, and their estimate of net revenue from any customers to be connected
24 to the Water System who have paid the required connection charges, adjusted to
25 reflect one year's net revenue from those customers;
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(C) The Independent Consulting Engineer's, or independent certified public account's, estimate of customers anticipated to be served by facilities or improvements financed in substantial part by those Future Parity Bonds (or additional Parity Bonds expected to be issued during the five-year period); and

(D) Net revenue from any person, firm, corporation, or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the Water System.

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, no such coverage certification shall be required if the Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for any year in which Parity Bonds are outstanding, more than \$5,000 over the Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity Bonds.

Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien of the Parity Bonds, or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on those junior lien bonds as long as such utility local improvement district assessments are levied for improvements constructed from the proceeds of those junior lien bonds.



1 Section 24. Reimbursement Obligations. If the City elects to meet the
2 Reserve Requirement or any portion thereof through the use of Reserve Insurance
3 or elects to secure any issue of Parity Bonds through the use of Bond Insurance,
4 the City may contract with the entity providing such Reserve Insurance or Bond
5 Insurance to the effect that the City's reimbursement obligation, if any, to such
6 entity ranks on a parity of lien with the Parity Bonds.

7 Section 25. Separate Utility Systems. The City may create, acquire,
8 construct, finance, own, and operate one or more additional systems for water
9 supply, transmission, treatment, or other commodity or service. The Regional
10 System has been created as a separate system. The revenue of any separate
11 utility system shall not be included in the Gross Revenue of the Water System and
12 may be pledged to the payment of revenue obligations issued to purchase,
13 construct, condemn, or otherwise acquire or expand the separate utility system.
14 Neither the Gross Revenue nor the Net Revenue of the Water System shall be
15 pledged by the City to the payment of any obligations of a separate utility system
16 except: (a) as a Contract Resource Obligation upon compliance with Section 26;
17 and/or (b) with respect to the Net Revenue, on a basis subordinate to the lien of
18 the Parity Bonds on that Net Revenue.
19
20

21 Section 26. Contract Resource Obligations. The City may at any time enter
22 into one or more contracts or other obligations for the acquisition, from facilities to
23 be constructed, of water supply, transmission, treatment, or other commodity or
24 service relating to the Water System. The City's obligation with respect to the
25 Regional System is a Contract Resource Obligation. The City may determine that
26



1 such contract or other obligation is a Contract Resource Obligation, and may
2 provide that all payments under that Contract Resource Obligation (including
3 payments prior to the time that water supply, transmission, treatment, or other
4 commodity or service is being provided, or during a suspension or after termination
5 of supply or service) shall be Operation and Maintenance Expenses if the following
6 requirements are met at the time such Contract Resource Obligation is entered into:

7 (a) No Event of Default as defined in Section 31 of this ordinance
8 has occurred and is continuing.

9 (b) There shall be on file a certificate of an Independent Consulting
10 Engineer or, once the Outstanding Parity Bonds are no longer Outstanding, an
11 independent certified public accountant, stating that: (i) the payments to be made
12 by the City in connection with the Contract Resource Obligation are reasonable for
13 the supply, transmission, treatment, or other service rendered; (ii) the source of any
14 new supply, and any facilities to be constructed to provide the supply, transmission,
15 treatment, or other service, are sound from a water or other commodity supply or
16 transmission planning standpoint, are technically and economically feasible in
17 accordance with prudent utility practice, and are likely to provide supply or
18 transmission or other service no later than a date set forth in the Independent
19 Consulting Engineer's, or independent certified public accountant's, certification;
20 and (iii) the Net Revenue (further adjusted by the Independent Consulting
21 Engineer's, or independent certified public accountant's, estimate of the payments
22 to be made in accordance with the Contract Resource Obligation) for the five fiscal
23 years following the year in which the Contract Resource Obligation is incurred, as
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1 such Net Revenue is estimated by the Independent Consulting Engineer, or
2 independent certified public accountant (with such estimate based on such factors
3 as he or she considers reasonable), will be at least equal to the Coverage
4 Requirement.

5 Payments required to be made under Contract Resource Obligations shall
6 not be subject to acceleration.

7 Nothing in this section shall be deemed to prevent the City from entering
8 into other agreements for the acquisition of water supply, transmission, treatment,
9 or other commodity or service from existing facilities and from treating those
10 payments as Operation and Maintenance Expenses of the Water System. Nothing
11 in this section shall be deemed to prevent the City from entering into other
12 agreements for the acquisition of water supply, transmission, treatment, or other
13 commodity or service from facilities to be constructed and from agreeing to make
14 payments with respect thereto, such payments constituting a lien and charge on
15 Net Revenue subordinate to that of Parity Bonds.
16
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18 Section 27. Tax Covenants.

19 27.1 Preservation of Tax Exemption on Bonds. The City covenants that it
20 will take all actions necessary to prevent interest on the Bonds from being included
21 in gross income for federal income tax purposes, and it will neither take any action
22 nor make or permit any use of proceeds of such Series of Bonds or other funds of
23 the City treated as proceeds of such Series of Bonds at any time during the term of
24 such Series of Bonds which will cause interest on such Series of Bonds to be
25 included in gross income for federal income tax purposes. The City also covenants
26



1 that it will, to the extent the arbitrage rebate requirement of Section 148 of the
2 Code, is applicable to any Series of Bonds, take all actions necessary to comply (or
3 to be treated as having complied) with that requirement in connection with such
4 Series of Bonds, including the calculation and payment of any penalties that the
5 City has elected to pay as an alternative to calculating rebatable arbitrage, and the
6 payment of any other penalties if required under Section 148 of the Code to prevent
7 interest on such Series of Bonds from being included in gross income for federal
8 income tax purposes.

9
10 27.2 Refunding or Defeasance of Bonds. The City may issue refunding
11 bonds pursuant to the laws of the State or use money available from any other
12 lawful source to pay the principal of and interest on the Bonds, or such portion
13 thereof included in a refunding or defeasance plan, as the same become due and
14 payable and to redeem and retire, release, refund, or defease the Bonds (the
15 "Defeased Bonds") and to pay the costs of such refunding or defeasance. In the
16 event that money and/or Government Obligations sufficient in amount, together
17 with known earned income from the investments thereof, to redeem and retire,
18 release, refund, or defease the Defeased Bonds in accordance with their terms,
19 are set aside irrevocably in a special fund for and pledged irrevocably to such
20 redemption, retirement, or defeasance (the "trust account"), then all right and
21 interest of the owners of the Defeased Bonds in the covenants of this ordinance
22 and in the Net Revenue and the funds and accounts pledged to the payment of
23 such Defeased Bonds, other than the right to receive the funds so set aside and
24 pledged, thereafter shall cease and become void. Such owners thereafter shall
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1 have the right to receive payment of the principal of and interest or redemption
2 price on the Defeased Bonds from the trust account.

3 After the establishing and full funding of such a trust account, the City then
4 may apply any money in any other fund or account established for the payment or
5 redemption of the Defeased Bonds to any lawful purposes as it shall determine,
6 subject only to the rights of the owners of any other Parity Bonds.

7 If the refunding plan provides that the Defeased Bonds to be issued be
8 secured by money and/or Government Obligations pending the prior redemption of
9 the Defeased Bonds and if such refunding plan also provides that certain money
10 and/or Government Obligations are pledged irrevocably for the prior redemption of
11 the Defeased Bonds included in that refunding plan, then only the debt service on
12 the Bonds which are not Defeased Bonds and the refunding bonds, the payment of
13 which is not so secured by the refunding plan, shall be included in the computation
14 of the Coverage Requirement for the issuance of Future Parity Bonds and the
15 annual computation of the Coverage Requirement for determining compliance with
16 the rate covenants.

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19 Section 28. Manner of Sale of Bonds; Delivery of Bonds. The Designated
20 Representative is authorized to sell the Bonds by negotiated sale or by competitive
21 sale in accordance with a notice of sale consistent with this ordinance, based on
22 his or her assessment of market conditions, in consultation with appropriate City
23 officials and staff, Bond Counsel, and other advisors. In determining the Final
24 Terms and the method of sale of the Bonds, the Designated Representative shall
25 take into account those factors that, in his or her judgment, may be expected to
26



1 result in the lowest true interest cost on the Bonds to their maturity, including, but
2 not limited to, current interest rates for obligations comparable to the Bonds.

3 The proper City officials are authorized and directed to do everything
4 necessary for the prompt delivery of the Bonds to the initial purchaser and for the
5 proper application and use of the proceeds of the sale thereof.

6 Section 29. Official Statement.

7 29.1 Preliminary Official Statement. The Superintendent of Water Division
8 shall review the form of the preliminary official statement prepared in connection
9 with the sale of the Bonds to the public. For the sole purpose of the initial
10 purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Superintendent
11 of Water Division is authorized to "deem final" that preliminary official statement as
12 of its date, except for the omission of information permitted to be omitted by
13 Rule 15c2-12. The City approves the distribution to potential purchasers of the
14 Bonds of a preliminary official statement that has been "deemed final" in
15 accordance with this paragraph.
16
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18 29.2 Approval of Final Official Statement. The City approves the
19 preparation of a final official statement for each Series of Bonds to be sold to the
20 public in the form of the preliminary official statement, with such modifications and
21 amendments as the Superintendent of Water Division deems necessary or
22 desirable, and further authorizes the Superintendent of Water Division to execute
23 and deliver such final official statement to the initial purchaser. The City authorizes
24 and approves the distribution by the initial purchaser of that final official statement
25 to purchasers and potential purchasers of the Bonds.
26



Section 30. Amendatory and Supplemental Ordinances.

1 30.1 This ordinance shall not be modified or amended in any respect
2 subsequent to the initial issuance of the Bonds, except as provided in and in
3 accordance with and subject to the provisions of this section.
4

5 30.2 Modification without Bondholder Consent. The City, from time to
6 time, and at any time, without the consent of or notice to the registered owners of
7 the Bonds, may pass supplemental or amendatory ordinances as follows:

8 (a) To cure any formal defect, omission, inconsistency, or
9 ambiguity in this ordinance in a manner not adverse to the owner of any Parity
10 Bond;
11

12 (b) To impose upon the Bond Registrar (with its consent) for the
13 benefit of the registered owners of the Bonds any additional rights, remedies,
14 powers, authority, security, liabilities, or duties which may lawfully be granted,
15 conferred, or imposed and which are not contrary to or inconsistent with this
16 ordinance as theretofore in effect;
17

18 (c) To add to the covenants and agreements of, and limitations
19 and restrictions upon, the City in this ordinance, other covenants, agreements,
20 limitations, and restrictions to be observed by the City which are not contrary or
21 inconsistent with this ordinance as theretofore in effect;
22

23 (d) To confirm, as further assurance, any pledge under, and the
24 subjection to any claim, lien, or pledge created or to be created by this ordinance
25 of any other money, securities, or funds;
26



1 (e) To authorize different denominations of the Bonds and to
2 make correlative amendments and modifications to this ordinance regarding
3 exchangeability of Bonds of different authorized denominations, redemptions of
4 portions of Bonds of particular authorized denominations, and similar amendments
5 and modifications of a technical nature;

6 (f) To modify, alter, amend, or supplement this ordinance in any
7 other respect which is not materially adverse to the registered owners of the Parity
8 Bonds and which does not involve a change described in Section 30.3;

9 (g) Because of change in federal law or rulings, to maintain the
10 exclusion from gross income of the interest on the Bonds from federal income
11 taxation; and

12 (h) To add to the covenants and agreements of, and limitations
13 and restrictions upon, the City in this ordinance, other covenants, agreements,
14 limitations, and restrictions to be observed by the City which are requested by a
15 Bond Insurer or provider of Reserve Insurance and which are not materially
16 adverse to the registered owners of the Parity Bonds.
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19 Before the City shall adopt any such supplemental ordinance pursuant to
20 this subsection, there shall have been delivered to the City and the Bond Registrar
21 an opinion of Bond Counsel, stating that such supplemental ordinance is
22 authorized or permitted by this ordinance and, upon the execution and delivery
23 thereof, will be valid and binding upon the City in accordance with its terms and will
24 not adversely affect the exclusion from gross income for federal income tax
25 purposes of interest on the tax-exempt Bonds.
26



30.3 Modification with Bondholder Consent.

1 (a) Except for any supplemental ordinance entered into pursuant
2 to Section 30.2, subject to the terms and provisions contained in this section and
3 not otherwise, registered owners of not less than 60 percent in aggregate principal
4 amount of the Parity Bonds shall have the right from time to time to consent to and
5 approve the passage by the City of any supplemental ordinance deemed
6 necessary or desirable by the City for the purpose of modifying, altering,
7 amending, supplementing, or rescinding, in any particular, any of the terms or
8 provisions contained in this ordinance; except that, unless approved in writing by
9 the registered owners of all Parity Bonds, nothing contained in this section shall
10 permit, or be construed as permitting:
11

12 (i) A change in the times, amounts, or currency of payment
13 of the principal of or interest on any outstanding Parity Bond, or a reduction in the
14 principal amount or redemption price of any outstanding Parity Bond, or a change in
15 the redemption price of any outstanding Parity Bond, or a change in the method of
16 determining the rate of interest thereon;
17

18 (ii) A preference of priority of any Parity Bond or Bonds
19 over any other Parity Bond or Bonds; or
20

21 (iii) A reduction in the aggregate principal amount of Parity
22 Bonds, the consent of the registered owners of Parity Bonds of which is required
23 for any such supplemental ordinance.
24

25 (b) If, at any time, the City shall pass any supplemental ordinance
26 for any of the purposes of this section, the Bond Registrar shall cause notice of the



1 proposed supplemental ordinance to be given by first-class United States mail to all
2 registered owners of the Parity Bonds, to any Bond Insurer, and to the Rating
3 Agencies if the Bonds are rated by those agencies. Such notice shall briefly set
4 forth the nature of the proposed supplemental ordinance and shall state that a copy
5 thereof is on file at the office of the Bond Registrar for inspection by all registered
6 owners of the Parity Bonds.

7 (c) Within two years after the date of the mailing of such notice,
8 the City may adopt such supplemental ordinance in substantially the form described
9 in such notice, but only if there shall have first been delivered to the Bond Registrar:

10 (i) the required consents, in writing, of the registered owners of the Parity Bonds;

11 and (ii) an opinion of Bond Counsel stating that such supplemental ordinance is

12 authorized or permitted by this ordinance and, upon the execution and delivery

13 thereof, will be valid and binding upon the City in accordance with its terms and will

14 not adversely affect the exclusion from gross income for federal income tax

15 purposes of interest on the Parity Bonds.
16

17 (d) If registered owners of not less than the percentage of Parity
18 Bonds required by this section shall have consented to and approved the execution
19 and delivery thereof as herein provided, no owner of the Parity Bonds shall have

20 any right to object to the passage of such supplemental ordinance, or to object to

21 any of the terms and provisions contained therein or the operation thereof, or in any

22 manner to question the propriety of the passage thereof, or to enjoin or restrain the

23 City or the Bond Registrar from passing the same or from taking any action

24 pursuant to the provisions thereof.
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26



1 30.4 Upon the execution and delivery of any supplemental ordinance
2 pursuant to the provisions of this section, this ordinance shall be, and be deemed to
3 be, modified and amended in accordance therewith, and the respective rights,
4 duties, and obligations under this ordinance of the City, the Bond Registrar and all
5 registered owners of Parity Bonds, shall thereafter be determined, exercised, and
6 enforced under this ordinance subject in all respects to such modifications and
7 amendments.

8 Section 31. Defaults and Remedies.

9 31.1 Events of Default. The following shall constitute "Events of Default"
10 with respect to the Bonds.
11

12 (a) If a default is made in the payment of the principal of or
13 interest on any of the Bonds when the same shall become due and payable.

14 (b) If the City defaults in the observance and performance of any
15 other of the covenants, conditions, and agreements on the part of the City set forth
16 in this ordinance or any covenants, conditions, or agreements on the part of the
17 City contained in any Parity Bond Authorizing Ordinance and such default or
18 defaults have continued for a period of six months after the City has received from
19 the Bondowners' Trustee (as defined below) or from the registered owners of not
20 less than 25 percent in principal amount of the Parity Bonds, a written notice
21 specifying and demanding the cure of such default. However, if the default in the
22 observance and performance of any other of the covenants, conditions, and
23 agreements is one which cannot be completely remedied within the six months
24 after written notice has been given, it shall not be an Event of Default with respect
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1 to the Bonds as long as the City has taken active steps within the six months after
2 written notice has been given to remedy the default and is diligently pursuing such
3 remedy.

4 (c) If the City files a petition in bankruptcy or is placed in
5 receivership under any state or federal bankruptcy or insolvency law.

6 31.2 Bondowners' Trustee. So long as such Event of Default has not been
7 remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by
8 the registered owners of 25 percent in principal amount of the Parity Bonds, by an
9 instrument or concurrent instruments in writing signed and acknowledged by such
10 registered owners of the Parity Bonds or by their attorneys in fact duly authorized
11 and delivered to such Bondowners' Trustee, notification thereof being given to the
12 City. That appointment shall become effective immediately upon acceptance
13 thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under
14 the provisions of this section shall be a bank or trust company organized under the
15 laws of the State of Washington, the State of New York, or a national banking
16 association. The bank or trust company acting as Bondowners' Trustee may be
17 removed at any time, and a successor Bondowners' Trustee may be appointed, by
18 the registered owners of a majority in principal amount of the Parity Bonds, by an
19 instrument or concurrent instruments in writing signed and acknowledged by such
20 registered owners of the Bonds or by their attorneys-in-fact duly authorized. The
21 Bondowners' Trustee may require such security and indemnity as may be
22 reasonable against the costs, expenses, and liabilities that may be incurred in the
23 performance of its duties. In the event that any Event of Default in the sole
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1 judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee
2 furnishes to the City a certificate so stating, that Event of Default shall be
3 conclusively deemed to be cured and the City, the Bondowners' Trustee, and the
4 registered owners of the Parity Bonds shall be restored to the same rights and
5 position which they would have held if no Event of Default had occurred.

6 The Bondowners' Trustee appointed in the manner herein provided, and
7 each successor thereto, is declared to be a trustee for the registered owners of all
8 the Parity Bonds and is empowered to exercise all the rights and powers herein
9 conferred on the Bondowners' Trustee.
10

11 31.3 Suits at Law or in Equity. Upon the happening of an Event of Default
12 and during the continuance thereof, the Bondowners' Trustee may, and upon the
13 written request of the registered owners of not less than 25 percent in principal
14 amount of the Parity Bonds outstanding shall, take such steps and institute such
15 suits, actions, or other proceedings, all as it may deem appropriate for the
16 protection and enforcement of the rights of the registered owners of the Parity
17 Bonds, to collect any amounts due and owing to or from the City, or to obtain other
18 appropriate relief, and may enforce the specific performance of any covenant,
19 agreement, or condition contained in this ordinance or in any of the Parity Bonds.
20

21 Nothing contained in this section shall, in any event or under any
22 circumstance, be deemed to authorize the acceleration of maturity of principal of
23 the Parity Bonds, and the remedy of acceleration is expressly denied to the
24 registered owners of the Parity Bonds under any circumstances including, without
25 limitation, upon the occurrence and continuance of an Event of Default.
26



1 Any action, suit, or other proceedings instituted by the Bondowners' Trustee
2 hereunder shall be brought in its name as trustee for the Bondowners and all such
3 rights of action upon or under any of the Parity Bonds or the provisions of this
4 ordinance may be enforced by the Bondowners' Trustee without the possession of
5 any of those Parity Bonds and without the production of the same at any trial or
6 proceedings relative thereto, except where otherwise required by law. Any such
7 suit, action, or proceeding instituted by the Bondowners' Trustee shall be brought for
8 the ratable benefit of all of the registered owners of those Parity Bonds, subject to
9 the provisions of this ordinance. The respective registered owners of the Parity
10 Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to
11 appoint the Bondowners' Trustee the true and lawful trustee of the respective
12 registered owners of those Parity Bonds, with authority to institute any such action,
13 suit, or proceeding; to receive as trustee and deposit in trust any sums becoming
14 distributable on account of those Parity Bonds; to execute any paper or documents
15 for the receipt of money; and to do all acts with respect thereto that the registered
16 owner himself or herself might have done in person. Nothing herein shall be
17 deemed to authorize or empower the Bondowners' Trustee to consent to accept or
18 adopt, on behalf of any registered owner of the Parity Bonds, any plan of
19 reorganization or adjustment affecting the Parity Bonds or any right of any registered
20 owner thereof, or to authorize or empower the Bondowners' Trustee to vote the
21 claims of the registered owners thereof in any receivership, insolvency, liquidation,
22 bankruptcy, reorganization, or other proceeding to which the City is a party.
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1 31.4 Application of Money Collected by Bondowners' Trustee. Any money
2 collected by the Bondowners' Trustee, at any time pursuant to this section, shall be
3 applied in the following order of priority:

4 (a) First, to the payment of the charges, expenses, advances, and
5 compensation of the Bondowners' Trustee and the charges, expenses, counsel
6 fees, disbursements, and compensation of its agents and attorneys;

7 (b) Second, to the payment to the persons entitled thereto of all
8 installments of interest then due on the Parity Bonds in the order of maturity of
9 such installments and, if the amount available shall not be sufficient to pay in full
10 any installment or installments maturing on the same date, then to the payment
11 thereof ratably, according to the amounts due thereon to the persons entitled
12 thereto, without any discrimination or preference; and

13 (c) Third, to the payment to the persons entitled thereto of the
14 unpaid principal amounts of any Parity Bonds which shall have become due (other
15 than Parity Bonds previously called for redemption for the payment of which money
16 is held pursuant to the provisions hereto), whether at maturity or by proceedings
17 for redemption or otherwise, in the order of their due dates and, if the amount
18 available shall not be sufficient to pay in full the principal amounts due on the same
19 date, then to the payment thereof ratably, according to the principal amounts due
20 thereon to the persons entitled thereto, without any discrimination or preference.
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24 31.5 Duties and Obligations of Bondowners' Trustee. The Bondowners'
25 Trustee shall not be liable except for the performance of such duties as are
26 specifically set forth herein. During an Event of Default, the Bondowners' Trustee



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shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties, or obligations of the Bondowners' Trustee shall be read into this ordinance.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm, or corporation employed and selected by it with reasonable care.



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31.6 Suits by Individual Bondowners Restricted. Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit, or proceeding at law or in equity for the enforcement of same unless:

- (a) An Event of Default has happened and is continuing;
- (b) A Bondowners' Trustee has been appointed;
- (c) Such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action, or proceeding is to be instituted;
- (d) The registered owners of 25 percent in principal amount of the Parity Bonds, after the occurrence of such Event of Default, have made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action, or proceeding;
- (e) There have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby; and
- (f) The Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatsoever by his or her action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.



1 31.7 Payment Solely From Net Revenue and Certain Funds. Nothing in
2 this section shall be deemed to require payment to Bondowners from any source
3 other than the Net Revenue and money and investments in the funds pledged in
4 Section 20 of this ordinance.

5 Section 32. Payment Agreements and Parity Payment Agreements.

6 32.1 Calculation of Debt Service on Parity Bonds With Respect to Which a
7 Payment Agreement Is in Force. Debt service on Parity Bonds with respect to
8 which a Payment Agreement is in force shall be calculated based on the net
9 economic effect on the City expected to be produced by the terms of the Parity
10 Bonds and the terms of the Payment Agreement, including, but not limited to, the
11 effects that: (a) Parity Bonds that would, but for a Payment Agreement, be treated
12 as obligations bearing interest at a Variable Interest Rate instead shall be treated
13 as obligations bearing interest at a fixed interest rate; and (b) Parity Bonds that
14 would, but for a Payment Agreement, be treated as obligations bearing interest at
15 a fixed interest rate instead shall be treated as obligations bearing interest at a
16 Variable Interest Rate. Accordingly, the amount of interest deemed to be payable
17 on any Parity Bonds with respect to which a Payment Agreement is in force shall
18 be an amount equal to the amount of interest that would be payable at the rate or
19 rates stated in those Parity Bonds plus Payment Agreement Payments, minus
20 Payment Agreement Receipts. For the purposes of calculating as nearly as
21 practicable Payment Agreement Receipts and Payment Agreement Payments,
22 under a Payment Agreement that includes a variable rate component determined
23 by reference to a pricing mechanism or index that is not the same as the pricing
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1 mechanism or index used to determine the variable rate interest component on the
2 Parity Bonds to which the Payment Agreement is related, it shall be assumed that
3 the fixed rate used in calculating Payment Agreement Payments will be equal to
4 105% of the fixed rate specified by the Payment Agreement and that the pricing
5 mechanism or index specified by the Payment Agreement is the same as the
6 pricing mechanism or index specified by the Parity Bonds.

7 32.2 Debt Service on Parity Payment Agreements. No additional debt
8 service shall be taken into account with respect to a Parity Payment Agreement for
9 any period during which Payment Agreement Payments on that Parity Payment
10 Agreement are taken into account in determining Annual Debt Service on related
11 Parity Bonds under Section 32.1. However, for any period during which Payment
12 Agreement Payments are not taken into account in calculating Annual Debt
13 Service on any outstanding Parity Bonds because the Parity Payment Agreement
14 is not then related to any outstanding Parity Bonds, debt service on that Parity
15 Payment Agreement shall be taken into account by assuming:

16 (a) City Obligated to Make Payments Based on Fixed Rate. If the
17 City is obligated to make Payment Agreement Payments based on a fixed rate and
18 the Qualified Counterparty is obligated to make payments based on a variable rate
19 index, that payments by the City will be based on the assumed fixed rate, and that
20 payments by the Qualified Counterparty will be based on a rate equal to the
21 average rate determined by the variable rate index specified by the Parity Payment
22 Agreement during the fiscal quarter preceding the quarter in which the calculation
23 is made; and
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(b) City Obligated to Make Payments Based on Variable Rate

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Index. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

Section 33. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date of this ordinance is ratified, approved, and confirmed.

Section 34. Effective Date of Ordinance. This ordinance shall take effect and be in force 10 days from and after its publication.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form and legality:

FOSTER PEPPER PLLC
Bond Counsel to the City of Tacoma

By _____

Requested by Public Utility Board
Resolution No. U-10607



CLERK'S CERTIFICATE

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I, the undersigned, the duly chosen, qualified City Clerk of the City of Tacoma, Washington, and keeper of the records of the City Council (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached Substitute Ordinance No. 28138 (herein called the "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally passed at a regular meeting of the Council held on the ____ day of _____, 2013, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of this ____ day of _____, 2013.

City Clerk
City of Tacoma, Washington