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ORDINANCE NO. 721

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, RELATING TO THE CITY'S SURFACE WATER UTILITY AND ANY OTHER UTILITY SYSTEM WITH WHICH IT MAY HEREAFTER BE COMBINED; SPECIFYING, ADOPTING AND ORDERING THE CARRYING OUT OF A PLAN OF ADDITIONS (AS DEFINED); PROVIDING FOR THE ISSUANCE OF ONE OR MORE SERIES OF UTILITY REVENUE BONDS IN AN AGGREGATE AMOUNT NOT TO EXCEED $2,000,000 PLUS BANK FEES AND CLOSING COSTS TO PROVIDE FUNDS NECESSARY TO PAY ALL OR A PORTION OF THE COSTS OF CARRYING OUT THE PLAN OF ADDITIONS; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE SALE TERMS OF THE SALE OF THE BONDS; AND PROVIDING FOR OTHER RELATED MATTERS.

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington; and

WHEREAS, on April 10, 2006, the City adopted Ordinance 419 establishing a surface water utility; and

WHEREAS, the City now finds that it is advisable for it to acquire, construct, and install improvements to the surface water utility so as to add, better, and/or extend the City's existing storm and surface water utility; and

WHEREAS, the City has determined that it is in need of funds to finance such additions, betterments, and extensions and does not have available sufficient funds to pay the costs; and

WHEREAS, as authorized by chapters 35.67 and 35.41 RCW, the City has determined that funds for defraying costs can be provided from the proceeds of the issuance and sale of utility revenue bonds; and

WHEREAS, on July 27, 2015, the City Council discussed the proposed issuance and sale of bonds; and

WHEREAS, the City has determined it is in the best interests of the City to issue and sell the bonds as set forth in this Ordinance;

THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASINGTON DO ORDAIN AS FOLLOWS:

Section 1. Surface Water Utility Revenue Bonds. The terms and conditions for the issuance and sale of the Surface Water Utility Revenue Bonds are set forth in Attachment A, which is incorporated by reference in its entirety.

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Section 2. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication and is not subject to referendum.

PASSED BY THE CITY COUNCIL ON AUGUST 17, 2015

Mayor Shari Winstead

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Margaret King
City Attorney

Date of Publication: August 20, 2015
Effective Date: August 25, 2015

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CITY OF SHORELINE, WASHINGTON

ORDINANCE NO. 721

EXHIBIT A

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Attachment A Description of the Bonds
Attachment B Parity Conditions For Issuance of Future Parity Bonds
Attachment C Description of Plan of Additions

**The table of contents and section headings of this Exhibit are for convenience of reference only, and shall not be used to resolve any question of interpretation of this Exhibit.*

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

Section 1. Findings and Determinations. The City Council of the City of Shoreline, Washington (the "City") makes the findings and determinations set forth below. Capitalized terms have the meanings given in Section 2.

(a) *The Surface Water Utility; Plan of Additions*. Pursuant to Ordinance 419, passed April 10, 2006, the City established the surface water utility. The City Council finds that it is advisable for the City to acquire, construct and install the improvements to the Surface Water Utility comprising the Plan of Additions, as further described in Section 3 of this Ordinance. The various improvements comprising the Project represent additions, betterments, and/or extensions of the City's existing storm and surface water utility, under chapter 35.67 RCW. In accordance with RCW 35.67.030, the City declares the estimated cost of the Plan of Additions to be at least $2,000,000. The City is in need of funds with which to finance the Plan of Additions, and the City does not have available sufficient funds to pay the costs. It is advisable for the City to provide funds for defraying costs of the Project from the proceeds of the issuance and sale of the Bonds pursuant to chapters 35.67 and 35.41 RCW, as authorized in this Ordinance. The life of the improvements comprising the Plan of Additions is declared to be at least 15 years.

(b) *Previously Issued Bonds and Loans.* The City has no outstanding utility revenue bonds secured by a pledge of net revenues prior or equal to the pledge securing the Bonds authorized by this ordinance. The City has two outstanding Loans, which are secured by a pledge of net revenues that is junior to the pledge securing the Bonds.

(c) *Sufficiency of Gross Revenue*. The City Council finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the Utility System at the rates to be charged for services from the Utility System will be more than sufficient to meet all Operating and Maintenance Expense 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 when due. The City Council declares that in fixing the amounts to be paid into the Bond Fund under this ordinance it has exercised due regard for Operating and Maintenance Expense and has not obligated the City to set aside and pay into the Bond Fund a greater amount of Gross Revenue of the Utility System than in its judgment will be available over and above such Operating and Maintenance Expense.

(d) *Issuance and Sale of Bonds.* Based on the foregoing, the City Council finds that it is in the best interest of the City to issue and sell the Bonds pursuant to the terms set forth in a Bond Purchase Contract as approved by the City's Designated Representative consistent with this ordinance.

Section 2. Definitions. As used in this ordinance, the following words shall have the following meanings:

(a) "*Adjusted Net Revenue*" means Net Revenue, plus withdrawals from the Rate Stabilization Account and less deposits into the Rate Stabilization Account.

(b) "*Annual Debt Service*" means, for any calendar year, all amounts required to be paid in that year in respect of principal of and interest on those Parity Bonds with respect to which the calculation is being performed, less all interest on those bonds payable from the proceeds of Parity Bonds in that year, less all principal of those bonds scheduled to be redeemed

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or defeased as of the date of such calculation, and less all Tax Credit Subsidy Payments scheduled to be received in that year. For purposes of calculating future Annual Debt Service, interest on Variable Interest Rate Bonds shall be assumed to be a fixed rate equal to (i) for then-outstanding Variable Interest Rate Bonds, the highest variable rate borne during the preceding 12 months, and (ii) for Future Parity Bonds proposed to be issued as Variable Interest Rate Bonds, the highest rate during the preceding 12 months as determined by reference to the index or formula to be used to determine the interest rate on the Future Parity Bonds (or a comparable index).

(c) "*Authorized Denominations*" means, unless otherwise specified in the Bond Purchase Contract, $5,000 or any integral multiple thereof within a maturity of a Series.

(d) "*Average Annual Debt Service*" means, as of its date of calculation, the sum of the Annual Debt Service for the current calendar year and the calendar years remaining to the last scheduled maturity of the applicable series of bonds, divided by the number of those years.

(e) "*Beneficial Owner*" means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(f) "*Bond Counsel*" means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the City with a nationally recognized standing as bond counsel in the field of municipal finance.

(g) "*Bond Fund*" means the City's Utility System Revenue Bond Fund created by this ordinance for the payment of the principal of and interest on all Parity Bonds.

(h) "*Bond Insurance Policy*" means a municipal bond insurance policy issued by a Bond Insurer insuring the payment when due of the principal of and interest on any Parity Bonds as provided in such policy.

(i) "*Bond Insurer*" or "*Insurer*" means a bond insurance company providing a Bond Insurance Policy or Reserve Surety for any outstanding Parity Bonds.

(j) "*Bond Purchase Contract*" means an offer to purchase one or more Series of the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of those Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance.

(k) "*Bond Register*" means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

(l) "*Bond Registrar*" means either the Finance Officer or the Fiscal Agent, as appointed by the Designated Representative.

(m) "*Bonds*" means the bonds authorized to be issued by this ordinance.

(n) "*City*" means the City of Shoreline, Washington, a municipal corporation duly organized and existing under the laws of the State.

(o) "*City Council*" means the legislative authority of the City, as duly and regularly constituted from time to time.

(p) "*Code*" means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

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(q) "*Construction Fund*" means the fund or account designated by the Finance Officer for the payment of the costs of the Plan of Additions.

(r) "*Coverage Requirement*" means for any calendar year, an amount of Adjusted Net Revenue at least equal to 1.25 times the Annual Debt Service in that year on all then-outstanding Parity Bonds. For purposes of calculating the Coverage Requirement, ULID Assessments due in that year and not delinquent shall be subtracted from Annual Debt Service.

(s) "*Designated Representative*" means the officer of the City appointed in Section 5 of this ordinance to serve as the City's designated representative in accordance with RCW 39.46.040(2).

(t) "*Finance Officer*" means the Administrative Services Director of the City or any other City official who succeeds to the duties now delegated to that office, or the designee of such officer.

(u) "*Financial Advisor*" means the firm of Public Financial Management, Inc., or any other Financial Advisor then appointed and acting as financial advisor to the City.

(v) "*Fiscal Agent*" means the fiscal agent of the State, as the same may be designated by the State from time to time.

(w) "*Future Parity Bond Authorizing Ordinance*" means an ordinance of the City authorizing the issuance and sale and establishing the terms of Future Parity Bonds.

(x) "*Future Parity Bonds*" means all revenue obligations and other obligations of the City for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the Bonds, the payment of the principal of and interest on which constitutes a charge or lien on the Net Revenue and ULID Assessments equal in rank with the charge and lien upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds and other then-outstanding Parity Bonds.

(y) "*Government Obligations*" means those obligations described under the definition of government obligations in RCW 39.53.010(4), as it now reads or hereafter may be amended, and which are otherwise lawful investments for the City.

(z) "*Gross Revenue*" means all of the earnings and revenues received from the maintenance and operation of the Utility System, including all connection and capital improvement charges, plus earnings from the investment of money on deposit in the various accounts of the Utility System, unless expressly excluded. Gross Revenue excludes: (1) principal proceeds of Parity Bonds or any other borrowings; (2) local improvement district assessments and ULID Assessments; (3) earnings or proceeds from any investments in a refunding or defeasance trust account or in a special account for the purpose of paying a rebate to the United States Government under the Code; (4) other grants, gifts, revenue and investment income which are restricted or may not legally be pledged for revenue bond debt service; (5) payments received in respect of any Bond Insurance Policy or Reserve Surety, or insurance or condemnation proceeds used for the replacement of capital projects or equipment; (6) proceeds from the sale of Utility System property; (7) amounts collected in respect of City-imposed utility taxes; (8) Tax Credit Subsidy Payments, if any; and (9) revenue from any Separate System.

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(aa) "*Independent Utility Consultant*" means a professional consultant experienced with municipal utilities similar to the Utility System and experienced in such areas as are relevant to the purpose for which he or she is being retained. Such a consultant shall be deemed independent so long as he or she is not an employee or officer of the City.

(bb) "*Issue Date*" means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser thereof in exchange for the purchase price of that Bond.

(cc) "*Loans*" means any State of Washington Public Works Trust Fund loans, State Drinking Water Revolving Fund loans, or similar loans entered into by the City to fund improvements to the Utility System, the payment of which is a claim on the Net Revenue that is junior to the lien and charge of the Parity Bonds.

(dd) "*Maximum Annual Debt Service*" means, as of the date of calculation, the maximum amount of Annual Debt Service for the then-current calendar year or any future calendar year.

(ee) "*Net Revenue*" means the Gross Revenue, less Operating and Maintenance Expense.

(ff) "*Operating and Maintenance Expense*" means all reasonable expenses incurred in causing the Utility System to be operated and maintained in good repair, working order and condition and properly treated as maintenance and operation expenses under generally accepted accounting principles applicable to similar municipal utilities including, without limitation, deposits, premiums, assessments or other payments for insurance, if any, on the Utility System; amounts paid in respect of Utility System employee pensions and post-employment benefits (if any); amounts paid in respect of State-imposed utility taxes; payments made to any other municipal corporation or private entity for utility commodities or services (e.g., transmission, treatment and disposal of wastewater), including payments under Contract Resource Obligations; and overhead and administration expenses allocated to the Utility System. Operating and Maintenance Expense excludes capital expenditures; amounts paid in respect of City-imposed utility taxes; and non-cash accounting items (e.g., depreciation, amounts treated as expenses under accounting guidelines with respect to unfunded contributions to pension or other post-employment benefit plans, non-exchange financial guarantees, environmental liabilities, and similar items).

(gg) "*Outstanding*" when used with reference to any bonds or other obligations means, as of any particular date, the aggregate of all such bonds or other obligations properly authenticated and delivered, except for: (1) those that have been redeemed at maturity or on a redemption date or have otherwise been cancelled or delivered to or held by the Fiscal Agent for cancellation; (2) those legally defeased in accordance with the provisions of this ordinance (or a Parity Bond Authorizing Ordinance) authorizing a defeasance of bonds or other obligations; (3) those in lieu of or in exchange or substitution for which other bonds or obligations shall have been authenticated and delivered pursuant to their authorizing ordinances, unless such other bonds or obligations are held by a bona fide holder in due course; and (4) those that have matured or been called for redemption, but which have not been presented for payment, assuming no nonpayment.

(hh) "*Owner*" means, without distinction, the Registered Owner and the Beneficial Owner.

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(ii) *"Parity Bond Authorizing Ordinance(s)"* means, as applicable to each series of Parity Bonds, this ordinance and any Future Parity Bond Authorizing Ordinance.

(jj) "*Parity Bonds*" means the Bonds and any Future Parity Bonds.

(kk) "*Parity Conditions*" means the conditions precedent to the issuance of Future Parity Bonds, set forth in Attachment B to this Exhibit, which is incorporated by this reference.

(ll) "*Permitted Investments*" means investments that are legal investments for the City at the time of such investment.

(mm) "*Plan of Additions*" means the system or plan of additions and improvements to and betterments and extensions of the Utility System specified, adopted and ordered to be carried out by Section 3 of this ordinance.

(nn) "*Principal and Interest Account*" means the account of that name created in the Bond Fund for the payment of the principal of and interest on the Parity Bonds.

(oo) "*Purchaser*" means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement.

(pp) "*Rate Stabilization Account*" means the account of that name created for the purposes described in Section 16.

(qq) "*Record Date*" means the Bond Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 9.

(rr) "*Registered Owner*" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register.

(ss) "*Reserve Account*" means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

(tt) "*Reserve Surety*" means, in lieu of cash and investments, any bond insurance, collateral, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on Parity Bonds, issued by an institution which has been assigned a credit rating at the time that such Reserve Security is provided, in the two highest rating categories without regard to gradations within those categories (i.e., AAA or AA).

(uu) "*Reserve Requirement*" means, as of any date of calculation, the lesser of Maximum Annual Debt Service on the then-Outstanding Parity Bonds secured by the Reserve Account, or 125% of Average Annual Debt Service on the then-Outstanding Parity Bonds secured by the Reserve Account, but at no time shall the Reserve Requirement exceed 10% of the original proceeds of the Parity Bonds secured by the Reserve Account. The Reserve Requirement may be met by a deposit of cash, Reserve Surety, or any combination of the foregoing, and the amount payable under any Reserve Surety shall be credited against the amount otherwise required to be deposited into the Reserve Account.

(vv) "*Sale Terms*" means the terms and conditions for the sale of a Series of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for

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determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

(ww) "*Separate System*" means any utility service or facilities that may be hereafter created, acquired or constructed by the City and financed as a separate system as provided in Section 17 of this ordinance.

(xx) "*Series of the Bonds*" or "*Series*" means a series of the Bonds issued pursuant to this ordinance.

(yy) "*State*" means the State of Washington.

(zz) "*Surface Water Utility*" means the surface water utility created pursuant to chapter 13.10.110 of the Shoreline Municipal Code.

(aaa) "*System of Registration*" means the system of registration for the City's bonds and other obligations set forth in Ordinance No. 453 of the City.

(bbb) "*Tax Credit Subsidy Bond*" means any bond that is designated by the City as a "build America bond" or other type of tax credit bond, pursuant to the Code, and which is further designated as a "qualified bond" under Section 6431 of the Code (or under similar provisions of the Code providing for "direct-pay" tax credit bonds), and with respect to which the City expects to receive a Tax Credit Subsidy Payment.

(ccc) "*Tax Credit Subsidy Payment*" means the amounts which the City expects to receive as a tax credit payable by the United States Treasury to the City under Section 6431 of the Code (or under similar provisions of the Code providing for "direct-pay" tax credit bonds), in respect of any bonds issued as Tax Credit Subsidy Bonds.

(ddd) "*Tax-Exempt Bonds*" means any Series issued on a tax-exempt basis.

(eee) "*Term Bond*" means those Bonds that are designated as term bonds and are subject to mandatory redemption prior to maturity in the years and amounts set forth in the Bond Purchase Contract.

(fff) "*ULID*" means any utility local improvement district now existing or hereafter created for the acquisition or construction of additions, extensions or betterments of any portion of the Utility System, which additions, extensions or betterments are financed through the issuance of Parity Bonds. As used in this ordinance, the term ULID does not include any utility local improvement district created with respect to a Separate System or for the financing of additions, extensions or betterments by methods other than the issuance of Parity Bonds.

(ggg) "*ULID Assessments*" means the assessments levied in any ULID, including installment payments of any assessment as well as the interest and penalties (if any) thereon, less any prepaid assessments permitted by law to be paid into a construction fund or account.

(hhh) "*Variable Interest Rate*" means a variable interest rate or rates to be borne by a series of Parity Bonds or any one or more maturities within a series of Parity Bonds. With respect to Future Parity Bonds, the method of computing such a variable interest rate (or parameters with respect thereto) shall be specified in the ordinance authorizing such Future Parity Bonds, which ordinance also shall specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable

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interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

(iii) "*Variable Interest Rate Bonds*" means, for any period of time, Parity Bonds which bear a Variable Interest Rate during that period. From and after such time as the interest rate or rates on a series of Parity Bonds is fixed for the remaining life of such series, then such series shall no longer be deemed to be Variable Interest Rate Bonds.

(jjj) "*Utility System*" means the Surface Water Utility of the City as it now exists, together with all additions thereto and betterments and extensions thereof at any time made. The Utility System shall also include any properly acquired or constructed water, sewer or other utility system that is hereafter combined with the Utility System by ordinance.

(kkk) "*Utility System Fund*" means the Surface Water Utility Enterprise Fund, which has previously been established by the City, together with any other enterprise fund created with respect to a utility system that is hereafter combined into the Utility System.

Section 3. Adoption of Plan of Additions. The City specifies, adopts and orders the carrying out of the projects described in Attachment C as a system or plan of additions to and betterments and extensions of the Utility System. The Plan of Additions shall be carried out in accordance with the plans and specifications therefor prepared by the City's engineers and consulting engineers. The City Council may modify the details of the Plan of Additions where, in its judgment, it appears advisable if such modifications do not substantially alter the purposes of that system or plan. The cost of the Plan of Additions, including the cost of issuance and sale of the Bonds, shall be paid from the proceeds of the Bonds and from other money available to the Utility System.

Section 4. Purpose and Authorization of the Bonds. The City is authorized to borrow money on the credit of the City and issue utility revenue bonds evidencing indebtedness in the amount of not to exceed $2,000,000 plus bank fees and closing costs to provide the funds necessary to carry out a portion of the Plan of Additions. The Bonds shall be allocated to paying the costs of the respective projects included within the Plan of Additions in such order of time as the City determines is advisable and practicable.

Section 5. Description of the Bonds; Appointment of Designated Representative. The City Manager is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Sale Terms of each Series of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Attachment A, which is attached to this ordinance and incorporated by this reference.

Section 6. Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds*. Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register. The Bonds will be initially registered in the name of the Purchaser and will not be registered through a securities depository.

(b) *Bond Registrar; Duties*. The Designated Representative shall appoint either the Finance Officer or the Fiscal Agent as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be

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open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Fiscal Agent may become an Owner 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 members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) *Bond Register; Transfer of Bonds*. The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond may be assigned or transferred only in whole and only if endorsed in the manner provided thereon and surrendered to the Bond Registrar, subject to the Purchaser's representations in a certificate to be provided on the Issue Date. Any such transfer shall be without cost to the owner or transferee and shall be noted in the Bond Register. A Bond may only be assigned by the Purchaser to another qualified investor satisfying the requirements set forth in the certificate to be signed by the Purchaser on the Issue Date and as set forth on that Bond. Upon the final payment of principal of and interest on each Bond, the Registered Owner shall surrender that Bond to the City for destruction or cancellation in accordance with law.

Section 7. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures and Seal*. Each Bond shall be prepared in a form consistent with the provisions of this ordinance and State law. Each Bond shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on its Issue Date.

(b) *Authentication*. Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate of Authentication. This Bond is one of the fully registered City of Shoreline, Washington, Utility Revenue Bonds, YYYY (Year of Issuance)." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 8. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Interest on each Bond and mandatory redemption installments (if applicable) are payable by electronic transfer on the interest payment date, or by check or draft mailed on the interest payment date to the Registered Owner at the

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address appearing on the Bond Register on the Record Date. However, the City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. The final installment of principal of each Bond is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 9. Redemption Provisions and Open Market Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to redemption at the option of the City on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Contract, consistent with the parameters set forth in Attachment A.

(b) *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Contract, consistent with the parameters set forth in Attachment A, and except for optional redemptions as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Contract. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the Series and maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed, the Bond Registrar shall select the Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption.* Notice of redemption of each Bond shall be given as set forth in the Bond Purchase Contract.

(e) *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 redemption by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

(e) *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is

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rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(f) *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Section 10. Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, the City shall be obligated to pay, from the sources pledged herein, interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 11. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the City sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the City may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose, subject only to the rights of the Owners of any other Parity Bonds then outstanding.

Unless otherwise specified by the City in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for inclusion in a refunding or defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

Section 12. Security for the Bonds; Bond Fund.

(a) *Pledge of Net Revenue and ULID Assessments.* The Net Revenue and ULID Assessments are pledged irrevocably to the payment of the amounts required to be paid into the Bond Fund for the payment of the Bonds and all Future Parity Bonds. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other charges whatsoever.

(b) *Bond Fund; Deposits to Bond Fund.* The Bond Fund has been established within the Utility System Fund as a special fund of the City and divided into two accounts: the Principal and Interest Account and the Reserve Account.

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So long as any of the Parity Bonds are outstanding, the City obligates and binds itself to set aside and pay into the Bond Fund all ULID Assessments and, out of the Net Revenue, certain fixed amounts, without regard to any fixed proportion, namely:

(1) Into the Principal and Interest Account, before each interest payment date of the Parity Bonds, an amount that will be sufficient, together with other money on deposit therein, to pay the interest on the Parity Bonds on the next succeeding interest payment date; and

(2) Into the Principal and Interest Account, before each principal payment date of the Parity Bonds (including any mandatory redemption date), an amount that will be sufficient, together with other money on deposit therein, to pay the principal of the Parity Bonds on the next succeeding Principal Payment Date, including mandatory redemption amounts due on that date with respect to any Term Bonds; and

(3) Into the Reserve Account, an amount sufficient so that the amount on deposit in the Reserve Account satisfies the Reserve Requirement for the Parity Bonds in the time and manner required by this ordinance.

When the total amount on deposit in the Bond Fund equals the total outstanding amount of principal and interest for all Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Fund. The Finance Officer may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of Parity Bonds.

(c) *The Reserve Account; Reserve Requirement.* The City covenants and agrees that it will at all times maintain in the Reserve Account an amount (including the value of all Reserve Surety deposited therein) equal to the Reserve Requirement, except for withdrawals as authorized in this subsection, until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay the principal of and interest on all outstanding Parity Bonds, at which time the money in the Reserve Account may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Account is not less than the Reserve Requirement calculated based on the remaining outstanding Parity Bonds. The Reserve Requirement shall be deemed satisfied by any combination of Parity Bond proceeds, Reserve Surety or other legally available money equal to the Reserve Requirement, or by the deposit of available funds of the City in approximately equal annual installments so that the Reserve Requirement is funded no later than three years after the issuance of any Future Parity Bonds.

If there is a deficiency in the Principal and Interest Account in the Bond Fund to make the next upcoming payment of either principal or interest, that deficiency shall be made up from the Reserve Account by the withdrawal of amounts necessary for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the next available payments of Net Revenue and ULID Assessments after making necessary provision for the required payments into the Principal and Interest Account.

(d) *Investment of Money Deposited in Bond Fund.* All money in the Bond Fund may be kept in cash; deposited with an institution (as permitted by law) in an amount in each institution not greater than the amount insured by any department or agency of the United States

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Government; or invested in Permitted Investments or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account). Income from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement, and thereafter shall be deposited in the Principal and Interest Account or used for other Utility System purposes.

(e) *Action to Compel Payments.* If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding Parity Bonds may bring action against the City and compel the setting aside and payment.

Section 13. Deposit of Bond Proceeds. The proceeds of the Bonds shall be deposited in the Construction Fund and be used to pay the costs of carrying out the Plan of Additions and bank fees and closing costs. Until needed to pay such costs, the City may invest those proceeds temporarily in any legal investment, and the investment earnings shall be retained in the Construction Fund and used for the purposes of that fund, except that earnings subject to a federal tax or rebate requirement (if applicable) may be withdrawn from the Construction Fund and used for those tax or rebate purposes.

Section 14. Flow of Funds. So long as any Parity Bonds are outstanding, the City covenants that all ULID Assessments (if any) shall be paid into the Bond Fund, and the Gross Revenue shall be deposited into the Utility System Fund to be used for the following purposes only in the following order of priority:

(1) To pay Operating and Maintenance Expenses.

(2) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds.

(3) To make when due the required payments into the Principal and Interest Account in respect of principal of (and premium on, if any) the Parity Bonds, whether at maturity or pursuant to redemption prior to maturity.

(4) To make when due all payments required to be made into the Reserve Account.

(5) To make when due all payments required to be made under any reimbursement agreement with a Bond Insurer in any priority not inconsistent with this ordinance, which the City may hereafter establish by ordinance.

(6) To make when due the required payments to be made into any revenue bond, note warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any revenue obligations of the Utility System having a charge upon the Net Revenue junior to the charge thereon for the payment of the Parity Bonds.

(7) Without priority, to retire by redemption or to purchase in the open market any outstanding Parity Bonds or junior lien obligations, to make necessary betterments and replacements of or repairs, additions or extensions to the Utility System, to make deposits into the Rate Stabilization Account, or for any other lawful purpose.

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Section 15. Additional Covenants. So long as any Parity Bonds are outstanding, the City covenants and agrees with the owner of each Bond at any time outstanding as follows:

(a) *Maintenance and Operation.* The City will at all times maintain, preserve and keep the properties of the Utility System in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof, and will at all times operate or cause to be operated the properties of the Utility System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) *Establishment and Collection of Rates and Charges.* The City will establish, maintain and collect rates and charges for all services and facilities provided by the Utility System which will be fair and nondiscriminatory. The City will adjust those rates and charges from time to time so that: (i) the Gross Revenue will at all times be sufficient to (A) pay all Maintenance and Operation Expenses on a current basis, (B) pay when due all amounts that the City is obligated to pay into the Bond Fund and the accounts therein, (C) pay all taxes (or payments in lieu thereof), assessments or other governmental charges lawfully imposed on the Utility System and any and all other amounts which the City may now or hereafter become obligated to pay from the Gross Revenue by law or contract; and (ii) the Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement.

(c) *Sale or Disposition of Utility Property.* The City will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Utility System unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all Parity Bonds then outstanding. Further, the City will not sell, lease, mortgage, or in any manner encumber or dispose of (each, a "disposition") any part of the property of the Utility System that is used, useful and material to the operation thereof (the "affected portion") unless provision is made for replacement thereof or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding (less the amount of cash and investments in the Bond Fund and the accounts therein) as (i) the Net Revenue from affected portion of the Utility System for the twelve months preceding such disposition bears to (ii) the Net Revenue from the entire Utility System for the same period. Any money paid into the Bond Fund as a result of such a disposition shall be used to retire that proportion of then-outstanding Parity Bonds at the earliest possible date.

(d) *Books and Records.* The City will maintain complete books and records relating to the operation of the Utility System and its financial affairs, and will cause such books and records to be audited annually, and cause to be prepared an annual financial and operating statement, which shall be provided to any owner of Parity Bonds upon request.

(e) *No Free Service.* Except to aid the poor or infirm, to provide for resource conservation or to provide for the proper handling of hazardous materials, the City will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the Utility System free of charge to any person, firm or corporation, public or private, other than the City.

(f) *Collection of Delinquent Accounts.* On at least an annual basis, the City will determine all accounts that are delinquent and will take all necessary action to enforce payment of such accounts against those property owners whose accounts are delinquent.

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(g) *Insurance*. The City will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the Utility System as are ordinarily carried on such buildings, equipment, facilities, and properties by utilities engaged in the operation of similar utility systems to the full insurable value thereof, and also will carry adequate public liability insurance at all times. The City may self insure or participate in a joint intergovernmental insurance pool or similar plan, and the cost of that insurance or self insurance shall be considered a part of Operating and Maintenance Expenses.

(h) *ULID Assessments.* The City will promptly collect all ULID Assessments and deposit such collections into the Bond Fund to pay or secure the principal of and interest on any Parity Bonds without those ULID Assessments being particularly allocated to any particular series of Parity Bonds.

Section 16. Rate Stabilization Account. The City may at any time establish a Rate Stabilization Account. Deposits and withdrawals shall be made in accordance with this section at any time up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Net Revenue for that fiscal year, as follows:

(a) *Deposits to the Rate Stabilization Account*. The City may at any time, as determined by the Finance Officer and as consistent with the covenants contained in this ordinance, deposit into the Rate Stabilization Account amounts of Gross Revenue and any other money received by the Utility System and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing. However, no deposit of Gross Revenue may 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.

(b) *Withdrawals from the Rate Stabilization Account*. The City may withdraw money from the Rate Stabilization Account at any time upon authorization of the City Council (which may be by motion, resolution or ordinance) for inclusion in the Adjusted Net Revenue for any fiscal year of the Utility System, except that the total amount withdrawn from the Rate Stabilization Account in any fiscal year may not exceed the Annual Debt Service in that year. Earnings from investments in the Rate Stabilization Account shall be deposited in that account and shall not be included as Adjusted Net Revenue unless and until withdrawn from that account.

Section 17. Separate Systems. The City may create, acquire, construct, finance, own and operate one or more separate systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate System, and any utility local improvement district assessments payable solely with respect to improvements to a Separate System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Gross Revenue of the Utility System nor the Net Revenue of the Utility System may be pledged to the payment of any obligations of a Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds.

Section 18. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds*. The Designated Representative is authorized to sell each Series of the Bonds by negotiated sale or private placement consistent with this ordinance, based on the assessment of the Designated Representative of market

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conditions, in consultation with appropriate City officials and staff, Bond Counsel, the Financial Advisor and other advisors. The Designated Representative shall select one or more Purchasers with which to negotiate such sale. In accepting the Sale Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(b) *Preparation, Execution and Delivery of the Bonds*. The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding the Bonds. The costs of issuing and selling the Bonds shall be paid from any money of the City legally available therefor.

Section 19. Parity Conditions. The City reserves the right to issue Future Parity Bonds which will constitute a charge and lien upon the Net Revenue and ULID Assessments on a parity with the Bonds if the Parity Conditions are met and complied with at the time of the issuance of those Future Parity Bonds. Nothing contained in the Parity Conditions shall prevent the City from issuing revenue obligations having a lien on the Net Revenue that is junior to the lien thereon that secures the Parity Bonds, or from pledging to pay into a bond redemption fund or account for such junior lien obligations assessments (including interest and penalties thereon) in any utility local improvement district that are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such junior lien obligations. Neither shall anything contained in this ordinance prevent the City from issuing revenue obligations to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Section 20. Tax Matters.

(a) *Preservation of Tax Exemption for Interest on Tax-Exempt Bonds*. The City covenants that it will take all actions necessary to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds issued as Tax-Exempt Bonds (or other funds of the City treated as proceeds of the Tax-Exempt Bonds) that will cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Tax-Exempt Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Tax-Exempt Bonds.

(b) *Post-Issuance Compliance*. The Finance Officer is authorized and directed to review and update the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Tax-Exempt Bonds from being included in gross income for federal tax purposes.

(c) *Designation of Bonds as "Qualified Tax-Exempt Obligations."* A Series of the Tax-Exempt Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

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(1) the Series of Tax-Exempt Bonds does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Tax-Exempt Bonds are issued will not exceed $10,000,000; and

(3) the amount of tax-exempt obligations, including the Series of Tax-Exempt Bonds, designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series of Tax-Exempt Bonds are issued does not exceed $10,000,000.

Section 21. Amendatory Ordinances.

(a) This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this section.

(b) The City, from time to time, and at any time, without the consent of or notice to the Owners of the Bonds, may pass amendatory ordinances as follows:

(1) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Parity Bonds;

(2) To impose upon the Bond Registrar (with its consent) for the benefit of the registered owners of the Parity Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect;

(3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary or inconsistent with this ordinance as theretofore in effect;

(4) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;

(5) To authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(6) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section; and

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(7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on Tax-Exempt Bonds from federal income taxation.

(c) Except for any amendatory ordinance passed into pursuant to subsection (b) of this section, subject to the terms and provisions contained in this subsection (c) and not otherwise:

(1) Registered owners of not less than 50% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to the passage of any amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance. However, consent by the registered owners of all the Bonds then outstanding is required for any amendatory ordinance authorizing: (i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Bond, or a reduction in the principal amount of redemption price of any outstanding Bond or a change in the redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon; (ii) a preference of priority of any Bond or Bonds or any other bond or bonds; or (iii) a reduction in the aggregate principal amount of Bonds.

(2) Any amendatory ordinance passed for any of the purposes of this subsection (c), shall not become effective except in accordance with this subsection (c)(2). Upon passage of any such amendatory ordinance, the City shall cause notice of the proposed ordinance to be given by first class United States mail to all registered owners of the then outstanding Parity Bonds. Such notice shall briefly describe the proposed ordinance and shall state that a copy is available from the Finance Officer for inspection. The amendatory ordinance shall become effective in substantially the form described in the notice only if within two years after mailing of such notice, the City has received (i) the required consents, in writing, of the registered owners of the Parity Bonds (or of the Bonds, as applicable) and (ii) an opinion of Bond Counsel stating that such amendatory ordinance is permitted by this ordinance; that upon the effective date thereof, it will be valid and binding upon the City in accordance with its terms; and its passage will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(3) If registered owners of not less than the percentage of Parity Bonds (or Bonds, as applicable) required by this subsection (c) have consented, no owner of the Parity Bonds shall have any right to object to the passage of the ordinance (or to any of the terms and provisions contained therein or the operation thereof), or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City from passing, or from taking any action pursuant to, the same.

(d) Upon the effective date of any amendatory ordinance passed pursuant to the provisions of this Section 21, this ordinance shall be amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all Registered Owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such amendments.

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Section 22. General Authorization and Ratification. The Designated Representative and other appropriate officers of the City are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this ordinance, and to do everything necessary for the prompt delivery of each Series of the Bonds to the Purchaser and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this ordinance in furtherance of the purposes described in this ordinance and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 23. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 24. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law and is not subject to referendum.

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ATTACHMENT A

DESCRIPTION OF THE BONDS

(i) **Principal Amount.** The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of $2,000,000 plus bank fees and closing costs, and may be issued as either taxable or tax-exempt obligations.

(ii) **Date or Dates.** Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this ordinance.

(iii) **Denominations, Name, etc.** The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.

(iv) **Interest Rate(s).** Unless otherwise specified in the Bond Purchase Contract, each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.00%, and the true interest cost to the City for each Series of the Bonds may not exceed 5.00%.

(v) **Payment Dates.** Interest shall be payable not less frequently than semiannually on dates acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments on dates acceptable to the Designated Representative.

(vi) **Final Maturity.** Each Series of the Bonds shall mature no later than December 1, 2031.

(vii) **Redemption Rights.** The Designated Representative may approve in the Bond Purchase Contract provisions for the optional and mandatory redemption of Bonds, subject to the following:

(1) Optional Redemption. Any Bond 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 set forth in the Bond Purchase Contract; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption

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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.

(2) 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 set forth in the Bond Purchase Contract.

(viii) **Price.** The purchase price for each Series of the Bonds may not be less than 98% or more than 120% of the stated principal amount of that Series.

(ix) **Other Terms & Conditions.** The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best in interests of the City, consistent with this ordinance.

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ATTACHMENT B

PARITY CONDITIONS FOR ISSUANCE OF FUTURE PARITY BONDS

The City may issue Future Parity Bonds on a parity with the Bonds if and only if the following conditions are met and complied with at the time of issuance of those proposed Future Parity Bonds:

(a) At the time of issuance of such Future Parity Bonds, there may not be any deficiency in the Principal and Interest Account or the Reserve Account of the Bond Fund.

(b) The Future Parity Bond Authorizing Ordinance must require that all ULID Assessments levied in connection with those Future Parity Bonds will be paid directly into the Bond Fund.

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

(d) The Future Parity Bond Authorizing Ordinance must provide for the deposit into the Reserve Account of amounts necessary to comply with the Reserve Requirement and Section 12 of this ordinance.

(e) At the time of the issuance of such Future Parity Bonds, the City shall have on file, either:

(1) A certificate from an Independent Utility Consultant showing that, in his or her professional opinion, the annual Net Revenue available for debt service on the Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued shall, for each year, be at least equal to the Coverage Requirement. In making such certification, the Net Revenue for any 12 consecutive calendar months out of the immediately preceding 24 consecutive months shall be used, and the following adjustments may be made to the historical net operating revenue:

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

(ii) Revenue may be added from customers actually added to the Utility System subsequent to the 12-month base period;

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

(iv) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate; and

(v) Actual or reasonably anticipated changes to the Operating and Maintenance Expenses subsequent to such 12-month period shall be added or deducted, as is applicable.

(2) A certificate of the Finance Officer showing that, in his or her professional opinion, the annual Net Revenue available for debt service on the Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued shall, for each year, be at least equal to the Coverage Requirement. In making such certification, the

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Finance Officer shall assume that (A) the proposed Future Parity Bonds will remain outstanding to their scheduled maturities, and (B) any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding. The Finance Officer shall not make any of the adjustments referred to above.

However, if the Future Parity Bonds are being issued for the sole purpose of refunding then-outstanding Parity Bonds (including paying costs of issuance and providing for the Reserve Requirement), no coverage certification is required if, as result of the issuance of those Future Parity Bonds, (a) the Annual Debt Service on the Future Parity Bonds to be issued is not increased by more than $5,000 over the Annual Debt Service for that year of the bonds being refunded, and (b) the various annual maturities of the refunding Future Parity Bonds will not extend more than one year longer than the Parity Bonds being refunded. Furthermore, no certificate shall be required in connection with the issuance of Future Parity Bonds if the amount of such bonds proposed to be issued does not exceed the ULID Assessments levied in support of such Future Parity Bond issue by more than $5,000 plus any amount of the proceeds of such Future Parity Bonds deposited in the Reserve Account as capitalized reserve.

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ATTACHMENT C

DESCRIPTION OF PLAN OF ADDITIONS

The planned additions and betterments to the Surface Water Utility consist of those set forth in the City's 2015-2020 Adopted Capital Improvement Plan, as it may be amended from time to time by the City Council (the "CIP").

A summary of the improvements expected to be financed, in whole or in part, with proceeds of the Bonds is as follows:

- Stormwater pipe and culvert repair and replacement
- NE 25th flood reduction project
- Hidden Lake Dam removal
- Infrastruture improvements
- Surface water planning
- Any other capital project of the Surface Water Utility described in the then-current CIP, as determined by the Finance Officer