ORDINANCE NO. 832

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, RELATING TO THE CITY’S SURFACE WATER UTILITY; AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF UTILITY REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $4,700,000 TO FINANCE CAPITAL IMPROVEMENTS TO THE SURFACE WATER UTILITY AND TO PAY COSTS OF ISSUANCE OF THE BONDS; DELEGATING CERTAIN AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATED THERETO.

WHEREAS, pursuant to chapter 13.10.110 of the Shoreline Municipal Code, the City of Shoreline, Washington (the “City”), owns and operates a surface water utility (as hereinafter defined, the “Surface Water Utility”) as it now exists, together with all additions thereto and betterments and extensions thereof at any time made (as further defined herein, the “Utility System”); and

WHEREAS, the City is authorized by chapters 35A.80 and 39.46 of the Revised Code of Washington (the “Code”) to issue revenue bonds or other obligations to finance and refinance the costs of capital improvements to the Utility System; and

WHEREAS, the City has outstanding its Surface Water Utility Revenue Bond, 2016 (the “2016 Bond”) authorized by Ordinance No. 763 adopted by the City Council (the “Council”) on August 17, 2015, as amended (the “2016 Bond Ordinance”); and

WHEREAS, the 2016 Bond Ordinance provides that additional revenue bonds may be issued with a lien on Net Revenue of the Utility System and ULID Assessments (each as defined herein) on a parity with the lien of the 2016 Bond if certain conditions are met; and

WHEREAS, the Council now determines that it is in the best interest of the City to issue utility revenue bonds in the aggregate principal amount of not to exceed $4,700,000 (the “Bonds”) in order to provide funds to finance certain capital improvements to the Utility System as described herein, to satisfy the reserve requirement for the Bonds, if any, and to pay costs of issuance of the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Manager of the City (the “Designated Representative”) for a limited time, to select the method of sale for each series of Bonds authorized herein and to approve the interest rate(s),
maturity dates, redemption terms, and other terms for the Bonds within the parameters set by this ordinance;

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

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

Administrative Services Director means the City’s Administrative Services Director, or the successor to such officer.

Adjusted Net Revenue means Net Revenue, plus withdrawals from the Rate Stabilization Account and less deposits into the Rate Stabilization Account.

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 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).

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.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Underwritten Bonds (including persons holding Underwritten Bonds through nominees, depositaries or other intermediaries).

Bond Counsel means Pacifica Law Group LLP or another law firm selected by the City that is nationally recognized in matters concerning bonds and other securities issued by states and local governments, including the tax status of interest on such bonds and other securities.

Bond Fund means the City’s Utility System Revenue Bond Fund created by the City for the payment of the principal of and interest on all Parity Bonds.

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.

Bond Insurer or Insurer means a bond insurance company providing a Bond Insurance Policy or Reserve Surety for any outstanding Parity Bonds.
Bond Purchase Contract means one or more contracts, if any, for the purchase of any Underwritten Bonds sold by negotiated sale to the initial purchaser, executed pursuant to Section 14.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of a series of Bonds, maintained for the Bonds in the manner required pursuant to Section 149(a) of the Code.

Bond Registrar means (a) for any Underwritten Bonds, initially, the fiscal agent of the State, and (b) for any Direct Purchase Bonds, the Administrative Services Director of the City.

Bonds mean the City’s Surface Water Utility Revenue Bonds, 20XX, or other such series designation as approved by the Designated Representative, authorized to be issued by this ordinance.

Certificate of Award means one or more certificates, if any, for the purchase of any Underwritten Bonds sold by competitive sale awarding the Bonds of a series to the bidder as set forth in Section 14 of this ordinance.

City means the City of Shoreline, Washington, a municipal corporation duly organized and existing by virtue of the laws of the State.

City Attorney means the duly appointed and acting City Attorney of the City, including anyone acting in such capacity for the position, or the successor to the duties of that office.

City Clerk means the duly appointed and acting City Clerk of the City or the successor to the duties of that office.

City Manager means the duly appointed and acting City Manager of the City or the successor to the duties of such office.

City Mayor or Mayor means the duly elected and acting Mayor of the City or the successor to the duties of such office.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bond, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Construction Fund means the fund or account designated by the Administrative Services Director for the payment of the costs of the Projects.

Continuing Disclosure Certificate means one or more written undertakings for the benefit of the owners and Beneficial Owners of any Underwritten Bonds as required by Section (b)(5) of the Rule.

Council or City Council means the City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.
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.

Designated Representative means the City Manager of the City, or his or her written designee.

Direct Purchase Bonds means any Bonds or Bond sold to a Direct Purchaser pursuant to Section 14 of this ordinance.

Direct Purchaser means any bank or other financial institution selected to purchase (or to accept delivery of one or more Direct Purchase Bonds to evidence the City’s obligations under a Loan Agreement) one or more Direct Purchase Bonds pursuant to Section 14 of this ordinance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for any Underwritten Bonds pursuant to this ordinance.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm’s-length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

Federal Tax Certificate means one or more certificates of the City pertaining to the tax-exemption of interest on a series of Bonds, and attachments thereto.

Future Parity Bond Authorizing Ordinance means an ordinance of the City authorizing the issuance and sale and establishing the terms of Future Parity Bonds.

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.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of the United States or obligations unconditionally guaranteed by the United States, as such chapter may be hereafter amended or restated.

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.

*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.

*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.

*Loan Agreement* means one or more loan or purchase agreements, if any, between the City and a Direct Purchaser under which the Direct Purchaser will make a loan to the City, evidenced by a Direct Purchase Bond, or under which the Direct Purchaser will purchase the Direct Purchase Bond.

*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.

*MSRB* means the Municipal Securities Rulemaking Board or any successors to its functions.

*Net Revenue* means the Gross Revenue, less Operating and Maintenance Expense.

*Official Statement* means the disclosure documents prepared and delivered in connection with the issuance of any Underwritten Bonds.

*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).

**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.

**Outstanding Parity Bond** means the outstanding 2016 Bond.

**Owner** means, without distinction, the Registered Owner and the Beneficial Owner.

**Parity Bond Authorizing Ordinance(s)** means, as applicable to each series of Parity Bonds, the 2016 Bond Ordinance, this ordinance and any Future Parity Bond Authorizing Ordinance.

**Parity Bonds** means the Outstanding Parity Bond, the Bonds and any Future Parity Bonds.

**Parity Conditions** means the conditions precedent to the issuance of Future Parity Bonds, set forth in Exhibit B to the 2016 Bond Ordinance (so long as the 2016 Bond is Outstanding) and Section 10 of this ordinance.

**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.

**Projects** mean the capital projects described in Section 2 of this ordinance.

**Rate Stabilization Account** means the Rate Stabilization Account of the City.

**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 this ordinance.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

**Reserve Account** means the account of that name created in the Bond Fund.

**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).

Reserve Requirement is the dollar amount to be calculated with respect to all Parity Bonds secured by the Reserve Account as set forth in the applicable Parity Bond Authorizing Ordinance. “Reserve Requirement” means, as of any date of calculation, (a) 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, (b) the dollar amount specified in the Parity Bond Authorizing Ordinance for series of Parity Bonds secured by the Reserve Account, or (c) zero for Parity Bonds not 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.

Rule means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Sale Document means the Bond Purchase Contract, Certificate of Award, or Loan Agreement, if any, executed by the Designated Representative in connection with the sale of a series of Bonds, which shall provide for the name, principal and interest payment dates and amounts, redemption/prepayment rights, and other terms to describe such series of Bonds as determined to be necessary by the Designated Representative.

SEC means the Securities and Exchange Commission.

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 this ordinance.

State means the state of Washington.

Surface Water Utility means the surface water utility created pursuant to chapter 13.10.110 of the Shoreline Municipal Code.

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.

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.
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 Sale Document.

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.

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.

Underwriter means any underwriter, in the case of a negotiated sale, or initial purchaser, in the case of a competitive sale, for any series of Underwritten Bonds selected pursuant to Section 14.

Underwritten Bonds means Bonds of a series, if any, sold pursuant to a negotiated or a competitive sale by the City to an Underwriter pursuant to Section 14 of this ordinance.

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

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.

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.

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.

2016 Bond means the City’s Surface Water Utility Revenue Bond, 2016, issued pursuant to the 2016 Bond Ordinance.

2016 Bond Ordinance means Ordinance No. 721 passed by the Council on August 17, 2015, as amended.
Rules of Interpretation. In this ordinance, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(b) Words of the masculine or feminine gender shall mean and include correlative words of any gender and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Findings and Determinations; Adoption of Plan of Additions; Authorization of Projects.

(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 certain improvements to the Surface Water Utility as Administrative Services Director described herein. The City specifies, adopts and orders the carrying out of the projects described in the Surface Water Master Plan of the City dated April 27, 2018, as it may be amended from time to time, as a system or plan of additions to and betterments and extensions of the Utility System (the “Projects”). The Projects 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 Projects 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 Projects, including the cost of issuance and sale of each series of Bonds, shall be paid from the proceeds of such series of Bonds and from other money available to the Utility System.

The various improvements comprising the Projects 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 Projects to be at least $4,700,000.

(b) Parity Conditions. The City hereby finds that it has satisfied, or will have satisfied prior to the issuance of the Bonds, the Parity Conditions set forth in Exhibit B of the 2016 Bond.
Ordinance. The conditions contained in the 2016 Bond Ordinance having been complied with or assured, the Bonds authorized herein shall have a lien and charge on Net Revenue and ULID Assessments on a parity with the lien and charge on Net Revenue and ULID Assessments for the payment of the principal of and interest on the Outstanding Parity Bond.

(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 Parity 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 one or more series of Bonds pursuant to the terms set forth in a Sale Document as approved by the City’s Designated Representative consistent with this ordinance.

Section 3. **Authorization and Description of Bonds.**

(a) **Authorization of Bonds.** The City is hereby authorized to issue one or more series of surface water utility revenue bonds (the “Bonds”) in the aggregate principal amount of not to exceed $4,700,000 for the purpose of providing the funds to finance the Projects, to satisfy the Reserve Requirement, if any, and to pay costs of issuance of the Bonds.

(b) **Description of Bonds.** The Bonds of each series shall be designated the “City of Shoreline, Washington, Surface Water Utility Revenue Bonds, 20XX” with such series designation as set forth in the Bonds and approved by the Designated Representative. The Bonds of each series shall be dated as of the respective Issue Date; shall be fully registered as to both principal and interest; shall be in the denomination of $5,000 each, or any integral multiple thereof, within a maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest from their date payable on the dates and commencing as provided in the applicable Sale Document; and shall mature on the dates and in the principal amounts set forth in the applicable Sale Document, as approved and executed by the Designated Representative pursuant to this ordinance. The Bonds of each series shall be sold as either Direct Purchase Bonds or Underwritten Bonds.

Section 4. **Redemption and Purchase.**

(a) **Redemption of Bonds.** The Bonds of each series shall be subject to mandatory redemption to the extent, if any, as set forth in the applicable Sale Document and as approved by the Designated Representative pursuant to Section 14. The Bonds of each series shall be subject to optional redemption and/or prepayment on the dates, at the prices and under the terms set forth
in the applicable Sale Document approved by the Designated Representative pursuant to Section 14.

(b) 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.

(c) Selection of Bonds for Redemption. If the Underwritten Bonds of a series are held in book-entry only form, the selection of particular Underwritten Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Underwritten Bonds are no longer held by a depository, the selection of such Underwritten Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Underwritten Bonds having the same maturity date, the particular Underwritten Bonds or portions of Underwritten Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of an Underwritten Bond of a denomination greater than $5,000, the City and the Bond Registrar shall treat each Underwritten Bond as representing such number of separate Underwritten Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Underwritten Bond by $5,000. In the event that only a portion of the principal sum of a Underwritten Bond is redeemed, upon surrender of such Underwritten Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Underwritten Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized.

(d) Notice of Redemption or Prepayment.

(1) Official Notice. Notice of any prepayment of Direct Purchase Bonds shall be provided by the City to the Direct Purchaser as provided in the applicable Sale Document.

For so long as the Underwritten Bonds of a series are held by a depository, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Underwritten Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Underwritten Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Underwritten Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state: (A) the redemption date, (B) the redemption price, (C) if fewer than all outstanding Underwritten Bonds of such series are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (D) any conditions to redemption; (E) that
(unless such notice is conditional) on the redemption date the redemption price will become due and payable upon each such Underwritten Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (F) the place where such Underwritten Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Underwritten Bonds or portions of Underwritten Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Underwritten Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Underwritten Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Underwritten Bonds or portions of Underwritten Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Underwritten Bonds at the redemption price, then from and after such date such Underwritten Bonds or portions of Underwritten Bonds shall cease to bear interest. Upon surrender of such Underwritten Bonds for redemption in accordance with said notice, such Underwritten Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Underwritten Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

If addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Underwritten Bonds being redeemed; (B) the date of issue of the Underwritten Bonds as originally issued; (C) the rate of interest borne by each Underwritten Bond being redeemed; (D) the maturity date of each Underwritten Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Underwritten Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Underwritten Bonds.

The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.
Section 5. Registration, Exchange and Payments.

(a) Underwritten Bonds.

(1) Bond Details. Any Bonds of a series may be sold as Underwritten Bonds. Underwritten Bonds shall be issued in denominations of $5,000, or any integral multiple thereof, within a series and maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest payable on the dates set forth in the applicable Sale Document; and shall be subject to optional and/or mandatory redemption and mature on the dates and in the principal amounts set forth in the applicable Sale Document.

(2) Bond Registrar/Bond Register. The City hereby specifies and adopts the system of registration approved by the State Finance Committee from time to time through the appointment of a state fiscal agent. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Underwritten Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Underwritten Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Administrative Services Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Administrative Services Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Underwritten Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Underwritten Bonds.

(3) Registered Ownership. The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Underwritten Bond as the absolute owner thereof for all purposes (except as otherwise provided in this ordinance or in the Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Underwritten Bond shall be made only as described below, but such Underwritten Bond may be transferred as provided herein. All such payments made as described below shall be valid and shall satisfy and discharge the liability of the City upon such Underwritten Bond to the extent of the amount or amounts so paid.

(4) DTC Acceptance/Letters of Representations. The Underwritten Bonds initially shall be held in fully immobilized form by DTC acting as depository. The City has executed and delivered to DTC the Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Underwritten Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Underwritten Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor
depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Underwritten Bonds are held in fully-immobilized form, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(5) **Use of Depository.**

(A) The Underwritten Bonds shall be registered initially in the name of “Cede & Co.”, as nominee of DTC, with one Bond maturing on each of the maturity dates for the Underwritten Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the Administrative Services Director pursuant to subsection (B) below or such substitute depository’s successor; or (iii) to any person as provided in subsection (D) below.

(B) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Administrative Services Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Administrative Services Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(C) In the case of any transfer pursuant to clause (i) or (ii) of subsection (A) above, the Bond Registrar shall, upon receipt of all outstanding Underwritten Bonds, together with a written request on behalf of the Administrative Services Director, issue a single new Underwritten Bond for each series and maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Administrative Services Director.

(D) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Administrative Services Director determines that it is in the best interest of the beneficial owners of the Underwritten Bonds that such owners be able to obtain such Underwritten Bonds in the form of bond certificates, the ownership of such Underwritten Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Administrative Services Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Underwritten Bonds together with a written request on behalf of the Administrative Services Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(6) **Registration of Transfer of Ownership or Exchange; Change in Denominations.** The transfer of any Underwritten Bond may be registered and Underwritten
Bonds may be exchanged, but no transfer of any such Underwritten Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner’s duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Underwritten Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Underwritten Bond(s) 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 Underwritten Bond, in exchange for such surrendered and cancelled Underwritten Bond. Any Underwritten Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Underwritten Bonds of the same series, date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Underwritten Bond during the 15 days preceding any principal payment or redemption date.

(7) **Bond Registrar’s Ownership of Bonds.** The Bond Registrar may become the Registered Owner of any Underwritten 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 a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Underwritten Bonds.

(8) **Place and Medium of Payment.** Both principal of and interest on the Underwritten Bonds shall be payable in lawful money of the United States of America. Interest on the Underwritten Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Underwritten Bonds are held by DTC, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Underwritten Bonds are no longer held by a depository, interest on the Underwritten Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than $1,000,000 of Underwritten Bonds (received by the Bond Registrar at least by the record date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Underwritten Bonds shall be payable upon presentation and surrender of such Underwritten Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Underwritten Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Underwritten Bonds until it is paid.

(b) **Direct Purchase Bonds.**

(1) **Bond Details.** Any Bonds of a series may be sold as Direct Purchase Bonds. Direct Purchase Bonds shall be dated as of the date of delivery to the Direct Purchaser, shall be fully registered as to both principal and interest, shall be in one denomination, and shall mature on the date set forth in the applicable Sale Document. Direct Purchase Bonds shall bear interest from the dated date or the most recent date to which interest has been paid at the interest rate set forth
in the applicable Sale Document. Interest on the principal amount of Direct Purchase Bonds shall be calculated per annum on a 30/360 basis, or as otherwise provided in the Bond and in the applicable Sale Document. Principal of and interest on Direct Purchase Bonds shall be payable at the times and in the amounts as set forth in the payment schedule attached to the Direct Purchase Bond.

(2) Registrar/Bond Registrar. The Administrative Services Director shall act as Bond Registrar for any Direct Purchase Bonds. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Direct Purchase Bonds if transferred or exchanged in accordance with the provisions of the Direct Purchase Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance with respect to Direct Purchase Bonds.

(3) Registered Ownership. The City and the Bond Registrar may deem and treat the Registered Owner of any Direct Purchase Bond as the absolute owner for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

(4) Transfer or Exchange of Registered Ownership. Direct Purchase Bonds shall not be transferrable without the consent of the City unless (i) the Direct Purchaser’s corporate name is changed and the transfer is necessary to reflect such change, or (ii) the transferee is a successor in interest of the Direct Purchaser by means of a corporate merger, an exchange of stock, or a sale of assets. Notwithstanding the foregoing, Direct Purchase Bonds may be transferred upon satisfaction of the requirements, if any, set forth in the applicable Sale Document and the Direct Purchase Bonds.

(5) Place and Medium of Payment. Both principal of and interest on Direct Purchase Bonds shall be payable in lawful money of the United States of America. Principal and interest on Direct Purchase Bonds shall be payable by check, warrant, ACH transfer or by other means mutually acceptable to the Direct Purchaser and the City.

Section 6. Security for the Bonds; Funds and Accounts.

(a) Pledge of Net Revenue and ULID Assessments. The Net Revenue and ULID Assessments deposited into the Bond Fund are hereby pledged irrevocably to the payment of the amounts required to be paid into the Bond Fund for the payment of the 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.

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

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

(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.

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 Administrative Services Director 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.** There has been created by the City a special account known as the Reserve Account for the purpose of securing the payment of the principal of and interest on all Parity Bonds secured by the Reserve Account. Each Parity Bond Authorizing Ordinance shall establish the Reserve Requirement, if any, applicable to that series of Parity Bonds.

The Bonds of each series may be secured by the Reserve Account. If the Bonds of a series are to be secured by the Reserve Account, such designation and the applicable Reserve Requirement shall be set forth in the applicable Sale Document. If the Bonds are not to be secured by the Reserve Account, the Reserve Requirement at the time of issuance of a series of Bonds shall be zero.

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 the Reserve Account to pay the principal of and interest on all outstanding Parity Bonds secured by the Reserve Account, at which time the money
in the Reserve Account may be used to pay 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 secured by the Reserve Account. 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 that are secured by the Reserve Account.

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 on Parity Bonds secured by the Reserve Account, 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 any Bond Fund and the accounts held therein may be kept in cash or may be invested in any legal investment for City funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Investments in the Bond Fund must mature prior to the date on which such money shall be needed for required interest or principal payments (for investments in the Bond Fund) or having a guaranteed redemption price prior to maturity. 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.

(d) **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 provided in this subsection.

The City may at any time, as determined by the Administrative Services Director 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. 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 7. 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:

First, to pay Operating and Maintenance Expenses;

Second, to make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds;

Third, 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;

Fourth, to make when due all payments required to be made into the Reserve Account;

Fifth, 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;

Sixth, to make when due all payments required 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; and

Seventh, 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.

Section 8. 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.

(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 9. Tax Covenants.** The City will take all actions necessary to assure the exclusion of interest on the Bonds of each series from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the following:
(a) **Private Activity Bond Limitation.** The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) **Limitations on Disposition of Projects.** The City will not sell or otherwise transfer or dispose of (i) any personal property components of the Projects other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Projects, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

(c) **Federal Guarantee Prohibition.** The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) **Rebate Requirement.** The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(e) **No Arbitrage.** The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) **Registration Covenant.** The City will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code until all Bonds have been surrendered and canceled.

(g) **Record Retention.** The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least three years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(h) **Compliance with Federal Tax Certificate.** The City will comply with the provisions of the Federal Tax Certificate with respect to each series of Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(i) **Bank Qualification.** In the Federal Tax Certificate executed in connection with the issuance of each series of Bonds, the City may designate such Bonds as qualified tax-exempt obligations under the Code.

**Section 10. Future Parity Bonds.**

(a) **General.** 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.

(b) Parity Conditions. 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:

1. 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.

2. 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.

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

4. The Future Parity Bond Authorizing Ordinance must provide for the deposit into the Reserve Account of amounts necessary to comply with the Reserve Requirement applicable to such series of Future Parity Bonds.

5. At the time of the issuance of such Future Parity Bonds, the City shall have on file, either:

   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;

or

(B) A certificate of the Administrative Services Director 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 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 Administrative Services Director 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.

(f) No Acceleration. Future Parity Bonds shall not be subject to acceleration under any circumstances, including, without limitation, upon the occurrence and continuance of an event of default. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

(h) Subordinate Lien Obligations; Refunding Obligations. Nothing contained in these 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. In the event the City issues revenue bonds or other revenue obligations having a lien upon the Net Revenue junior and inferior to the lien on the Parity Bonds, the City covenants that a default on such junior lien bonds will not constitute an event of default on the Parity Bonds. Subordinate lien obligations shall not be subject to acceleration in the event of a default on such bonds. 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 11. Form of Bond. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference, with such changes thereto as may be approved by the Designated Representative, consistent with the provisions of Section 14 hereof.

Section 12. Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile or manual signature of the Mayor and shall be attested to by the facsimile or manual signature of the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted, or otherwise reproduced thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the City before said Bonds shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the City by such persons who, at the actual date of execution of such Bond shall be the proper officer of the City, although at the original date of such Bond such persons were not such officers of the City.

Only such Bonds as shall bear thereon a Certificate of Authentication manually executed by an authorized representative of the Bond Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

Section 13. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance. The City shall give written notice of defeasance of the Bonds in accordance with the Continuing Disclosure Certificate.


(a) Bond Sale. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative for a limited time the authority to determine the method of sale for each series of Bonds, and to approve the final interest rates, maturity dates, redemption terms and principal maturities for each series of Bonds. The Designated Representative is hereby authorized to approve the issuance, from time to time, of one or more series of Bonds and to approve whether the Bonds of such series shall be sold in a private
placement to a Direct Purchaser or to an Underwriter through a competitive public sale or a negotiated sale, as set forth below.

(b) Direct Purchase. If the Designated Representative determines that the Bonds of a series are to be sold by private placement, the Designated Representative shall solicit one or more proposals to purchase the Direct Purchase Bonds and to select the Direct Purchaser that submits the proposal that is in the best interest of the City. Direct Purchase Bonds shall be sold to the Direct Purchaser pursuant to the terms of a Loan Agreement.

(c) Negotiated Bond Sale. If the Designated Representative determines that the Bonds of a series are to be sold by negotiated public sale, the Designated Representative shall solicit one or more bond underwriting proposals and shall select the Underwriter that submits the proposal that is in the best interest of the City. Such Bonds shall be sold to the Underwriter pursuant to the terms of a Bond Purchase Contract.

(d) Competitive Sale. If the Designated Representative determines that the Bonds of a series are to be sold at a competitive public sale, the Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in an amount not less than one percent of the principal amount of the offering accompany each bid; (4) cause notice of the public sale to be given; and (5) provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. The Designated Representative shall cause the notice of sale to be given and provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. Such Bonds shall be sold to the Underwriter pursuant to the terms of a Certificate of Award.

(e) Sale Parameters. The Designated Representative is hereby authorized to approve the method of sale and the final interest rates, aggregate principal amount, principal maturities, and redemption rights for each series of Bonds in the manner provided hereafter so long as:

1. the aggregate principal (face) amount of all Bonds issued pursuant to the terms of this ordinance does not exceed $4,700,000,

2. the final maturity date for all Bonds issued pursuant to the terms of this ordinance is no later than 16 years from the respective Issue Date,

3. the true interest cost for each series of Bonds (determined in the aggregate for such series of Bonds only) does not exceed 4.75%, and

4. all other terms of the Bonds are otherwise in compliance with the terms of this ordinance.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the applicable Sale Document for each series of Bonds. Following the execution of the applicable Sale Document, the Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section.
The authority granted to the Designated Representative by this Section 14 shall expire one year after the effective date of this ordinance. If a Sale Document for the Bonds has not been executed by such date, the authorization for the issuance of such series of Bonds shall be rescinded, and such Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council.

(f) **Delivery of Bonds; Documentation.** The proper officials of the City, including the Administrative Services Director, the City Clerk, the Mayor, and the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the purchaser thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the applicable Sale Document. Such documents may include, but are not limited to, documents related to a Bond Insurance Policy delivered by a Bond Insurer to insure the payment when due of the principal of and interest on all or a portion of a series of Bonds as provided therein, if such insurance is determined by the Designated Representative to be in the best interest of the City.

(g) **Preliminary and Final Official Statements.** The Administrative Services Director and the City Manager are each hereby authorized to deem final the preliminary Official Statement(s) relating to any Underwritten Bonds for the purposes of the Rule. The Administrative Services Director and the City Manager are each further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement(s) relating to the issuance and sale of any Underwritten Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

**Section 15. Application of Bond Proceeds.** Proceeds of each series of Bonds, net of any Underwriter’s discount and fees, shall be applied as follows:

(a) If necessary, a portion of the proceeds of the Bonds shall be used to satisfy the Reserve Requirement with respect to such series of Bonds by depositing a portion of the proceeds of the Bonds into the Reserve Account and/or by paying the premium related to a Reserve Surety.

(b) The remaining proceeds of the Bonds shall be deposited into the Construction Fund and subaccounts therein as necessary, in the amounts specified in the closing memorandum prepared in connection with the issuance of each series of Bonds. Such proceeds shall be used to pay and/or reimburse the City for the costs of the Projects and to pay costs of issuance of the Bonds. The Administrative Services Director shall invest money in the Construction Fund and the subaccounts contained therein in such obligations as may now or hereafter be permitted to cities of the State by law and which will mature prior to the date on which such money shall be needed, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Upon completion of the Projects, Bond proceeds (including interest earnings thereon) may be used for other capital projects of the Utility System or shall be transferred to the Bond Fund.

**Section 16. Ongoing Disclosure; Additional Covenants.**

(a) The City covenants to execute and deliver on the Issue Date of any Underwritten Bonds a Continuing Disclosure Certificate. The Administrative Services Director and the City Manager are each hereby authorized to execute and deliver a Continuing Disclosure Certificate
upon the issuance, delivery and sale of any Underwritten Bonds with such terms and provisions as such individuals shall deem appropriate and in the best interests of the City.

(b) The City may agree to provide the Direct Purchaser certain financial or other information and agree to such additional covenants as determined to be necessary by the Designated Representative and as set forth in the Loan Agreement and approved by the Designated Representative pursuant to Section 14.

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. Changes in Accounting. The calculation of the Coverage Requirement and the Parity Conditions and the City’s compliance therewith may be made solely with reference to this ordinance without regard to future changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then a default relating to the Coverage Requirement shall not be considered an event of default hereunder if the Coverage Requirement ratio would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of this ordinance.

Section 19. Lost, Stolen or Destroyed Bond. In case any of the Bonds shall be lost, stolen or destroyed, the Bond Registrar may at the request of the Registered Owner execute and deliver a new Bond of like date, number and tenor to the Registered Owner thereof upon the Registered Owner’s paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon its filing with the City written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof. In the case the Bonds shall be lost, stolen, or destroyed while in the Registered Owner’s possession, the Registered Owner may elect upon final payment of principal and interest of the Bond to surrender a photocopy of the Bond for cancellation at the office of the Bond Registrar together with written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof.

Section 20. Amendments.

(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

(7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on any Bonds issued on a tax-exempt or tax-advantaged basis 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 Administrative Services Director 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.

(d) If registered owners of not less than the percentage of Parity Bonds (or Bonds, as
applicable) required by subsection(s) (b) and (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.

Upon the effective date of any amendatory ordinance passed pursuant to the provisions of
this Section 20, 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.

Section 21. Contract; Savings Clause. The covenants contained in this ordinance and
in the Bonds shall constitute a contract between the City and the Registered Owners of the Bonds.
If any one or more of the covenants or agreements provided in this ordinance to be performed on
the part of the City shall be declared by any court of competent jurisdiction to be contrary to law,
then such covenant or covenants, agreement or agreements, shall be null and void and shall be
deemed separable from the remaining covenants and agreements of this ordinance and shall in no
way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken
pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified
and confirmed.

Section 22. General Authorization; Ratification of Prior Acts. The Designated
Representative, the Finance Director, the City Clerk, and other appropriate officers of the City are
authorized to take any actions and to execute documents as in their judgment may be necessary or
desirable in order to carry out the terms of, and complete the transactions contemplated by, this
ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date
are hereby ratified.

Section 23. Corrections by City Clerk. Upon approval of the City Attorney and Bond
Counsel, the City Clerk is hereby authorized to make necessary corrections to this ordinance,
including but not limited to the correction of clerical errors; references to other local, state or
federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering;
and other similar necessary corrections.
Section 24. Effective Date of Ordinance. This ordinance shall take effect and be in force five (5) days from and after its passage, approval, and publication, as required by law. A summary of this ordinance, consisting of the title, may be published in lieu of publishing the ordinance in its entirety.

PASSED BY THE CITY COUNCIL ON AUGUST 6, 2018.

[Signature]
Mayor Will Hall

ATTEST:
Jessica Simulcik Smith
City Clerk

Date of Publication: August 9, 2018
Effective Date: August 14, 2018

APPROVED AS TO FORM:

[Signature]
Pacifica Law Group LLP
Bond Counsel
Exhibit A

Form of Bond

[DTCLANGUAGE][TRANSFERRESTRICTIONS]

UNITED STATES OF AMERICA

NO. ________ $ __________

STATE OF WASHINGTON
CITY OF SHORELINE

SURFACE WATER UTILITY REVENUE BOND, 2018

INTEREST RATE: % MATURITY DATE: CUSIP NO.: 

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

[The City of Shoreline, Washington (the “City”) hereby acknowledges itself to owe and for value received promises to pay, but only from the sources and as hereinafter provided, 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 the date of delivery, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above (the “Interest Rate”). Interest on this Bond shall accrue from its dated date until paid and shall be computed per annum on the principal amount outstanding on the basis of a year of 360 days and twelve 30-day months. Principal of and accrued interest on this Bond shall be payable on the dates set forth in the payment schedule attached hereto.] [The City of Shoreline, Washington, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (herein 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 __________, 20___, 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 __________, and semiannually thereafter on the first days of each succeeding _______ and ____. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the “Bond Registrar”). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the City to DTC.]

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. ________ duly
passed by the City Council on __________, 2018 (the “Bond Ordinance”). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance. Reference is made to the Bond Ordinance and any and all modifications and amendments thereto for a description of the nature and extent of the security for this bond, the funds or revenues pledged, and the terms and conditions upon which such bond is issued.

Proceeds of the bonds of this issue will be used to finance and/or reimburse the City for the costs of improvements to the Utility System as identified in the City’s capital improvement program, as it may be amended from time to time, [(b) to satisfy the Reserve Requirement with respect to the bonds,] and (c) to pay costs of issuance of the bonds.

The bonds of this issue are subject to redemption as provided in the Bond Ordinance and the [______________].

The bonds of this issue have [not] been designated by the City as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”).

This bond is payable solely from the Bond Fund. The City has irrevocably obligated and bound itself to pay into the Bond Fund out of the Net Revenue and ULID Assessments, if any, or from such other moneys as may be provided therefor certain amounts necessary to pay and secure the payment of the principal and interest on this bond.

The City does hereby pledge and bind itself to set aside from the Utility Fund out of the Gross Revenue and ULID Assessments, if any, and to pay into the Bond Fund and the Common Reserve Fund the various amounts required by the Bond Ordinance to be paid into and maintained in such Funds, all within the times provided by the Bond Ordinance. To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Utility Fund out of the Gross Revenue into the Bond Fund shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue of the amounts required to pay and secure the payment of the Outstanding Parity Bond and any revenue bonds of the City hereafter issued on a parity with such bond and this bond and superior to all other liens and charges of any kind or nature except as provided therein.

The bonds of this issue are special fund obligations of the City payable solely from and secured solely by the sources identified in the Bond Ordinance. The bonds of this issue do not constitute an indebtedness or general obligation of the City or the State, either general or special, within the meaning of the constitutional provisions and limitations of the State, but are special obligations of the City payable solely out of the funds and revenues identified in the Bond Ordinance. Owners of the bonds of this issue shall not have any claim for the payment thereof against the City except for payment from the funds and revenues identified therein. Owners of the Bonds do not have any claim against the State for the payment for the principal of or interest on the bonds of this issue. Tax revenues of the City shall not be used directly or indirectly to secure or guarantee the payment of the principal of or interest on the bonds of this issue.
This bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and duly adopted ordinances of the City. The City hereby covenants and agrees with the owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

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 have happened, been done, and performed.

IN WITNESS WHEREOF, the City of Shoreline, Washington has caused this bond to be signed with the facsimile or manual signature of the Mayor, to be attested by the facsimile or manual signature of the City Clerk, all as of this _____ day of ____________, 20__.

CITY OF SHORELINE, WASHINGTON

[SEAL]

By ______ /s/ facsimile or manual Mayor

ATTEST:

____ /s/ facsimile or manual

City Clerk

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

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Surface Water Revenue Bonds, 20____ of the City of Shoreline, Washington, dated ____________, 2018.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By ____________________
[FOR DIRECT PURCHASE BONDS]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: ______________________

This Bond is the Surface Water Revenue Bonds, 20___, of the City of Shoreline, Washington, dated ____________, 20___, described in the within-mentioned Bond Ordinance.

______________________________
[Administrative Services Director],
as Bond Registrar

REGISTRATION CERTIFICATE

This Bond is registered in the name of the Registered Owner on the books of the City, in the office of the Administrative Services Director of the City, as to both principal and interest. All payments of principal of and interest on this Bond shall be made by the City as provided in the Bond Ordinance.

<table>
<thead>
<tr>
<th>Date of Registration</th>
<th>Name and Address of Registered Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>_________<em><strong>, 20</strong></em></td>
<td></td>
</tr>
</tbody>
</table>

PAYMENT SCHEDULE

Principal and interest on this Bond shall be payable as set forth in the following schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Payment</th>
</tr>
</thead>
</table>
CERTIFICATE

I, the undersigned, City Clerk of the City Council of the City of Shoreline, Washington (the “City”), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. _____ (the “Ordinance”) is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on __________, 2018, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect after publication in the City’s official newspaper as provided by law; and

2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of __________, 2018.

______________________________________
City Clerk