



RESOLUTION NO. U-11396

1 A RESOLUTION relating to Tacoma Water; approving a bond ordinance;
2 authorizing the issuance of one or more series of Water System Revenue
3 Refunding Bonds, Series 2023, in an aggregate principal amount not to
4 exceed \$75,000,000; and approving other matters related thereto.

4 WHEREAS the City of Tacoma, Washington (“City”), acting through its
5 Department of Public Utilities, Water Division (d/b/a “Tacoma Water”) issued its
6 Water System Revenue and Refunding Bonds, 2005, in an original principal amount
7 of \$46,550,000 pursuant to Ordinance No. 27405, passed on August 30, 2005, and
8 Substitute Resolution No. 36648, adopted on September 27, 2005 (“2005 Bonds”)
9 and its Water System Revenue and Refunding Bonds, 2013, in an original principal
10 amount of \$78,305,000 pursuant to Ordinance No. 28138, passed on March 19,
11 2013 (“2013 Bonds”), and
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13 WHEREAS the 2005 Bonds may be redeemed prior to maturity on any date
14 on or after December 1, 2015, at a price of par plus accrued interest to the date of
15 redemption, and
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17 WHEREAS the 2013 Bonds may be redeemed prior to maturity on any date
18 on or after June 1, 2023, at a price of par plus accrued interest to the date of
19 redemption, and
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21 WHEREAS the Public Utilities Board (“Board”) now finds that the 2005
22 Bonds and the 2013 Bonds can be defeased and/or redeemed through the
23 issuance of one or more series of water system revenue refunding bonds in an
24 aggregate principal amount not to exceed \$75,000,000 (“Bonds”) at a savings to
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1 the Water System and its ratepayers and/or to restructure such debt if it is in the
2 best interest of Tacoma Water, and

3 WHEREAS Tacoma Water has received a proposal from Wells Fargo
4 Corporate & Investment Banking and KeyBanc Capital Markets Inc.
5 (“Underwriters”) to purchase the Bonds pursuant to the terms of an ordinance
6 adopted by the City Council (“Bond Ordinance”), and

7 WHEREAS a form of the proposed Bond Ordinance, a copy of which is on
8 file with the Clerk of the Board, has been presented at this meeting, and

9 WHEREAS pursuant to Tacoma City Charter Section 4.11, the Board is
10 required to initiate and approve all matters related to the incurrence of
11 indebtedness and the issuance of bonds on behalf of Tacoma Water, and then
12 forward such matters to the City Council for concurring approval, and

13 WHEREAS the Board requests that the City Council delegate authority to the
14 Director of Utilities and the Superintendent of the Water Division, and their
15 designees, as provided herein, for a limited time, to approve the final terms of the
16 Bonds as set forth herein, and

17 WHEREAS the Board hereby recommends to the City Council that it is in
18 the best interest of the citizens of Tacoma that the Bond Ordinance be approved
19 by the Board and passed by the City Council to accomplish the purposes set forth
20 therein; Now, Therefore,
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BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

1 Sec. 1. Capitalized terms used in this resolution and not otherwise defined
2 herein or in the recitals, which are incorporated by this reference, shall have the
3 meanings set forth in the Bond Ordinance.
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5 Sec. 2. Pursuant to Tacoma City Charter Section 4.11, it is necessary for
6 the Board to initiate and approve all matters related to the incurrence of
7 indebtedness and the issuance of bonds on behalf of Tacoma Water, and then
8 forward such matters to the City Council for concurring approval. The Board
9 hereby finds it is in the best interest of Tacoma Water and its ratepayers that the
10 City issue revenue refunding bonds to defease and/or refund all or a portion of the
11 outstanding 2005 Bonds and 2013 Bonds for aggregate net present value debt
12 service savings and/or to restructure such debt if it is in the best interest of Tacoma
13 Water.
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15 Sec. 3. Subject to the parameters set forth in the Bond Ordinance, that the
16 terms and conditions of the proposed Bond Ordinance, including delegating
17 authority to the Director of Utilities and the Superintendent of the Water Division,
18 and their designees (each, a "Designated Representative"), to approve the
19 issuance and sale of the Bonds in an aggregate principal amount not to exceed
20 \$75,000,000 and selling such Bonds to the Underwriters pursuant to the terms of
21 the Bond Ordinance and a bond purchase contract are hereby approved, and the
22 City Council is requested to concur in this approval by the passage of the same at
23 the earliest opportunity in the final form approved by the City Attorney's Office.
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Sec. 4. Upon passage of the Bond Ordinance, each Designated

Representative is delegated authority to approve the final terms and conditions of the Bonds in coordination with Bond Counsel, the Municipal Advisor to Tacoma Water and the City Attorney's Office subject to the terms set forth in the Bond Ordinance, and to execute and implement the bond purchase contract and any other certificates or other documents in connection therewith.

Sec. 5. This resolution shall become effective immediately upon its adoption.

Approved as to form:

_____ Chair

_____ Pacifica Law Group LLP,
Bond Counsel

_____ Secretary

_____ Clerk

Adopted _____



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Superintendent, Tacoma Water
MEETING DATE: July 12, 2023
DATE: June 30, 2023

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|--|---|
| <input type="checkbox"/> SD1 – Equity & Inclusion | <input type="checkbox"/> SD8 – Telecom |
| <input checked="" type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input type="checkbox"/> SD3 – Rates | <input type="checkbox"/> SD10 – Government Relations |
| <input type="checkbox"/> SD4 – Stakeholder Engagement | <input type="checkbox"/> SD11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> SD5 – Environmental Leadership | <input type="checkbox"/> SD12 – Employee Relations |
| <input type="checkbox"/> SD6 – Innovation | <input type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input type="checkbox"/> SD14 – Resource Planning |

SUMMARY: Tacoma Water requests approval to refund the 2005 Water System Revenue and Refunding Bonds in the amount of \$5,000, and the issuance of the 2023 Water System Revenue Refunding Bonds in an amount not to exceed \$75,000,000, in order to refund the 2013 Water System Revenue and Refunding Bonds.

Due to the volatility of the current interest rate environment, Tacoma Water recommends the Board approve the resolution on July 12, 2023, in order to allow staff to act quickly when the market is favorable and maximize savings.

BACKGROUND: Tacoma Water is considering refunding the outstanding 2013 Water System bonds callable on June 1, 2023. In addition, one outstanding 2005 bond with a final maturity of December 1, 2025, is planned to be paid off with available funds of Tacoma Water. These bonds were issued to support the addition of the Second Supply Project, the Green River Filtration Facility, and other Tacoma Water infrastructure projects. This refunding will provide savings, restructure debt service payments, and/or obtain more favorable bond covenants in the best interest of Tacoma Water and its ratepayers.

With assistance from Tacoma's Finance and Legal Departments, our municipal advisory firm, Montague DeRose and Associates, and bond counsel, Pacifica Law Group, we have prepared a bond ordinance for the Public Utility Board and City Council action (current request) that would authorize Tacoma Water to execute a refunding.

The bond ordinance clearly defines the parameters that are in effect for one year, including the delegation of authority to approve the final terms of the refunding.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?

Debt service savings have not been budgeted due to the volatility of market conditions.



Board Action Memorandum

ATTACHMENTS:

- Council Action Memorandum (CAM)
- City Council Ordinance
- TPU Board Resolution

CONTACT:

Primary Contact: Lyna Vo, Senior Economist

Supervisor's Name: Jodi Collins, Assistant Water Division Manager



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
 Scott Dewhirst, Superintendent, Tacoma Water
COPY: Tacoma City Council and City Clerk
SUBJECT: Water System Revenue Refunding Bonds, Series 2023
DATE: July 25, 2023

SUMMARY AND PURPOSE:

Tacoma Water requests approval to refund the 2005 Water System Revenue and Refunding Bonds in the amount of \$5,000, and the issuance of the 2023 Water System Revenue Refunding Bonds in an amount not to exceed \$75,000,000, in order to refund the 2013 Water System Revenue and Refunding Bonds.

BACKGROUND:

Tacoma Water is considering refunding the outstanding 2013 Water System bonds callable on June 1, 2023. In addition, one outstanding 2005 bond with a final maturity of December 1, 2025, is planned to be paid off with available funds of Tacoma Water. These bonds were issued to support the addition of the Second Supply Project, the Green River Filtration Facility, and other Tacoma Water infrastructure projects. This refunding will provide savings, restructure debt service payments, and/or obtain more favorable bond covenants in the best interest of Tacoma Water and its ratepayers.

With assistance from Tacoma’s Finance and Legal Departments, our municipal advisory firm, Montague DeRose and Associates, and bond counsel, Pacifica Law Group, we have prepared a bond ordinance for the Public Utility Board and City Council action (current request) that would authorize Tacoma Water to execute a refunding.

The bond ordinance clearly defines the parameters that are in effect for one year, including the delegation of authority to approve the final terms of the refunding.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

In preparation for this request, Tacoma Water provided information and sought feedback during a Public Utility Board (PUB) study session and a Government Performance & Finance Committee (GPFC) meeting. Both the PUB study session and GPFC meeting are open to the public and provide opportunity for community and customer engagement.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No action		Lost opportunity to save money for customers and modify restrictive bond covenants in support of lower rates.
2.		
3.		



EVALUATION AND FOLLOW UP:

Savings and benefits achieved through this refunding will be communicated to the Board and public as part of the Reports of the Director related Strategic Directives for Financial Sustainability (SD2) and Rates (SD3).

STAFF/SPONSOR RECOMMENDATION:

Tacoma Water is seeking approval to refund the outstanding 2005 Water System Revenue and Refunding Bonds and issue 2023 Water System Revenue Refunding Bonds in order to refund the outstanding 2013 Water System Revenue and Refunding Bonds.

Due to the volatility of the current interest rate environment, Tacoma Water recommends the Council approve the ordinance on August 1, 2023, in order to allow staff to act quickly when the market is favorable and maximize savings.

FISCAL IMPACT:

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4600	581100	6611000	TBD (depending on the market)
2.			
TOTAL			

What Funding is being used to support the expense?

N/A

Are the expenditures and revenues planned and budgeted in this biennium’s current budget?

NO, PLEASE EXPLAIN BELOW

Debt service savings have not been budgeted due to the volatility of market conditions.

Are there financial costs or other impacts of not implementing the legislation?

YES

Lost opportunity to save money for customers and modify restrictive bond covenants in support of lower rates.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Supports ongoing debt management and capital funding strategy as part of Tacoma Water’s Long-Range Financial Plan.

Will the legislation change the City’s FTE/personnel counts?

No

ATTACHMENTS:

- City Council Ordinance
- TPU Board Resolution



ORDINANCE NO.

1 AN ORDINANCE of the City of Tacoma, Washington, relating to the water
2 system; providing for the issuance and sale of water system revenue
3 refunding bonds in an aggregate principal amount not to exceed
4 \$75,000,000 to provide funds to defease and/or refund all or a portion of
5 the City's Water System Revenue and Refunding Bonds, 2005 and Water
6 System Revenue and Refunding Bonds, 2013; fixing or setting parameters
with respect to certain terms and covenants of the bonds, and appointing
the City's designated representatives to approve the final terms of the sale
of the bonds; and approving certain other matters in connection therewith.

7 WHEREAS the City of Tacoma, Washington ("City"), acting by and through
8 its Department of Public Utilities, Water Division (d/b/a "Tacoma Water"), owns and
9 operates a water system ("Water System") for which capital improvements and
10 other expenses may be financed through the issuance of water system revenue
11 bonds, and

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13 WHEREAS pursuant to Ordinance No. 27405, the City issued its Water
14 System Revenue and Refunding Bonds, 2005 ("2005 Bonds"), and

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16 WHEREAS pursuant to Ordinance No. 27837, the City issued its Water
17 System Revenue Bonds, 2009 (Taxable Build America Bonds – Direct Payment)
18 ("2009 Bonds"), and

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20 WHEREAS pursuant to Ordinance No. 27902, the City issued its Water
21 System Revenue Bonds, 2010B (Taxable Build America Bonds – Direct Payment)
22 ("2010 Bonds"), and

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24 WHEREAS pursuant to Ordinance No. 28138, the City issued its Water
25 System Revenue and Refunding Bonds, 2013 ("2013 Bonds"), and



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WHEREAS pursuant to Ordinance No. 28138, as supplemented by Ordinance No. 28290, the City issued its Water System Revenue Refunding Bonds, Series 2015A (“2015 Bonds”), and

WHEREAS the 2005 Bonds, the 2009 Bonds, the 2010 Bonds, the 2013 Bonds, and the 2015 Bonds (together, “Outstanding Parity Bonds”) are payable from and secured by a pledge of Gross Revenue of the Water System, subject only to the payment of Operation and Maintenance Expenses (each as defined herein), and

WHEREAS the City has adopted financial policies which provide that as a general rule, existing bonds will not be refunded through the issuance of refunding bonds unless the refunding plan will achieve a net present value savings of at least 5%, or as an exception, to obtain more favorable covenants when it is in the City’s interest to do so, and

WHEREAS the 2005 Bonds are subject to redemption at the option of the City at any time on or after December 1, 2015, and

WHEREAS the 2013 Bonds maturing on or after December 1, 2023 are subject to redemption at the option of the City at any time on or after June 1, 2023, and

WHEREAS the ordinances authorizing the Outstanding Parity Bonds permit the City to issue water system revenue bonds for purposes of the Water System with a lien and charge on revenue of the Water System equal to the lien and



1 charge thereon of the Outstanding Parity Bonds, if specified conditions are met
2 and complied with at the time of issuance of those bonds, and

3 WHEREAS the Public Utilities Board (“Board”) has initiated and has
4 recommended to the City Council for its approval the issuance of water system
5 revenue bonds in one or more series (“2023 Bonds”), together with other available
6 money, to defease and/or refund all or a portion of the 2005 Bonds and the 2013
7 Bonds (together, “Refunding Candidates”) for aggregate debt service savings
8 and/or to restructure the debt if it is in the best interest of Tacoma Water, and
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10 WHEREAS the City Council has determined that it is in the best interest of
11 the City and its ratepayers to issue the 2023 Bonds to defease and/or refund all or
12 a portion of the Refunding Candidates (if so refunded, “Refunded Bonds”) and to
13 pay costs of issuance and sale of the 2023 Bonds, and
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15 WHEREAS the City Council wishes to delegate authority to the individuals
16 authorized herein (each, a “Designated Representative”), for a limited time, the
17 authority to approve the final terms of the 2023 Bonds authorized herein within the
18 parameters set by this ordinance, and
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20 WHEREAS the City expects to receive a purchase contract from Wells Fargo
21 Corporate & Investment Banking and KeyBanc Capital Markets Inc.
22 (“Underwriters”) to purchase the 2023 Bonds authorized herein, and now desires to
23 issue and sell such bonds to the Underwriters as set forth herein; Now, Therefore,
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BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. Definitions and Interpretation of Terms.

A. Definitions. Unless otherwise defined in the recitals and elsewhere in this ordinance, capitalized terms used herein shall have the following meanings:

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

“Acquired Obligations” means the Government Obligations, if any, acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds, but only to the extent that the same are acquired at Fair Market Value.

“Annual Debt Service” means, for any Fiscal Year of the Water System, all amounts required to be paid in respect of interest on and principal of Parity Bonds (excluding interest payments capitalized by Parity Bonds and excluding



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

4 (1) Debt Service on Term Bonds. For purposes of calculating debt
5 service on Term Bonds, only the scheduled mandatory redemption amounts
6 payable in respect of principal of Term Bonds shall be taken into account in any
7 Fiscal Year prior to the Term Bond Maturity Year, and only the principal amount
8 scheduled to remain outstanding after payment of all prior mandatory
9 redemption amounts shall be taken into account in the Term Bond Maturity
10 Year;
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13 (2) Interest on Parity Bonds. For purposes of determining compliance
14 with the Coverage Requirement, the Reserve Account Requirement and the
15 conditions for the issuance of Future Parity Bonds or the creation of Contract
16 Resource Obligations:

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

3 (b) Interest on Variable Interest Rate Bonds. The amount of
4 interest deemed to be payable on any issue of Variable Interest Rate Bonds
5 shall be calculated on the assumption that the interest rate on those bonds
6 shall be equal to the rate (the "assumed RBI-based rate") that is 90% of the
7 average Bond Buyer Revenue Bond Index or comparable index during the fiscal
8 quarter preceding the quarter in which the calculation is made; except that, for
9 purposes of determining actual compliance with the Coverage Requirement
10 under Section 16(B) in any past Fiscal Year, the actual amount of interest paid
11 on any issue of Variable Interest Rate Bonds shall be taken into account;

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

19 (d) Interest on Parity Bonds designated as "Build America
20 Bonds." Interest on Parity Bonds designated as Build America Bonds, including
21 the 2009 Bonds and the 2010 Bonds, only for purposes of calculating the
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1 Reserve Account Requirement, shall be based on the net interest after the 35%
2 federal direct payment or such other federal direct payment to be received for
3 Parity Bonds.

4 "Assistant Finance Director/Controller" means the duly appointed and acting
5 Assistant Finance Director/Controller of the City, including anyone acting in an
6 interim or other capacity for the position, or the successor to the duties of that
7 office.

9 "Average Annual Debt Service" means the sum of the Annual Debt Service
10 for the remaining years to the last scheduled maturity of the applicable issue or
11 issues of Parity Bonds divided by the number of those years.

13 "Beneficial Owner" means any person that has or shares the power, directly
14 or indirectly, to make investment decisions concerning ownership of any 2023
15 Bonds (including persons holding 2023 Bonds through nominees, depositories or
16 other intermediaries).

18 "Board" means the Public Utility Board of the City, as the same shall be duly
19 and regularly constituted from time to time.

21 "Bond Counsel" means Pacifica Law Group LLP or another law firm
22 selected by the City that is nationally recognized in matters concerning bonds and
23 other securities issued by states and local governments.

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“Bond Fund” means the special fund or subfunds of the City known as the Water Revenue Bond Fund, created in the Water Division Fund of the City including any subfunds within such fund.

“Bond Insurance” means any bond insurance, 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 any Parity Bonds.

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

“Bond Purchase Contract” means the contract between the Underwriters and the City for the purchase of the 2023 Bonds, executed pursuant to this ordinance and setting forth the final terms of the 2023 Bonds.

“Bond Register” means the registration books maintained by the Bond Registrar for purposes of identifying ownership of the 2023 Bonds or the nominee of each owner, and such other information as the Bond Registrar shall determine.

“Bond Registrar” means, initially, the fiscal agent of the State, whose duties include registering and authenticating the 2023 Bonds, maintaining the Bond Register, effecting transfer of ownership of the 2023 Bonds and paying interest on and principal of the 2023 Bonds.

“Bondowners’ Trustee” has the meaning set forth in Section 27(B) of this ordinance.



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

“Call Date” means a date selected by a Designated Representative for the refunding of the Refunded Bonds which shall be no earlier than June 1, 2023.

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

“City” means the City of Tacoma, Washington, a municipal corporation duly organized and existing under and 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 an interim or other 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, including anyone acting in an interim or other capacity for the position, or the successor to the duties of that office.



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“City Manager” means the duly appointed and acting City Manager of the City, including anyone acting in an interim or other capacity for the position, or the successor to the duties of that office.

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

“Continuing Disclosure Certificate” means one or more written undertakings for the benefit of the owners and Beneficial Owners of the 2023 Bonds as required by Section (b)(5) of the Rule.

“Contract Resource Obligation” means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 21 of this ordinance, to make payments for water supply, transmission or other commodity or service to another person or entity (including, without limitation, a separate utility system created pursuant to Section 20 of this ordinance). The Water System has designated the Regional System as a Contract Resource Obligation.

“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.



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“Coverage Requirement” in any Fiscal Year of the Water System means an amount of Net Revenue of the Water System equal to at least 1.25 times the Annual Debt Service that year on all Parity Bonds.

“Debt Service Account” means the account of that name created in the Bond Fund.

“Designated Representative” means the Director of Utilities and the Superintendent of the Water Division, and their designees. The signature of one Designated Representative shall be sufficient to bind the City.

“Director of Utilities” means the duly appointed and acting Director of the City Department of Public Utilities, including anyone acting in an interim or other capacity for the position, or the successor to the duties of that office.

“DTC” means The Depository Trust Company.

“Escrow Agent” means the escrow agent appointed pursuant to Section 8(C) of this ordinance.

“Escrow Agreement” means the Escrow Deposit Agreement between the City and the Escrow Agent to be dated as of the Issue Date of the 2023 Bonds.

“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



1 restricted defeasance escrows. Fair Market Value is generally determined on the
2 date on which a contract to purchase or sell an investment becomes binding, and,
3 to the extent required by the applicable regulations under the Code, the term
4 “investment” will include a hedge.

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6 “Federal Tax Certificate” means the certificate of the City pertaining to the
7 tax-exemption of interest on the Tax-Exempt Bonds, and any attachments thereto.

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

10 “Finance Director” means the duly appointed and acting Finance Director of
11 the City, including anyone acting in an interim or other capacity for the position, or
12 the successor to the duties of that office.

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14 “Fiscal Year” means the fiscal year used by the City at any time. At the
15 time of the adoption of this ordinance, the Fiscal Year is the 12-month period
16 beginning January 1 of each year.

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18 “Future Parity Bonds” means all revenue bonds and other obligations
19 (including Parity Payment Agreements) of the City issued or entered into after the
20 date of the issuance of the 2023 Bonds and then outstanding, the payment of
21 which constitutes a lien and charge equal to the lien and charge securing the
22 payment of the principal of and interest on the 2023 Bonds and the Outstanding
23 Parity Bonds.
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“Government Obligations” means those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, as such chapter may be hereafter amended or restated.

“Gross Revenue of the Water System” or “Gross Revenue” means in any Fiscal Year of the Water System all of the revenues of the Water System, including, but not limited to, revenue from the sale or transmission of water; the sale, lease, or furnishing of other commodities, services, properties or facilities; the imposition of connection, capital improvement or other charges; utility local improvement district assessments that are pledged to Parity Bonds; and earnings from the investment of money in the Water Division Fund. However, Gross Revenue shall not include earnings of the Regional System or any other separate utility system that may be acquired or constructed by the City pursuant to Section 20 hereof; principal proceeds of Parity Bonds or other borrowing; grants or other capital contributions to the Water System which by their terms are restricted to specific projects or purposes; or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund Water System obligations (until commingled with other earnings and revenues of the Water System defined as Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States government under the Code.



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

“Issue Date” means, with respect to any series of 2023 Bonds, the date of initial issuance and delivery of such series to the Underwriters.

“Letter of Representations” means the blanket issuer letter of representations from the City to DTC.

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

“Mayor” means the duly elected Mayor of the City or the successor to such officer.

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

“Net Revenue of the Water System” or “Net Revenue” means, for any period, the Gross Revenue minus: (1) Operation and Maintenance Expenses; (2) deposits



1 into the Rate Stabilization Account; and (3) proceeds from the sale of property of
2 the Water System, and plus withdrawals from the Rate Stabilization Account.

3 "Official Statement" means the disclosure documents prepared and delivered
4 in connection with the issuance of each series of 2023 Bonds.

5
6 "Operation and Maintenance Expenses" means all expenses incurred by the
7 City in causing the Water System to be operated and maintained in good repair,
8 working order and condition, including, without limitation: deposits, premiums,
9 assessments, or other payments for insurance, if any, on the Water System;
10 payments into pension funds; State-imposed taxes; amounts due under Contract
11 Resource Obligations, including Regional System Costs, but only at the times
12 described in Section 21 of this ordinance; payments made to any other person or
13 entity for the receipt of water supply or transmission or other right, commodity or
14 service; payments made to any other person or entity that are required in
15 connection with the operation of the Water System or the acquisition or
16 transmission of water and that are not subordinate to the lien of the Parity Bonds;
17 and payments with respect to any other expenses of the Water System that are
18 properly treated as operation and maintenance expenses under generally
19 accepted accounting principles applicable to municipal corporations. Operation
20 and Maintenance Expenses do not include any depreciation or taxes levied or
21 imposed by the City, Payment Agreement Payments, or payments to the City in
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1 lieu of taxes, any rebate amount, or capital additions or capital replacements to the
2 Water System.

3 "Outstanding Parity Bonds" mean the City's senior lien parity bonds
4 outstanding on the date of this ordinance as identified in the recitals to this
5 ordinance.
6

7 "Owners" mean, without distinction, the Registered Owners and the
8 Beneficial Owners.

9 "Parity Bond Authorizing Ordinances" means the ordinances and/or
10 resolutions of the City authorizing the issuance and sale and establishes the terms
11 of a particular issue of Parity Bonds.
12

13 "Parity Bonds" mean the Outstanding Parity Bonds, the 2023 Bonds and
14 any Future Parity Bonds.

15 "Parity Payment Agreement" means a Payment Agreement under which the
16 City's payment obligations are expressly stated to be secured by a pledge of and
17 lien on Gross Revenue of the Water System on an equal and ratable basis with the
18 Gross Revenue required to be paid into the Bond Fund to pay and secure the
19 payment of the principal of and interest on Parity Bonds.
20

21 "Payment Agreement" means a written agreement, for the purpose of
22 managing or reducing the City's exposure to fluctuations or levels of interest rates,
23 currencies or commodities, or for other interest rate, investment, asset or liability
24 management purposes, entered into on either a current or forward basis by the
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1 City and a Qualified Counterparty, all as authorized by any applicable laws of the
2 State.

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

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

10 "Projects" mean the capital facilities of the Water System financed or
11 refinanced with proceeds of the Refunded Bonds.
12

13 "Qualified Counterparty" means a party (other than the City or a party
14 related to the City) who is the other party to a Payment Agreement and (1)(a)
15 whose senior debt obligations are rated in one of the three highest rating
16 categories of each of the Rating Agencies (without regard to any gradations within
17 a rating category) or (b) whose obligations under the Payment Agreement are
18 guaranteed for the entire term of the Payment Agreement by a bond insurer or
19 other institution which has been assigned a credit rating in one of the two highest
20 rating categories of each of the Rating Agencies, and (2) who is otherwise qualified
21 to act as the other party to a Payment Agreement under any applicable laws of the
22 State.
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“Rate Stabilization Account” means the account of that name created in the Water Division Fund for the purposes described in this ordinance.

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

“Record Date” means the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 5.

“Refunded Bonds” mean all or a portion of the Refunding Candidates designated by a Designated Representative for refunding pursuant to this ordinance.

“Refunding Account” means the account of that name established pursuant to this ordinance.

“Refunding Candidates” mean all or a portion of the 2005 Bonds and the 2013 Bonds currently outstanding.

“Regional System” means the Regional Water Supply System, comprised of certain property and facilities to deliver and receive water for the Regional System participants from the exercise by the City of its Second Diversion Water Right, which property and facilities include: (1) a Main Branch pipeline to the City with a 72 MGD nominal capacity; (2) headworks improvements associated with the



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Second Diversion Water Right; (3) related fisheries and environmental enhancements; (4) improvements and additions to the Howard Hanson Dam to raise the summer storage pool to elevation of 1,167 feet in phase I to provide an additional 20,000 acre feet of water storage, together with improvements and additions related to accommodating fish passage; (5) the Filtration Treatment Project; and (6) additional related water treatment facilities; and as the same will be added to, improved, and extended for as long as any of the Regional System bonds are outstanding. The Regional System shall not include the Water System or any other separate system.

“Regional System Costs” means with respect to each month all costs attributable to the Regional System, to the extent not paid from the proceeds of bonds of the Regional System or other sources, resulting from the ownership, operation, maintenance, and termination of, and repair, renewals, replacements, additions, improvements, betterments, and modifications to the Regional System, including, without limitation: (1) operating expenses of the Regional System; (2) the amount required to be paid into the bond fund for Regional System bonds; (3) any amount that the City may be required during such month to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, betterments, and modifications that are necessary to keep the Regional System in good operating condition, to



1 improve the operation thereof or to prevent a loss; and (4) all other charges or
2 obligations against the revenues of the Regional System.

3 "Registered Owner" means the person named as the registered owner of a
4 2023 Bond in the Bond Register. For so long as the 2023 Bonds are held in book-
5 entry only form, DTC or its nominee shall be deemed to be the sole Registered
6 Owner.
7

8 "Reserve Account" means the Reserve Account created in the Bond Fund.

9 "Reserve Account Requirement" means, with respect to the Outstanding
10 Parity Bonds and the 2023 Bonds (so long as the 2005 Bonds are outstanding), as
11 of any date the lesser of Maximum Annual Debt Service or 125% of average
12 Annual Debt Service on all the outstanding Parity Bonds. The Reserve Account
13 Requirement for a series of Parity Bonds shall not exceed 10% of the net proceeds
14 of such Bonds.
15

16 Once the 2005 Bonds are no longer outstanding, the Reserve Account
17 Requirement with respect to the 2015 Bonds, the 2023 Bonds and any Future
18 Parity Bonds will be either (1) as of any date the lesser of Maximum Annual Debt
19 Service or 125% of average Annual Debt Service of such 2015 Bonds, 2023 Bonds
20 or Future Parity Bonds, but in no case shall the Reserve Account Requirement for
21 a series of Parity Bonds exceed 10% of the net proceeds of such Bonds, or (2) the
22 ordinance authorizing such issuance of such Bonds may provide for the creation of
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1 a separate reserve account, in which case the Reserve Account Requirement,
2 which may be zero (\$0.00), for such Bonds may be set in such ordinance.

3 "Reserve Insurance" means any bond insurance, letter of credit, guaranty,
4 surety bond, or similar credit enhancement device obtained by the City equal to
5 part or all of the Reserve Account Requirement for any Parity Bonds which is
6 issued by an institution which has been assigned a credit rating at the time of
7 issuance of the device in one of the two highest rating categories of each of the
8 Rating Agencies.
9

10 "Rule" means the Security and Exchange Commission's Rule 15c2-12
11 under the Securities Exchange Act of 1934, as the same may be amended from
12 time to time.
13

14 "S&P" means S&P Global Ratings, or its comparable recognized business
15 successor.
16

17 "Second Diversion Water Right" means the City's permit to appropriate up to
18 100 cubic feet per second of surface water from the Green River for municipal and
19 industrial supply, obtained from the State Department of Ecology.

20 "State" means the state of Washington.

21 "Taxable Bonds" means any 2023 Bonds of a series determined to be
22 issued on a taxable basis pursuant to this ordinance.
23

24 "Tax-Exempt Bonds" means any 2023 Bonds of a series determined to be
25 issued on a tax-exempt basis under the Code pursuant to this ordinance.
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“Term Bond Maturity Year” means any calendar year in which Term Bonds are scheduled to mature.

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

“Treasurer” means the duly appointed and acting Treasurer of the City, including anyone acting in an interim or other capacity for the position, or the successor to the duties of that office.

“Underwriters” mean Wells Fargo Corporate & Investment Banking and KeyBanc Capital Markets Inc., and their successors.

“Variable Interest Rate” means any variable interest rate or rates to be borne by any Parity Bonds. The method of computing such a variable interest rate shall be as specified in the applicable Parity Bond Authorizing Ordinance, which ordinance or resolution also shall specify either: (1) 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 (2) the time or times upon which any change in such variable interest rate shall become effective. A Variable Interest Rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity, or other indexes.



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“Variable Interest Rate Bonds” means, for any period of time, any Parity Bonds that bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond Authorizing Ordinance, or the net economic effect of a Payment Agreement with respect to particular Parity Bonds, in either case is to produce obligations that bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

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

“Water System” means the water system of the City as it now exists, and all additions thereto and betterments and extensions thereof at any time made for so long as any of the Parity Bonds are outstanding. The Water System shall not include the Regional System or any water supply or service or other facilities that may be created, acquired, or constructed by the City as a separate utility system, as provided in Section 20 of this ordinance.

“2005 Bonds” has the meaning set forth in the recitals hereto.

“2009 Bonds” has the meaning set forth in the recitals hereto.



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“2010 Bonds” has the meaning set forth in the recitals hereto.

“2013 Bonds” has the meaning set forth in the recitals hereto.

“2015 Bonds” has the meaning set forth in the recitals hereto.

“2023 Bonds” means the Water System Revenue Refunding Bonds authorized to be issued in one or more series pursuant to this ordinance.

B. Interpretation. In this ordinance, unless the context otherwise requires:

(1) 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;

(2) Words importing the singular number shall mean and include the plural number and vice versa;

(3) 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;

(4) 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



1 constitute a part of this ordinance, nor shall they affect its meaning, construction, or
2 effect; and

3 (5) All references herein to "articles," "sections," and other
4 subdivisions or clauses are to the corresponding articles, sections, subdivisions, or
5 clauses hereof.
6

7 Section 2. Findings; Parity Bonds.

8 A. Parity and Other Findings. In connection with the issuance of the 2023
9 Bonds on a parity of lien with the Outstanding Parity Bonds, the City hereby makes
10 the following findings:
11

12 (1) There is, and as of the Issue Date of the 2023 Bonds there will be,
13 no deficiency in the Bond Fund and no Event of Default as defined in the Parity
14 Bond Authorizing Ordinances for the Outstanding Parity Bonds has occurred or
15 shall have occurred and be continuing as of such date.

16 (2) All assessments and interest thereon that may be levied in any
17 utility local improvement district created by the City for the purpose of paying, in
18 whole or in part, the principal of and interest on the 2023 Bonds, shall be paid
19 directly into the Bond Fund, except for any prepaid assessments permitted by law
20 to be paid into a construction fund or account.
21

22 (3) This ordinance provides that the payment of the principal of and
23 interest on the 2023 Bonds shall be paid out of the Bond Fund as provided in and
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1 required by the Parity Bond Authorizing Ordinances for the Outstanding Parity
2 Bonds.

3 (4) The 2023 Bonds will be issued for refunding purposes for
4 aggregate debt service savings and/or to restructure the Refunded Bonds. At or
5 prior to the issuance of the 2023 Bonds, the City will have on file a certificate
6 satisfying the Future Parity Bond requirements of the Parity Bond Authorizing
7 Ordinances.
8

9 B. Findings Related to Gross Revenue of the Water System. The City
10 hereby finds and determines that the Gross Revenue of the Water System at the
11 rates to be charged for water and other services and commodities from the Water
12 System will be more than sufficient to meet all Operation and Maintenance
13 Expenses to make all required payments with respect to the Outstanding Parity
14 Bonds and the 2023 Bonds, and to permit the setting aside into the Bond Fund out
15 of the Gross Revenue of amounts sufficient to pay the principal of and interest on
16 the 2023 Bonds when due at maturity and upon any mandatory sinking fund
17 redemption thereof.
18

19
20 The City further finds and determines that in creating the Bond Fund and in
21 fixing the amounts to be paid into the Bond Fund, it has exercised due regard for
22 Operation and Maintenance Expenses, and the City has not bound and obligated
23 itself to set aside and pay into the Bond Fund a greater amount or proportion of the
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1 Gross Revenue than in the judgment of the City will be available over and above
2 the Operation and Maintenance Expenses.

3 The 2023 Bonds shall be issued as Future Parity Bonds under the terms of
4 the Parity Bond Authorizing Ordinances for the Outstanding Parity Bonds, subject
5 to the same rights and limitations as Parity Bonds set forth therein and herein.
6

7 Section 3. Authorization of 2023 Bonds. For the purposes of providing part
8 of the funds required to defease and/or refund the Refunded Bonds and pay costs
9 of issuance of the 2023 Bonds, the City is hereby authorized to issue and sell one
10 or more series of Water System revenue refunding bonds in an aggregate principal
11 amount not to exceed \$75,000,000 ("2023 Bonds").
12

13 The 2023 Bonds shall be designated as the "City of Tacoma, Washington,
14 Water System Revenue Refunding Bonds, Series 2023," or other such designation
15 as set forth in the 2023 Bonds and approved by a Designated Representative,
16 which may include but is not limited to revising the series designation to "Series
17 2024," pursuant to the terms of this ordinance. The 2023 Bonds may be issued in
18 one or more series, may be designated as Taxable Bonds or Tax-Exempt Bonds,
19 and may be issued on the same Issue Date or from time to time on different Issue
20 Dates.
21

22 The 2023 Bonds shall be dated as of the Issue Date for such 2023 Bonds,
23 shall be fully registered as to both principal and interest, shall be in the
24 denomination of \$5,000 each or any integral multiple thereof within a series and
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1 maturity, shall be numbered separately in such manner and with any additional
2 designation as the Bond Registrar deems necessary for purposes of identification
3 and control, shall bear interest from their Issue Date payable on the dates and at
4 the rates set forth in the Bond Purchase Contract, and shall be subject to optional
5 and/or mandatory redemption, and mature on the dates and in the principal
6 amounts set forth in the Bond Purchase Contract.
7

8 The 2023 Bonds shall be special obligations of the City payable only
9 from the Bond Fund and shall be payable and secured as provided herein and
10 in the Parity Bond Authorizing Ordinances as applicable to Parity Bonds. The
11 2023 Bonds shall not be general obligations of the City, the State or any
12 political subdivision thereof.
13

14 Section 4. Registration of 2023 Bonds.

15 A. Bond Registrar/Bond Register. The City hereby specifies and adopts the
16 system of registration approved by the Washington State Finance Committee from
17 time to time through the appointment of a state fiscal agent. The City shall cause a
18 Bond Register to be maintained by the Bond Registrar. So long as any 2023 Bonds
19 remain outstanding, the Bond Registrar shall make all necessary provisions to
20 permit the exchange or registration or transfer of 2023 Bonds at its designated
21 office. The Bond Registrar may be removed at any time at the option of the
22 Finance Director upon prior notice to the Bond Registrar and a successor Bond
23 Registrar appointed by the Finance Director. No resignation or removal of the Bond
24 Registrar appointed by the Finance Director. No resignation or removal of the Bond
25 Registrar appointed by the Finance Director. No resignation or removal of the Bond
26



1 Registrar shall be effective until a successor shall have been appointed and until
2 the successor Bond Registrar shall have accepted the duties of the Bond Registrar
3 hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate
4 and deliver 2023 Bonds transferred or exchanged in accordance with the provisions
5 of such 2023 Bonds and this ordinance, and to carry out all of the Bond Registrar's
6 powers and duties under this ordinance. The Bond Registrar shall be responsible
7 for its representations contained in the Certificate of Authentication of the 2023
8 Bonds.
9

10 B. Registered Ownership. The City and the Bond Registrar, each in its
11 discretion, may deem and treat the Registered Owner of each 2023 Bond as the
12 absolute owner thereof for all purposes (except as provided in the Continuing
13 Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected
14 by any notice to the contrary. Payment of any such 2023 Bond shall be made only
15 as described in subsection G below, but such 2023 Bond may be transferred as
16 herein provided. All such payments made as described in subsection G below shall
17 be valid and shall satisfy and discharge the liability of the City upon such 2023
18 Bond to the extent of the amount or amounts so paid.
19

20 C. DTC Acceptance/Letters of Representations. The 2023 Bonds initially
21 shall be held by DTC acting as depository. The City has executed and delivered to
22 DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond
23 Registrar shall have any responsibility or obligation to DTC participants or the
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1 persons for whom they act as nominees (or any successor depository) with respect
2 to the 2023 Bonds in respect of the accuracy of any records maintained by DTC (or
3 any successor depository) or any DTC participant, the payment by DTC (or any
4 successor depository) or any DTC participant of any amount in respect of the
5 principal of or interest on 2023 Bonds, any notice which is permitted or required to
6 be given to Registered Owners under this ordinance (except such notices as shall
7 be required to be given by the City to the Bond Registrar or to DTC (or any
8 successor depository)), or any consent given or other action taken by DTC (or any
9 successor depository) as the Registered Owner. For so long as any 2023 Bonds
10 are held by a depository, DTC or its successor depository or its nominee shall be
11 deemed to be the Registered Owner for all purposes hereunder, and all references
12 herein to the Registered Owners shall mean DTC (or any successor depository) or
13 its nominee and shall not mean the owners of any beneficial interest in such 2023
14 Bonds.
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18 D. Use of Depository.

19 (1) The 2023 Bonds of each series shall be registered initially in the
20 name of "Cede & Co.", as nominee of DTC, with one 2023 Bond maturing on each
21 of the maturity dates for the 2023 Bonds in a denomination corresponding to the
22 total principal therein designated to mature on such date. Registered ownership of
23 such 2023 Bonds, or any portions thereof, may not thereafter be transferred except
24 (i) to any successor of DTC or its nominee, provided that any such successor shall
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1 be qualified under any applicable laws to provide the service proposed to be
2 provided by it; (ii) to any substitute depository appointed by the Finance Director
3 pursuant to subsection (2) below or such substitute depository's successor; or (iii)
4 to any person as provided in subsection (4) below.

5
6 (2) Upon the resignation of DTC or its successor (or any substitute
7 depository or its successor) from its functions as depository or a determination by
8 the Finance Director to discontinue the system of book entry transfers through
9 DTC or its successor (or any substitute depository or its successor), the Finance
10 Director may appoint a substitute depository. Any such substitute depository shall
11 be qualified under any applicable laws to provide the services proposed to be
12 provided by it.

13
14 (3) In the case of any transfer pursuant to clause (i) or (ii) of
15 subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding 2023
16 Bonds, together with a written request on behalf of the Finance Director, issue a
17 single new 2023 Bond for such series for each maturity then outstanding, registered
18 in the name of such successor or such substitute depository, or their nominees, as
19 the case may be, all as specified in such written request of the Finance Director.

20
21 (4) In the event that (A) DTC or its successor (or substitute depository
22 or its successor) resigns from its functions as depository, and no substitute
23 depository can be obtained, or (B) the Finance Director determines that it is in the
24 best interest of the Beneficial Owners of the 2023 Bonds that such owners be able
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1 to obtain physical 2023 Bond certificates, the ownership of such 2023 Bonds may
2 then be transferred to any person or entity as herein provided, and shall no longer
3 be held by a depository. The Finance Director shall deliver a written request to the
4 Bond Registrar, together with a supply of physical 2023 Bonds, to issue 2023
5 Bonds as herein provided in any authorized denomination. Upon receipt by the
6 Bond Registrar of all then outstanding 2023 Bonds of a series together with a
7 written request on behalf of the Finance Director to the Bond Registrar, new 2023
8 Bonds of such series shall be issued in the appropriate denominations and
9 registered in the names of such persons as are requested in such written request.
10
11

12 E. Registration of Transfer of Ownership or Exchange; Change in
13 Denominations. The transfer of any 2023 Bond may be registered and 2023 Bonds
14 may be exchanged, but no transfer of any such 2023 Bond shall be valid unless it is
15 surrendered to the Bond Registrar with the assignment form appearing on such
16 2023 Bond duly executed by the Registered Owner or such Registered Owner's
17 duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such
18 surrender, the Bond Registrar shall cancel the surrendered 2023 Bond and shall
19 authenticate and deliver, without charge to the Registered Owner or transferee
20 therefor, a new 2023 Bond (or 2023 Bonds at the option of the new Registered
21 Owner) of the same series, date, maturity, and interest rate and for the same
22 aggregate principal amount in any authorized denomination, naming as Registered
23 Owner the person or persons listed as the assignee on the assignment form
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1 appearing on the surrendered 2023 Bond, in exchange for such surrendered and
2 cancelled 2023 Bond. Any 2023 Bond may be surrendered to the Bond Registrar
3 and exchanged, without charge, for an equal aggregate principal amount of 2023
4 Bonds of the same series, date, maturity, and interest rate, in any authorized
5 denomination. The Bond Registrar shall not be obligated to register the transfer of
6 or to exchange any 2023 Bond between the Record Date and the next principal
7 payment or redemption date.
8

9 F. Bond Registrar's Ownership of 2023 Bonds. The Bond Registrar may
10 become the Registered Owner of any 2023 Bond with the same rights it would have
11 if it were not the Bond Registrar, and to the extent permitted by law, may act as
12 depository for and permit any of its officers or directors to act as a member of, or in
13 any other capacity with respect to, any committee formed to protect the right of the
14 Registered Owners or Beneficial Owners of 2023 Bonds.
15

16 G. Place and Medium of Payment. Both principal of and interest on the
17 2023 Bonds shall be payable in lawful money of the United States of America.
18 Interest on the 2023 Bonds shall be calculated on the basis of a year of 360 days
19 and twelve 30-day months. For so long as all 2023 Bonds of a series are held by a
20 depository, payments of principal thereof and interest thereon shall be made as
21 provided in accordance with the operational arrangements of DTC referred to in the
22 Letter of Representations. In the event that the 2023 Bonds of a series are no
23 longer held by a depository, interest on such 2023 Bonds shall be paid by check or
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1 draft mailed to the Registered Owners at the addresses for such Registered
2 Owners appearing on the Bond Register on the Record Date, or upon the written
3 request of a Registered Owner of more than \$1,000,000 of 2023 Bonds (received
4 by the Bond Registrar at least by the Record Date), such payment shall be made by
5 the Bond Registrar by wire transfer to the account within the United States
6 designated by the Registered Owner. Principal of the 2023 Bonds shall be payable
7 upon presentation and surrender of such 2023 Bonds by the Registered Owners at
8 the designated office of the Bond Registrar.
9

10 If any 2023 Bond is duly presented for payment and funds have not been
11 provided by the City on the applicable payment date, then interest will continue to
12 accrue thereafter on the unpaid principal thereof at the rate stated on the 2023
13 Bond until the 2023 Bond is paid.
14

15 Section 5. Redemption Terms and Right to Purchase.

16 A. Mandatory Redemption of Term Bonds and Optional Redemption, if any.
17 Each series of 2023 Bonds shall be subject to optional redemption on the dates, at
18 the prices and under the terms set forth in the Bond Purchase Contract. Each
19 series of 2023 Bonds shall be subject to mandatory redemption to the extent, if any,
20 set forth in the Bond Purchase Contract.
21

22 B. Selection of 2023 Bonds for Redemption. For as long as the 2023 Bonds
23 of a series are held in book entry only form, the selection of particular 2023 Bonds
24 within a series and maturity to be redeemed shall be made in accordance with the
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1 operational arrangements then in effect at DTC. If the 2023 Bonds of a series are
2 no longer held by a depository, the selection of such 2023 Bonds of such series to
3 be redeemed and the surrender and reissuance thereof, as applicable, shall be
4 made as provided in the following provisions of this subsection B or in the Official
5 Statement. If the City redeems at any one time fewer than all of the 2023 Bonds of
6 a series having the same maturity date, the particular 2023 Bonds or portions of
7 2023 Bonds of such series and maturity to be redeemed shall be selected by lot (or
8 in such manner determined by the Bond Registrar) in increments of \$5,000. In the
9 case of a 2023 Bond of a denomination greater than \$5,000, the City and the Bond
10 Registrar shall treat each 2023 Bond as representing such number of separate
11 2023 Bonds each of the denomination of \$5,000 as is obtained by dividing the
12 actual principal amount of such 2023 Bond by \$5,000. In the event that only a
13 portion of the principal sum of a 2023 Bond is redeemed, upon surrender of such
14 2023 Bond at the designated office of the Bond Registrar there shall be issued to
15 the Registered Owner, without charge therefor, for the then unredeemed balance of
16 the principal sum thereof, at the option of the Registered Owner, a 2023 Bond or
17 2023 Bonds of like series, maturity and interest rate in any of the denominations
18 herein authorized. Notwithstanding the foregoing or anything else to the contrary in
19 this ordinance, the selection of any 2023 Bonds for redemption may be as provided
20 in the Bond Purchase Contract or Official Statement for such 2023 Bonds.
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C. Notice of Redemption.

(1) Official Notice. For so long as the 2023 Bonds of a series are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar shall provide any notice of redemption to any Beneficial Owners. The notice of optional redemption may be conditional. Unless waived by any owner of 2023 Bonds to be redeemed, official notice of any such redemption (which optional redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) 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 2023 Bond or 2023 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:

- (i) the redemption date,
- (ii) the redemption price,
- (iii) if fewer than all outstanding 2023 Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the 2023 Bonds to be redeemed,
- (iv) any conditions to redemption, and



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(v) the place where such 2023 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any optional redemption date, unless any condition to such redemption has not been satisfied or waived, or notice of such redemption has been rescinded or revoked, and on or prior to any mandatory redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the 2023 Bonds or portions of 2023 Bonds which are to be redeemed on that date. The City retains the right to rescind any optional redemption notice and the related optional redemption of 2023 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 2023 Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; 2023 Bonds Due. 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 2023 Bonds or portions of 2023 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 2023 Bonds at the redemption price, then from and after such date such 2023 Bonds or portions of 2023 Bonds shall cease to



1 bear interest. Upon surrender of such 2023 Bonds for redemption in accordance
2 with said notice, such 2023 Bonds shall be paid by the Bond Registrar at the
3 redemption price. Installments of interest due on or prior to the redemption date
4 shall be payable as herein provided for payment of interest. All 2023 Bonds which
5 have been redeemed shall be canceled by the Bond Registrar and shall not be
6 reissued.
7

8 (3) Additional Notice. In addition to the foregoing notice, further
9 notice shall be given by the City as set out below, but no defect in said further
10 notice nor any failure to give all or any portion of such further notice shall in any
11 manner defeat the effectiveness of a call for redemption if notice thereof is given as
12 above-prescribed. Each further notice of redemption given hereunder shall contain
13 the information required above for an official notice of redemption plus (i) the
14 CUSIP numbers of all 2023 Bonds being redeemed; (ii) the date of issue of the
15 2023 Bonds as originally issued; (iii) the rate of interest borne by each 2023 Bond
16 being redeemed; (iv) the maturity date of each 2023 Bond being redeemed; and
17 (v) any other descriptive information needed to identify accurately the 2023 Bonds
18 being redeemed. Each further notice of redemption may be sent at least 20 days
19 before the redemption date to each party entitled to receive notice pursuant to the
20 Continuing Disclosure Certificate and with such additional information as the City
21 shall deem appropriate, but such mailings shall not be a condition precedent to the
22 redemption of such 2023 Bonds.
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(4) Amendment of Notice Provisions. The foregoing notice provisions of this section, 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.

D. Purchase of 2023 Bonds. The City reserves the right to purchase any or all of the 2023 Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Section 6. Form of 2023 Bonds; Execution. The 2023 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 a Designated Representative, consistent with this ordinance.

The 2023 Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk and the seal of the City shall be impressed, imprinted, or otherwise reproduced thereon.

Only such 2023 Bonds as shall bear thereon a Certificate of Authentication in the form provided herein, manually executed by 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 2023 Bonds so



1 authenticated have been duly executed, authenticated and delivered hereunder and
2 are entitled to the benefits of this ordinance.

3 In case either of the officers who shall have executed the 2023 Bonds shall
4 cease to be an officer or officers of the City before the 2023 Bonds so signed shall
5 have been authenticated or delivered by the Bond Registrar, or issued by the City,
6 such 2023 Bonds may nevertheless be authenticated, delivered, and issued and
7 upon such authentication, delivery, and issuance, shall be as binding upon the City
8 as though those who signed the same had continued to be such officers of the City.
9 Any 2023 Bond may be signed and attested on behalf of the City by such persons
10 who at the date of the actual execution of such 2023 Bond, are the proper officers
11 of the City, although at the original date of such 2023 Bond any such person shall
12 not have been such officer of the City.
13
14

15 Section 7. Lost or Destroyed 2023 Bonds. In case any 2023 Bonds shall be
16 lost, stolen, or destroyed, the Bond Registrar may authenticate and deliver a new
17 2023 Bond or 2023 Bonds of like series, amount, date, tenor, and effect to the
18 owner thereof upon the owner paying the expenses and charges of the City in
19 connection therewith and upon filing with the Bond Registrar evidence satisfactory
20 to the Bond Registrar that such 2023 Bond(s) were actually lost, stolen, or
21 destroyed and of ownership thereof, and upon furnishing the City with indemnity
22 satisfactory to both.
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25 Section 8. Deposit of Proceeds of the 2023 Bonds; Refunding Plan.
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A. Upon closing of the 2023 Bonds, the City shall deposit proceeds of each series of 2023 Bonds (net of the Underwriters' discount and any associated fees and costs) as provided in this section.

B. An amount, if any, shall be deposited into the Reserve Account or a separate reserve account to satisfy the Reserve Account Requirement with respect to the 2023 Bonds.

C. For the purpose of realizing a debt service savings and/or to restructure the Refunded Bonds, the City proposes to apply a portion of the proceeds of the 2023 Bonds to defease and/or redeem the Refunded Bonds as set forth herein. If a Designated Representative determines that it is in the best interest of the City to proceed with the refunding authorized herein, a Designated Representative shall designate all or a portion of the Refunding Candidates as Refunded Bonds and such designation shall be set forth in the Bond Purchase Contract. Each Designated Representative is further authorized to appoint an escrow agent ("Escrow Agent") to assist in the refunding plan authorized herein.

A portion of the proceeds of such series of 2023 Bonds, together with other available funds of the City, if any, shall be deposited with the Escrow Agent on behalf of the City in the Refunding Account, which is hereby authorized to be created, pursuant to an Escrow Agreement to be used immediately upon receipt thereof to defease or redeem, as applicable, the Refunded Bonds as authorized by the bond ordinances authorizing the Refunded Bonds, and to pay costs of



1 issuance of such series of 2023 Bonds. The net proceeds deposited with the
2 Escrow Agent shall be used to defease the Refunded Bonds and discharge the
3 obligations thereon by either holding the funds uninvested or through the purchase
4 of certain Acquired Obligations bearing such interest and maturing as to principal
5 and interest in such amounts and at such times which, together with any necessary
6 beginning cash balance, will provide for the payment of interest on the Refunded
7 Bonds as the same becomes due on and prior to the Call Date for the Refunded
8 Bonds, and the redemption price (100 percent of the principal amount) of the
9 Refunded Bonds on the Call Date. Such Acquired Obligations shall be purchased
10 at a yield not greater than the yield permitted by the Code and regulations relating
11 to acquired obligations in connection with refunding bond issues.
12

14 A cash balance and the Acquired Obligations shall be deposited irrevocably
15 with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. In
16 order to carry out the purposes of this section, each Designated Representative
17 and the Finance Director are authorized and directed to execute and deliver to the
18 Escrow Agent an Escrow Agreement.
19

20 The City hereby irrevocably sets aside sufficient funds out of the purchase
21 of Acquired Obligations from proceeds of one or more series of 2023 Bonds to
22 make the payments described above. In the Escrow Agreement, the City shall
23 irrevocably call the Refunded Bonds for redemption on the Call Date in accordance
24 with the provisions of the bond ordinances authorizing the redemption and
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1 retirement of the Refunded Bonds prior to their fixed maturities. Said defeasance
2 and call for redemption of the Refunded Bonds shall be irrevocable after the
3 delivery of the cash and Acquired Obligations to the Escrow Agent.

4 The Escrow Agent is hereby authorized and directed to provide for the
5 giving of notices of the redemption of the Refunded Bonds in accordance with the
6 applicable provisions of the bond ordinances authorizing the issuance of the
7 Refunded Bonds. The costs of publication of such notices shall be an expense of
8 the City.

9
10 Section 9. Flow of Funds. The Gross Revenue of the Water System shall
11 be used for the following purposes only and shall be applied in the following order
12 of priority:

- 13
14 A. To pay the Operation and Maintenance Expenses;
- 15 B. To pay interest on Parity Bonds and net payments on Parity Payment
16 Agreements when due;
- 17
18 C. To pay the principal of Parity Bonds as it comes due at maturity or as
19 the principal is required to be paid pursuant to mandatory redemption requirements
20 applicable to Term Bonds, and to make payments due under any reimbursement
21 agreement with a Bond Insurer which agreement requires those payments to be
22 treated on a parity of lien with the Parity Bonds;
- 23
24 D. To make all payments required to be made into the Reserve Account
25 and into any separate reserve account that secures the payment of Parity Bonds,
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1 all payments required to be made under any agreement relating to the provision of
2 Reserve Insurance, and payments due under any reimbursement agreement with a
3 Bond Insurer which agreement requires those payments to be treated on a parity of
4 lien with the payments required to be made into the Reserve Account or any
5 separate reserve account that secures the payment of Parity Bonds;
6

7 E. To make all payments required to be made into any revenue bond,
8 note, warrant, or other revenue obligation redemption fund, debt service account, or
9 reserve account created to pay or secure the payment of the principal of and
10 interest on any revenue bonds, notes, warrants, or other obligations of the City
11 having a lien upon the revenue of the Water System junior and inferior to the lien
12 thereon for the payment of the principal of and interest on the Parity Bonds,
13 including any junior lien State loans that are obligations of the Water System; and
14

15 F. To retire by redemption or purchase in the open market any
16 outstanding revenue bonds or other revenue obligations of the Water System; to
17 make necessary additional betterments, improvements, and repairs to or
18 extensions and replacements of the Water System; to make deposits into the Rate
19 Stabilization Account; or for any other lawful Water System purposes, including
20 payment of gross earnings taxes to the City's General Fund.
21

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

2 The City shall promptly collect all assessments levied in any utility local
3 improvement district now or hereafter created to secure the payment of the principal
4 of and interest on any Parity Bonds and shall pay the same into the Bond Fund,
5 except for any prepaid assessments permitted by law to be paid into a construction
6 fund or account.
7

8 Section 10. Bond Fund. The Bond Fund has been created in the Water
9 Division Fund, known as the Water Revenue Bond Fund, and is further divided
10 into two accounts: the Debt Service Account and the Reserve Account. At the
11 option of the City, separate accounts may be created in the Bond Fund for the
12 purpose of paying or securing the payment of principal, premium, if any, and
13 interest on any series of Parity Bonds. So long as any Parity Bonds are
14 outstanding, the City shall set aside and pay into the Bond Fund out of the Net
15 Revenue, certain fixed amounts without regard to any fixed proportion, namely:
16
17

18 A. Debt Service Account. Into the Debt Service Account on or before
19 each interest or principal and interest payment date of any Parity Bonds at least
20 an amount which, together with other money on deposit therein, will be
21 sufficient to pay the interest, or principal and interest, to become due and
22 payable on the Parity Bonds on that payment date, including any Parity Bonds
23 subject to mandatory redemption on that date, and net payments due on Parity
24 Payment Agreements; and
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B. Reserve Account. Into the Reserve Account the Reserve Account Requirement for any Parity Bonds secured by the Reserve Account, and into any other separate reserve account the Reserve Account Requirement for any Parity Bonds secured by such separate reserve account.

(1) Once the 2005 Bonds are no longer outstanding, the City may establish separate reserve accounts and separate Reserve Account Requirements (which may be zero (\$0.00)) for a series of Future Parity Bonds, in which case the Reserve Account shall not secure such Future Parity Bonds. Further, once the 2005 Bonds are no longer outstanding, the 2015 Bonds will be released and will no longer be secured by the Reserve Account or any other debt service reserve account.

(2) Each Designated Representative is authorized to determine whether the 2023 Bonds will be secured by the Reserve Account for a period less than the initial final maturity date thereof, and thereafter (1) by a separate reserve account with a different Reserve Account Requirement, or (2) not be secured by a reserve account at all. Such determination shall be set forth in the Bond Purchase Contract. Notice of any change in the Reserve Account Requirement or release of the Reserve Account with respect to the 2023 Bonds will be given by the City in a manner similar to a release or substitution of property securing the 2023 Bonds in accordance with the Continuing Disclosure Certificate.



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(3) The following subsection (3) applies to the Reserve Account so long as it secures payment of any Parity Bonds. Provisions related to a separate reserve account established for one or more series of Future Parity Bonds shall be set forth in the applicable Parity Bond Authorizing Ordinance(s).

The City may, at any time, provide all or any part of the Reserve Account Requirement through Reserve Insurance, and the amount available to be drawn upon under that Reserve Insurance shall be credited against the Reserve Account Requirement, subject to the following:

The Reserve Insurance shall not be cancelable on less than three years' notice. On receipt of a notice of cancellation of any Reserve Insurance or upon notice that the entity providing the Reserve Insurance no longer meets the requirements specified herein, the City shall substitute Reserve Insurance in the amount required to make up the deficiency created in the Reserve Account or in the alternative shall create a special account in the Water Division Fund and deposit therein, on or before the 25th day of each of the 36 succeeding calendar months (commencing with the 25th day of the calendar month next following the date of the notice) 1/36th of the amount sufficient, together with other money and investments on deposit in the Reserve Account, to equal the Reserve Account Requirement in effect as of the date the cancellation or disqualification of the entity becomes effective. Those amounts shall be deposited in the



1 special account from money in the Water Division Fund after making provision
2 for payment of Operation and Maintenance Expenses and for required
3 payments into the Bond Fund. Amounts on deposit in that special account shall
4 not be available to pay debt service on Parity Bonds or for any other purpose of
5 the City, and shall be transferred to the Reserve Account on the effective date
6 of any cancellation of a Reserve Insurance to make up all or part of the
7 deficiency caused thereby. Amounts in that special account or in the Reserve
8 Account may be transferred back to the Water Division Fund and used for any
9 purpose if and when qualifying Reserve Insurance is obtained.
10

11
12 Except for withdrawals therefrom and payments over time as authorized
13 herein, the Reserve Account shall be maintained at the Reserve Account
14 Requirement applicable to the Parity Bonds secured by the Reserve Account,
15 as it may be adjusted from time to time, at all times so long as any Parity Bonds
16 secured by the Reserve Account remain outstanding. For the purpose of
17 determining the amount credited to the Reserve Account, obligations in which
18 money in the Reserve Account has been invested shall be valued at the greater
19 of cost or accreted value.
20

21 In the event that there shall be a deficiency in the Debt Service Account
22 to meet maturing installments of either principal or interest or mandatory
23 redemption requirements for the Parity Bonds secured by the Reserve Account,
24 as the case may be, that deficiency shall be made up from the Reserve Account
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1 by the withdrawal of cash or draws on the Reserve Insurance therefrom for that
2 purpose. Any deficiency created in the Reserve Account by reason of any such
3 withdrawal shall, within 12 months, be made up from Net Revenue available
4 after making necessary provisions for the required payments into the Debt
5 Service Account.
6

7 The money in the Reserve Account may be applied to the payment of the
8 last outstanding Parity Bonds secured by the Reserve Account payable out of
9 the Bond Fund, except that any money in the Reserve Account (including
10 investment earnings) in excess of the applicable Reserve Account Requirement
11 may be withdrawn and deposited in the Debt Service Account and spent for the
12 purpose of retiring Parity Bonds secured by the Reserve Account or may be
13 deposited in any other fund or account and spent for any other lawful Water
14 System purpose.
15

16 (4) When the total amount in the Bond Fund (including
17 investment earnings) shall equal the total amount of principal and interest for all
18 Parity Bonds to the last maturity thereof, no further payment need be made into
19 the Bond Fund.
20

21 The City may provide for the purchase, redemption, or defeasance of
22 any Parity Bonds by the use of money on deposit in any account in the Bond
23 Fund as long as the money remaining in those accounts is sufficient to satisfy
24 the required deposits in those accounts for the remaining Parity Bonds.
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All money in the Bond Fund may be kept in cash or invested in legal investments (including the City's investment pool) maturing, for investments in the Debt Service Account, not later than the dates when the funds are required for the payment of principal of or interest on the Parity Bonds and, for investments in the Reserve Account, maturing (or subject to redemption, or repurchase and redemption, at the option of the City) on a date not later than 15 years from the date of investment. All such investments shall be acquired at Fair Market Value.

Earnings from investments in the Debt Service Account shall be deposited in that account. Earnings from investments in the Reserve Account shall be deposited in that account if necessary to meet the applicable Reserve Requirement. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit into a separate fund or account created for the purpose of compliance with those rebate requirements.

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



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

5
6 C. Money in each of the subaccounts described in this Section 10 may
7 be used, if necessary, to pay rebate amounts to the extent that such rebate
8 amounts are directly attributable to earnings on such subaccount.

9 Section 11. Rate Stabilization Account. There has previously been
10 established in the Water Division Fund a Rate Stabilization Account. The City
11 may, at any time, as determined by the City and as consistent with Section 9 of
12 this ordinance, deposit in the Rate Stabilization Account Gross Revenue and
13 any other money received by the Water System and available to be used
14 therefor, excluding principal proceeds of Parity Bonds or other borrowing. Net
15 Revenue for a Fiscal Year shall not include deposits into the Rate Stabilization
16 Account. The City may withdraw money from the Rate Stabilization Account for
17 inclusion in the Net Revenue for any Fiscal Year of the Water System, except
18 that: (a) the total amount withdrawn from the Rate Stabilization Account in any
19 Fiscal Year of the Water System may not exceed the total debt service of the
20 Water System in that year; and (b) the Net Revenue in that Fiscal Year,
21 disregarding the amounts withdrawn from the Rate Stabilization Account, must
22 equal at least 1.0 times the Annual Debt Service that year on all Parity Bonds.
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1 Such deposits or withdrawals may be made up to and including the date
2 90 days after the end of the Fiscal Year for which the deposit or withdrawal will
3 be included as Net Revenue for that Fiscal Year.

4 Earnings from investments in the Rate Stabilization Account shall be
5 deposited in that account or another fund or account of the Water System. If
6 earnings from investments in the Rate Stabilization Account are deposited into
7 that account, such amounts shall not be included in the calculation of Net
8 Revenue unless and until withdrawn from that account as provided above.

9 Investments shall be acquired at Fair Market Value.

10 No deposit of Gross Revenue shall be made into the Rate Stabilization
11 Account to the extent that such deposit would prevent the City from meeting the
12 Coverage Requirement in the relevant Fiscal Year.

13 Section 12. Finding as to Sufficiency of Gross Revenue. The City finds
14 that the Gross Revenue and benefits to be derived from the operation and
15 maintenance of the Water System of the City at the rates to be charged for
16 water and other services and commodities from the Water System will be more
17 than sufficient to meet all Operation and Maintenance Expenses and to permit
18 the setting aside into the Bond Fund out of the Gross Revenue of amounts
19 sufficient to pay the principal of and interest on the Bonds and any mandatory
20 redemption requirements when due. The City further declares that in creating
21 the Bond Fund and in fixing the amounts to be paid into the Bond Fund it has
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1 exercised due regard for Operation and Maintenance Expenses, and the City
2 has not bound and obligated itself to set aside and pay into the Bond Fund a
3 greater amount or proportion of the Gross Revenue than in the judgment of the
4 City will be available over and above the Operation and Maintenance
5 Expenses.
6

7 Section 13. Pledge of Gross Revenue and Lien Position. The Gross
8 Revenue of the Water System and all money and investments held in the Bond
9 Fund (including the Reserve Account or any separate reserve account to the
10 extent such account secures the payment of Parity Bonds), the Rate Stabilization
11 Account, and any construction fund (except money and investments held in a
12 separate fund or account created for the purpose of compliance with rebate
13 requirements under the Code), is pledged to the payment of the Parity Bonds and
14 to make payments into the Reserve Account or any separate reserve account
15 required by the Parity Bond Authorizing Ordinances, and this pledge shall
16 constitute a lien and charge upon the Gross Revenue prior and superior to any
17 other charges whatsoever, except subject to the Operation and Maintenance
18 Expenses of the Water System. The pledge of Gross Revenue of the Water
19 System to the payment of the Parity Bonds is on a parity of lien as the payment of
20 other parity lien obligations as provided in the Parity Bond Authorizing Ordinances.
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24 The Gross Revenue and other money and securities hereby pledged
25 shall immediately be subject to the lien of this pledge without any physical
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1 delivery or further act, and the lien of this pledge shall be valid and binding as
2 against all parties having claims of any kind in tort, contract or otherwise against
3 the City.

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

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

17 Section 14. Defeasance. In the event that the City, to effect the payment,
18 retirement, or redemption of any 2023 Bond, sets aside in the Bond Fund or in
19 another special account, cash or noncallable Government Obligations, or any
20 combination of cash and/or noncallable Government Obligations, in amounts
21 and maturities which, together with the known earned income therefrom, are
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1 sufficient to redeem and retire such 2023 Bond in accordance with its terms and
2 to pay when due the interest and redemption premium, if any, thereon, and
3 such cash and/or noncallable Government Obligations are irrevocably set aside
4 and pledged for such purpose, then no further payments need be made into the
5 Bond Fund for the payment of the principal of and interest on such 2023 Bond.
6
7 The owner of a 2023 Bond so provided for shall cease to be entitled to any
8 benefit or security of this ordinance except the right to receive payment of
9 principal, premium, if any, and interest from the Bond Fund or such special
10 account, and such 2023 Bond shall be deemed to be not outstanding under this
11 ordinance.
12

13 The City shall give written notice of defeasance to the Registered Owners of
14 the 2023 Bonds and to each party entitled to receive notice in accordance with the
15 Continuing Disclosure Certificate.

16 Section 15. Tax Covenants. The 2023 Bonds of a series may be issued
17 as Tax-Exempt Bonds. The City hereby covenants that it will take all actions
18 necessary to assure the exclusion of interest on the Tax-Exempt Bonds from
19 the gross income of the Owners of the Tax-Exempt Bonds, to the same extent
20 as such interest is permitted to be excluded from gross income under the Code
21 as in effect on the Issue Date of the Tax-Exempt Bonds, including, but not
22 limited to, the following:
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A. Private Activity Bond Limitation. The City will assure that the proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt 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 refinanced with proceeds of the Tax-Exempt Bonds other than in the ordinary course of an established government program under Treasury Regulation Section 1.141-2(d)(4) or (ii) any real property components of such 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 Tax-Exempt Bonds as excludable from gross income for federal income tax purposes.

C. Federal Guarantee Prohibition. The City will not take any action or permit to suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt 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 Tax-Exempt Bonds.



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E. No Arbitrage. The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Issue Date of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

F. System of Registration. The City will maintain a system for recording the ownership of the Tax-Exempt Bonds that complies with the provisions of Section 149 of the Code until the Tax-Exempt 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 Tax-Exempt Bonds for at least three years after the Tax-Exempt Bonds mature or are prepaid (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed prior to maturity, 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 Tax-Exempt Bonds.

H. Compliance with Federal Tax Certificate. The City will comply with the provisions of the Federal Tax Certificate with respect to the Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein.



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The covenants of this section will survive payment in full or defeasance of the Tax-Exempt Bonds.

Section 16. Covenants. The City covenants and agrees with the owner of each Bond at any time outstanding, as follows:

A. Operation and Maintenance. It will at all times maintain, preserve, and keep the properties of the Water 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 Water System and the business in connection therewith in an efficient manner and at a reasonable cost.

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

(1) The Gross Revenue will be sufficient to: (i) pay all Operation and Maintenance Expenses; (ii) pay when due all amounts that the City is obligated to pay into the Bond Fund and the accounts therein; and (iii) pay all taxes, assessments, or other governmental charges lawfully imposed on the Water System or the revenue therefrom or payments in lieu thereof and any



1 and all other amounts which the City may now or hereafter become obligated to
2 pay from the Gross Revenue by law or contract; and

3 (2) The Net Revenue of the Water System in each Fiscal Year of
4 the Water System will be at least equal to the Coverage Requirement.
5

6 The failure of the City to comply with subparagraphs (1) and (2) of this
7 subsection B shall not be an Event of Default as defined in Section 27 of this
8 ordinance if the City promptly retains an Independent Consulting Engineer or,
9 once the 2005 Bonds and 2009 Bonds are no longer outstanding, an
10 independent certified public accountant, to recommend to the City Council
11 adjustments in the rates of the Water System necessary to meet the
12 requirements of those subparagraphs and if the City Council adopts the
13 recommended modifications within 180 days of the date the failure become
14 known to the City Council.
15

16 C. Sale, Transfer, or Disposition of the Water System. It will sell,
17 transfer, or otherwise dispose of any of the works, plant, properties, facilities, or
18 other part of the Water System or any real or personal property comprising a
19 part of the Water System only upon approval by ordinance and only consistent
20 with one or more of the following:
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22 (1) The City may exchange any of the works, plant, properties,
23 facilities, or other part of the Water System for works, plant, properties, or
24 facilities of substantially the same type, use and value; or
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(2) The City, in its discretion, may carry out such a sale, transfer, or disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property transferred are not material to the operation of the Water System, or shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Water System or are no longer necessary, material, or useful to the operation of the Water System; or

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

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

(i) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Gross Revenue of the Water System from the portion



1 of the Water System sold or disposed of for the preceding year bears to the
2 total Gross Revenue of the Water System for that period;

3 (ii) An amount which will be in the same proportion to the
4 net amount of Parity Bonds then outstanding (as defined above) that the Net
5 Revenue from the portion of the Water System sold or disposed of for the
6 preceding year bears to the total Net Revenue of the Water System for such
7 period; or

9 (iii) An amount which will be in the same proportion to the
10 net amount of Parity Bonds then outstanding (as defined above) that the
11 depreciated cost value of the portion of the Water System sold or disposed of
12 bears to the depreciated cost value of the entire Water System immediately
13 prior to such sale or disposition.

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

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

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

9 E. Liens Upon the Water System. Except as otherwise provided in this
10 ordinance, it will not at any time create or permit to accrue or to exist any lien or
11 other encumbrance or indebtedness upon the Gross Revenue or any part
12 thereof, prior or superior to the lien thereon for the payment of the Parity Bonds,
13 and will pay and discharge, or cause to be paid and discharged, any and all
14 lawful claims for labor, materials, or supplies which, if unpaid, might become a
15 lien or charge upon the Gross Revenue or any part thereof, prior or superior to,
16 or on a parity with, the lien of the Parity Bonds, or which might impair the
17 security of the Parity Bonds.

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

24 H. Maintenance of Insurance. It at all times will carry fire and extended
25 coverage, public liability and property damage and such other forms of
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1 insurance with responsible insurers and with policies payable to the City on
2 such of the buildings, equipment, works, plants, facilities and properties of the
3 Water System as are ordinarily carried by municipal or privately owned utilities
4 engaged in the operation of like systems, and against such claims for damages
5 as are ordinarily carried by municipal or privately owned utilities engaged in the
6 operation of like systems, or it will self insure or will participate in an insurance
7 pool or pools with reserves adequate, in the reasonable judgment of the City, to
8 protect the Water System and the owners of the Parity Bonds against loss.
9

10 I. Condemnation Awards and Insurance Proceeds. If the City
11 receives any condemnation awards or proceeds of an insurance policy in
12 connection with any loss of or damage to any property of the Water System, it
13 shall apply the condemnation award or insurance proceeds, in the City's sole
14 discretion, either: (A) to the cost of replacing or repairing the lost or damaged
15 properties; (B) to the payment, purchase or redemption of Parity Bonds; or
16 (C) to the cost of improvements to the Water System.
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19 Section 17. Payment Agreements and Parity Payment Agreements.

20 A. Calculation of Debt Service on Parity Bonds With Respect to Which a
21 Payment Agreement Is in Force. Debt service on Parity Bonds with respect to
22 which a Payment Agreement is in force shall be calculated based on the net
23 economic effect on the City expected to be produced by the terms of the Parity
24 Bonds and the terms of the Payment Agreement, including, but not limited to,
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1 the effects that: (1) Parity Bonds that would, but for a Payment Agreement, be
2 treated as obligations bearing interest at a Variable Interest Rate instead shall
3 be treated as obligations bearing interest at a fixed interest rate; and (2) Parity
4 Bonds that would, but for a Payment Agreement, be treated as obligations
5 bearing interest at a fixed interest rate instead shall be treated as obligations
6 bearing interest at a Variable Interest Rate. Accordingly, the amount of interest
7 deemed to be payable on any Parity Bonds with respect to which a Payment
8 Agreement is in force shall be an amount equal to the amount of interest that
9 would be payable at the rate or rates stated in those Parity Bonds plus Payment
10 Agreement Payments minus Payment Agreement Receipts. For the purposes
11 of calculating as nearly as practicable Payment Agreement Receipts and
12 Payment Agreement Payments, under a Payment Agreement that includes a
13 variable rate component determined by reference to a pricing mechanism or
14 index that is not the same as the pricing mechanism or index used to determine
15 the variable rate interest component on the Parity Bonds to which the Payment
16 Agreement is related, it shall be assumed that the fixed rate used in calculating
17 Payment Agreement Payments will be equal to 105% of the fixed rate specified
18 by the Payment Agreement and that the pricing mechanism or index specified
19 by the Payment Agreement is the same as the pricing mechanism or index
20 specified by the Parity Bonds.
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B. Debt Service on Parity Payment Agreements. No additional debt service shall be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on related Parity Bonds under subsection A of this Section 17. However, for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any outstanding Parity Bonds because the Parity Payment Agreement is not then related to any outstanding Parity Bonds, debt service on that Parity Payment Agreement shall be taken into account by assuming:

(1) City Obligated to Make Payments Based on Fixed Rate. If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, that payments by the City will be based on the assumed fixed rate, and that payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and

(2) City Obligated to Make Payments Based on Variable Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make



1 payment based on a fixed rate, that payments by the City will be based on a
2 rate equal to the average rate determined by the variable rate index specified
3 by the Parity Payment Agreement during the fiscal quarter preceding the
4 quarter in which the calculation is made, and that the Qualified Counterparty will
5 make payments based on the fixed rate specified by the Parity Payment
6 Agreement.
7

8 Section 18. Future Parity Bonds. The City reserves the right to issue
9 Future Parity Bonds and to enter into Parity Payment Agreements for purposes
10 of the Water System or to refund a portion of the Parity Bonds if the following
11 conditions are met and complied with at the time of the issuance of those
12 Future Parity Bonds or entering into the Parity Payment Agreement:
13

14 A. There shall be no deficiency in the Bond Fund and no Event of
15 Default as defined in Section 27 shall have occurred and be continuing.
16

17 B. The Parity Bond Authorizing Ordinance shall provide that all
18 assessments and interest thereon that may be levied in any utility local
19 improvement district created for the purpose of paying, in whole or in part, the
20 principal of and interest on those Future Parity Bonds, shall be paid directly into
21 the Bond Fund, except for any prepaid assessments permitted by law to be paid
22 into a construction fund or account.
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24 C. The Parity Bond Authorizing Ordinance shall provide for the payment
25 of the principal thereof and interest thereon out of the Bond Fund.
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D. The Parity Bond Authorizing Ordinance shall provide for the payment of amounts into the Bond Fund to meet mandatory redemption requirements applicable to any Term Bonds to be issued and for regular payments to be made for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of those Term Bonds prior to their maturity date from money in the Debt Service Account.

E. If the Future Parity Bonds proposed to be issued are secured by the Reserve Account, the Parity Bond Authorizing Ordinance shall provide for the deposit into the Reserve Account of: (1) an amount, if any, necessary to fund the Reserve Account Requirement upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money legally available; or (2) Reserve Insurance or an amount plus Reserve Insurance necessary to fund the Reserve Account Requirement upon the issuance of those Future Parity Bonds; or (3) amounts necessary to fund the Reserve Account Requirement from Net Revenue within five years from the date of issuance of those Future Parity Bonds, in five approximately equal annual payments. Once the 2005 Bonds are no longer outstanding, such Future Parity Bonds may be secured by a separate reserve account with a separate Reserve Account Requirement, which may be zero.

F. There shall be on file with the City either:



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

(2) A certificate of an Independent Consulting Engineer or, once the 2005 Bonds and 2009 Bonds are no longer outstanding, an independent certified public accountant, that, in such individual's opinion, the Net Revenue will be at least equal to 1.25 times the projected Average Annual Debt Service for all Parity Bonds including the Future Parity Bonds proposed to be issued. In providing that certificate, the Independent Consulting Engineer, or independent certified public accountant, may take into account the following adjustments:

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

(ii) Net revenue from customers of the Water System who have become customers during the 12 consecutive month period, or thereafter, and their estimate of net revenue from any customers to be connected to the Water System who have paid the required connection charges, adjusted to reflect one year's net revenue from those customers;



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(iii) The Independent Consulting Engineer's, or independent certified public account's, estimate of customers anticipated to be served by facilities or improvements financed in substantial part by those Future Parity Bonds (or additional Parity Bonds expected to be issued during the five-year period); and

(iv) Net revenue from any person, firm, corporation, or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the Water System.

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, no such coverage certification shall be required if the Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for any year in which Parity Bonds are outstanding, more than \$5,000 over the Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity Bonds.

Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue bonds that are a charge or lien upon the Gross Revenue subordinate to the charge or lien of the Parity Bonds, or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on



1 those junior lien bonds as long as such utility local improvement district
2 assessments are levied for improvements constructed from the proceeds of
3 those junior lien bonds.

4 Section 19. Reimbursement Obligations. If the City elects to meet the
5 Reserve Account Requirement or any portion thereof through the use of
6 Reserve Insurance or elects to secure any issue of Parity Bonds through the
7 use of Bond Insurance, the City may contract with the entity providing such
8 Reserve Insurance or Bond Insurance to the effect that the City's
9 reimbursement obligation, if any, to such entity ranks on a parity of lien with the
10 Parity Bonds.
11

12 Section 20. Separate Utility Systems. The City may create, acquire,
13 construct, finance, own, and operate one or more additional systems for water
14 supply, transmission, treatment, or other commodity or service. The Regional
15 System has been created as a separate system. The revenue of any separate
16 utility system shall not be included in the Gross Revenue of the Water System
17 and may be pledged to the payment of revenue obligations issued to purchase,
18 construct, condemn, or otherwise acquire or expand the separate utility system.
19 Neither the Gross Revenue nor the Net Revenue of the Water System shall be
20 pledged by the City to the payment of any obligations of a separate utility
21 system except: (A) as a Contract Resource Obligation upon compliance with
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1 Section 21; and/or (B) with respect to the Net Revenue, on a basis subordinate
2 to the lien of the Parity Bonds on that Net Revenue.

3 Section 21. Contract Resource Obligations. The City may at any time
4 enter into one or more contracts or other obligations for the acquisition, from
5 facilities to be constructed, of water supply, transmission, treatment, or other
6 commodity or service relating to the Water System. The City's obligation with
7 respect to the Regional System is a Contract Resource Obligation. The City
8 may determine that such contract or other obligation is a Contract Resource
9 Obligation, and may provide that all payments under that Contract Resource
10 Obligation (including payments prior to the time that water supply, transmission,
11 treatment or other commodity or service is being provided, or during a
12 suspension or after termination of supply or service) shall be Operation and
13 Maintenance Expenses if the following requirements are met at the time such
14 Contract Resource Obligation is entered into:

15 A. No Event of Default as defined in Section 27 of this ordinance has
16 occurred and is continuing.

17 B. There shall be on file a certificate of an Independent Consulting
18 Engineer or, once the 2005 Bonds, the 2009 Bonds and the 2010 Bonds are no
19 longer outstanding, an independent certified public accountant, stating that:

20 (1) the payments to be made by the City in connection with the Contract
21 Resource Obligation are reasonable for the supply, transmission, treatment, or
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1 other service rendered; (2) the source of any new supply, and any facilities to
2 be constructed to provide the supply, transmission, treatment, or other service,
3 are sound from a water or other commodity supply or transmission planning
4 standpoint, are technically and economically feasible in accordance with
5 prudent utility practice, and are likely to provide supply or transmission or other
6 service no later than a date set forth in the Independent Consulting Engineer's,
7 or independent certified public accountant's, certification; and (3) the Net
8 Revenue (further adjusted by the Independent Consulting Engineer's, or
9 independent certified public accountant's, estimate of the payments to be made
10 in accordance with the Contract Resource Obligation) for the five Fiscal Years
11 following the year in which the Contract Resource Obligation is incurred, as
12 such Net Revenue is estimated by the Independent Consulting Engineer, or
13 independent certified public accountant (with such estimate based on such
14 factors as he or she considers reasonable), will be at least equal to the
15 Coverage Requirement.
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19 Payments required to be made under Contract Resource Obligations
20 shall not be subject to acceleration.

21 Nothing in this section shall be deemed to prevent the City from entering
22 into other agreements for the acquisition of water supply, transmission,
23 treatment, or other commodity or service from existing facilities and from
24 treating those payments as Operation and Maintenance Expenses of the Water
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1 System. Nothing in this section shall be deemed to prevent the City from
2 entering into other agreements for the acquisition of water supply, transmission,
3 treatment, or other commodity or service from facilities to be constructed and
4 from agreeing to make payments with respect thereto, such payments
5 constituting a lien and charge on Gross Revenue subordinate to that of Parity
6 Bonds.
7

8 Section 22. Sale of 2023 Bonds.

9 A. Bond Sale. The 2023 Bonds shall be sold by negotiated public sale to
10 the Underwriters pursuant to the terms of the Bond Purchase Contract. The City
11 Council has determined that it would be in the best interest of the City to delegate to
12 the Designated Representatives, for a limited time, the authority to select the
13 Refunded Bonds from the Refunding Candidates, to designate each series of 2023
14 Bonds as Tax-Exempt Bonds or Taxable Bonds, to determine the Reserve Account
15 Requirement and other related provisions in accordance with Section 10, and to
16 approve the final terms for each series of 2023 Bonds, including but not limited to
17 final interest rates, final maturity date, redemption terms, principal maturities, and
18 any other terms for each series of 2023 Bonds.
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21 Each Designated Representative is further authorized to designate all or a
22 portion of a series of 2023 Bonds allocated to refinance the portion of the Projects
23 which have environmentally beneficial attributes, as "Green Bonds," and to engage
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1 with such consultants and to undertake such action, execute such certificates, and
2 agree to such terms as necessary to accomplish such designation.

3 B. Sale Parameters. Subject to the terms and conditions set forth in this
4 section, each Designated Representative is hereby authorized to select the
5 Refunded Bonds from the Refunding Candidates, to designate the 2023 Bonds of a
6 series as Tax-Exempt Bonds or Taxable Bonds, to determine the Reserve Account
7 Requirement and other related provisions in accordance with Section 10, and to
8 approve the final interest rates, final maturity date, redemption terms and principal
9 maturities for each series of 2023 Bonds, and to agree to any other final terms for
10 each series of 2023 Bonds that are in the best interest of the City and necessary to
11 facilitate this ordinance so long as:
12

13 (1) the aggregate principal (face) amount of all 2023 Bonds issued
14 under this ordinance does not exceed \$75,000,000,
15

16 (2) the final maturity date for each series of 2023 Bonds is no later
17 than December 1, 2043,
18

19 (3) the aggregate purchase price for the 2023 Bonds of a series shall
20 not be less than 95 percent of the aggregate stated principal amount of such 2023
21 Bonds, excluding any original issue discount, and not greater than 140 percent,
22

23 (4) the 2023 Bonds of each series shall bear interest at fixed rates
24 per annum and the true interest cost for the 2023 Bonds of such series (in the
25 aggregate) does not exceed 4.50 percent, and
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(5) the 2023 Bonds of each series conform to all other terms of this ordinance.

The final terms of each series of 2023 Bonds shall be set forth in the Bond Purchase Contract. Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to execute the Bond Purchase Contract.

The authority granted to the Designated Representatives by this section shall expire one year from the effective date of this ordinance. If a Bond Purchase Contract for the 2023 Bonds has not been executed by such date, the authorization for the issuance of the 2023 Bonds shall be rescinded, and the 2023 Bonds shall not be issued nor their sale approved unless such 2023 Bonds are re-authorized by ordinance of the City Council at the request of the Board. The ordinance re-authorizing the issuance and sale of such 2023 Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a Bond Purchase Contract or establishing terms and conditions for the authority delegated under this section.

Section 23. General Authorization; Documents. Following the passage and approval of this ordinance, the proper officials of the City, including the Designated Representatives, the Mayor, the Finance Director, the Treasurer, the City Manager, the Assistant Finance Director/Controller, and the City Clerk, are authorized and directed to undertake all action necessary for the prompt execution and delivery of



1 the 2023 Bonds to the Underwriters and further to execute all closing certificates
2 and documents required to effect the closing and delivery of the 2023 Bonds in
3 accordance with the terms of this ordinance and the Bond Purchase Contract.
4 Such documents may include, but are not limited to, documents related to a
5 municipal bond insurance policy delivered by a Bond Insurer to insure the payment
6 when due of the principal of and interest on all or a portion of the 2023 Bonds as
7 provided therein, if such insurance is determined by a Designated Representative
8 to be in the best interest of the City.
9

10 Notwithstanding anything herein to the contrary, the signature of one
11 authorized official, including, but not limited to, the Designated Representatives,
12 shall be sufficient to bind the City.
13

14 Section 24. Preliminary and Final Official Statements. The Designated
15 Representatives and the City Finance Director are each hereby authorized to deem
16 final the preliminary Official Statement relating to the 2023 Bonds for the purposes
17 of the Rule. The Designated Representatives and the City Finance Director are
18 each further authorized to approve for purposes of the Rule, on behalf of the City,
19 the final Official Statement relating to the issuance and sale of the 2023 Bonds and
20 the distribution of the final Official Statement pursuant thereto with such changes, if
21 any, as may be deemed by such individual to be appropriate.
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24 Section 25. Ongoing Disclosure; Continuing Disclosure Certificate. The City
25 covenants to execute and deliver on each Issue Date a Continuing Disclosure
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1 Certificate consistent with the Rule. The Finance Director is hereby authorized to
2 execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery,
3 and sale of the 2023 Bonds with such terms and provisions as such officer shall
4 deem appropriate and in the best interests of the City.

5
6 Section 26. Amendatory and Supplemental Ordinances.

7 A. This ordinance shall not be modified or amended in any respect
8 subsequent to the initial issuance of the Parity Bonds, except as provided in
9 and in accordance with and subject to the provisions of this section.

10 B. Modification without Bondholder Consent. The City, from time to
11 time, and at any time, without the consent of or notice to the registered owners
12 of the Parity Bonds, may pass supplemental or amendatory ordinances as
13 follows:
14

15 (1) To cure any formal defect, omission, inconsistency, or
16 ambiguity in this ordinance in a manner not adverse to the owner of any Parity
17 Bond;
18

19 (2) To impose upon the Bond Registrar (with its consent) for the
20 benefit of the registered owners of the Parity Bonds any additional rights,
21 remedies, powers, authority, security, liabilities, or duties which may lawfully be
22 granted, conferred, or imposed and which are not contrary to or inconsistent
23 with this ordinance as theretofore in effect;
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(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 Parity Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Parity Bonds of different authorized denominations, redemptions of portions of Parity 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 Section 26(C);

(7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on the Parity Bonds from federal income taxation; and

(8) 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 requested by a



1 Bond Insurer or provider of Reserve Insurance and which are not materially
2 adverse to the registered owners of the Parity Bonds.

3 Before the City shall adopt any such supplemental ordinance pursuant to
4 this subsection, there shall have been delivered to the City and the Bond
5 Registrar an opinion of Bond Counsel, stating that such supplemental ordinance
6 is authorized or permitted by this ordinance and, upon the execution and
7 delivery thereof, will be valid and binding upon the City in accordance with its
8 terms and will not adversely affect the exclusion from gross income for federal
9 income tax purposes of interest on the tax-exempt Parity Bonds.
10

11
12 C. Modification with Bondholder Consent.

13 (1) Except for any supplemental ordinance entered into pursuant
14 to Section 26(B), subject to the terms and provisions contained in this section
15 and not otherwise, registered owners of not less than 60% in aggregate
16 principal amount of the Parity Bonds shall have the right from time to time to
17 consent to and approve the passage by the City of any supplemental ordinance
18 deemed necessary or desirable by the City for the purpose of modifying,
19 altering, amending, supplementing, or rescinding, in any particular, any of the
20 terms or provisions contained in this ordinance; except that, unless approved in
21 writing by the registered owners of all Parity Bonds, nothing contained in this
22 section shall permit, or be construed as permitting:
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(i) A change in the times, amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of any outstanding Parity Bond or a change in the redemption price of any outstanding Parity Bond or a change in the method of determining the rate of interest thereon;

(ii) A preference of priority of any Parity Bond or Bonds over any other Parity Bond or Bonds; or

(iii) A reduction in the aggregate principal amount of Parity Bonds, the consent of the registered owners of Parity Bonds of which is required for any such supplemental ordinance.

(2) If, at any time, the City shall pass any supplemental ordinance for any of the purposes of this section, the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first-class United States mail to all registered owners of the Parity Bonds, to any Bond Insurer, and to the Rating Agencies if the Parity Bonds are rated by those agencies. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all registered owners of the Parity Bonds.

(3) Within two years after the date of the mailing of such notice, the City may adopt such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the



1 Bond Registrar: (i) the required consents, in writing, of the registered owners of
2 the Parity Bonds; and (ii) an opinion of bond counsel stating that such
3 supplemental ordinance is authorized or permitted by this ordinance and, upon
4 the execution and delivery thereof, will be valid and binding upon the City in
5 accordance with its terms and will not adversely affect the exclusion from gross
6 income for federal income tax purposes of interest on the Parity Bonds.
7

8 (4) If registered owners of not less than the percentage of Parity
9 Bonds required by this section shall have consented to and approved the
10 execution and delivery thereof as herein provided, no owner of the Parity Bonds
11 shall have any right to object to the passage of such supplemental ordinance, or
12 to object to any of the terms and provisions contained therein or the operation
13 thereof, or in any manner to question the propriety of the passage thereof, or to
14 enjoin or restrain the City or the Bond Registrar from passing the same or from
15 taking any action pursuant to the provisions thereof.
16
17

18 D. Upon the execution and delivery of any supplemental ordinance
19 pursuant to the provisions of this section, this ordinance shall be, and be
20 deemed to be, modified and amended in accordance therewith, and the
21 respective rights, duties, and obligations under this ordinance of the City, the
22 Bond Registrar and all registered owners of Parity Bonds, shall thereafter be
23 determined, exercised and enforced under this ordinance subject in all respects
24 to such modifications and amendments.
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Section 27. Defaults and Remedies.

A. Events of Default. The following shall constitute "Events of Default" with respect to the Parity Bonds.

(1) If a default is made in the payment of the principal of or interest on any of the Parity Bonds when the same shall become due and payable.

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



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

B. Bondowners' Trustee. So long as such Event of Default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the registered owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys in fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State, the State of New York, or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses, and liabilities that may be incurred in the performance of its duties. In the event that any Event of Default in the sole judgment of the



1 Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the
2 City a certificate so stating, that Event of Default shall be conclusively deemed
3 to be cured and the City, the Bondowners' Trustee and the registered owners of
4 the Parity Bonds shall be restored to the same rights and position which they
5 would have held if no Event of Default had occurred.

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

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

24 Nothing contained in this section shall, in any event or under any
25 circumstance, be deemed to authorize the acceleration of maturity of principal

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1 of the Parity Bonds, and the remedy of acceleration is expressly denied to the
2 registered owners of the Parity Bonds under any circumstances including,
3 without limitation, upon the occurrence and continuance of an Event of Default.

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

8 D. Application of Money Collected by Bondowners' Trustee. Any money
9 collected by the Bondowners' Trustee, at any time pursuant to this section, shall
10 be applied in the following order of priority:
11

12 (1) First, to the payment of the charges, expenses, advances,
13 and compensation of the Bondowners' Trustee and the charges, expenses,
14 counsel fees, disbursements, and compensation of its agents and attorneys;
15

16 (2) Second, to the payment to the persons entitled thereto of all
17 installments of interest then due on the Parity Bonds in the order of maturity of
18 such installments and, if the amount available shall not be sufficient to pay in
19 full any installment or installments maturing on the same date, then to the
20 payment thereof ratably, according to the amounts due thereon to the persons
21 entitled thereto, without any discrimination or preference; and
22

23 (3) Third, to the payment to the persons entitled thereto of the
24 unpaid principal amounts of any Parity Bonds which shall have become due
25 (other than Parity Bonds previously called for redemption for the payment of
26



1 which money is held pursuant to the provisions hereto), whether at maturity or
2 by proceedings for redemption or otherwise, in the order of their due dates and,
3 if the amount available shall not be sufficient to pay in full the principal amounts
4 due on the same date, then to the payment thereof ratably, according to the
5 principal amounts due thereon to the persons entitled thereto, without any
6 discrimination or preference.
7

8 E. Duties and Obligations of Bondowners' Trustee. The Bondowners'
9 Trustee shall not be liable except for the performance of such duties as are
10 specifically set forth herein. During an Event of Default, the Bondowners'
11 Trustee shall exercise such of the rights and powers vested in it hereby, and
12 shall use the same degree of care and skill in its exercise, as a prudent person
13 would exercise or use under the circumstances in the conduct of such person's
14 own affairs. The Bondowners' Trustee shall have no liability for any act or
15 omission to act hereunder except for the Bondowners' Trustee's own negligent
16 action, its own negligent failure to act or its own willful misconduct. The duties
17 and obligations of the Bondowners' Trustee shall be determined solely by the
18 express provisions of this ordinance, and no implied powers, duties, or
19 obligations of the Bondowners' Trustee shall be read into this ordinance.
20
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22 The Bondowners' Trustee shall not be required to expend or risk its own
23 funds or otherwise incur individual liability in the performance of any of its duties
24 or in the exercise of any of its rights or powers as the Bondowners' Trustee,
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1 except as may result from its own negligent action, its own negligent failure to
2 act or its own willful misconduct.

3 The Bondowners' Trustee shall not be bound to recognize any person as
4 a registered owner of any Parity Bond until such person's title thereto, if
5 disputed, has been established to its reasonable satisfaction.
6

7 The Bondowners' Trustee may consult with counsel and the opinion of
8 such counsel shall be full and complete authorization and protection in respect
9 of any action taken or suffered by it hereunder in good faith and in accordance
10 with the opinion of such counsel. The Bondowners' Trustee shall not be
11 answerable for any neglect or default of any person, firm, or corporation
12 employed and selected by it with reasonable care.
13

14 F. Suits by Individual Bondowners Restricted. Neither the registered
15 owner nor the beneficial owner of any one or more of Parity Bonds shall have
16 any right to institute any action, suit, or proceeding at law or in equity for the
17 enforcement of same unless:
18

- 19 (1) An Event of Default has happened and is continuing;
20 (2) A Bondowners' Trustee has been appointed;
21 (3) Such owner previously shall have given to the Bondowners'
22 Trustee written notice of the Event of Default on account of which such suit,
23 action, or proceeding is to be instituted;
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(4) The registered owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, have made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action, or proceeding;

(5) There have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby; and

(6) The Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by such individual's action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

G. Payment Solely From Net Revenue and Certain Funds. Nothing in this section shall be deemed to require payment to Bondowners from any source other than the Net Revenue and money and investments in the funds pledged in Section 13 of this ordinance.



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Section 29. Miscellaneous.

A. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date of this ordinance is ratified, approved and confirmed.

B. Parity Bond Authorizing Ordinances. In the event of any inconsistency between the terms and provisions provided for in this ordinance and the Parity Bond Authorizing Ordinances for the Outstanding Parity Bonds, the terms and provisions of this ordinance shall control.

C. Corrections by Clerk. Upon approval of the City Attorney's Office 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.

D. Severability. If any one or more of the provisions of this ordinance is or are held by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions and shall in no way affect the validity of the other provisions of this ordinance.



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E. Effective Date. This ordinance shall take effect and be in force 10 days after its passage, approval and publication as required by law.

Passed: _____

Mayor

Attest:

City Clerk

Approved as to form and legality:

Pacifica Law Group LLP
Bond Counsel

By _____



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EXHIBIT A

FORM OF BOND

The 2023 Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON
CITY OF TACOMA, WASHINGTON

WATER SYSTEM REVENUE REFUNDING BOND, SERIES 2023

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

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____

The City of Tacoma, Washington (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 from _____, 2023, 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 _____ 1 and _____ 1. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal of and interest hereon 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 from the City to DTC. In the event that the bonds of this issue are no longer held in fully immobilized form, interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the fiscal agent of the State of Washington (the "Bond Registrar"); provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal



1 amount of bonds, interest will be paid by wire transfer on the date due to an
2 account with a bank located within the United States.

3 This bond is one of an authorized issue of \$ _____ City of
4 Tacoma, Washington, Water System Revenue Refunding Bonds, Series 2023
5 (“Bonds”). The Bonds are issued under and in accordance with the provisions of
6 the Constitution and applicable statutes of the State of Washington, Ordinance
7 No. _____ (“Bond Ordinance”) of the City. The Bonds are issued for the
8 purpose of refunding the City’s outstanding Water System Revenue and
9 Refunding Bonds, 2013 and paying costs of issuance.

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

12 The bonds of this issue are subject to redemption prior to their maturities
13 as provided in the Bond Ordinance.

14 The bonds of this issue are payable solely from the special fund of the City
15 known as the Water Revenue Bond Fund of the Water Division Fund (the “Bond
16 Fund”), created by Ordinance No. 25392. The City has irrevocably obligated and
17 bound itself to pay into the Bond Fund out of Net Revenue of the Water System
18 or from such other money as may be provided for such purpose certain amounts
19 necessary to pay and secure the payment of the principal and interest on the
20 Parity Bonds.

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

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

The City hereby covenants that it will perform all the covenants of this bond
and of the Bond Ordinance, and reference is hereby made to the Bond Ordinance
for a complete statement of such covenants.

The pledge of Gross Revenue of the Water System and other obligations
of the City under the Bond Ordinance may be discharged at or prior to the maturity



1 or redemption of the Bonds upon the making of provision for the payment thereof
2 on the terms and conditions set forth in the Bond Ordinance.

3 The bonds of this issue are special limited obligations of the City and are
4 not an obligation of the State of Washington or any political subdivision thereof
5 other than the City, and neither the full faith and credit nor the taxing power of the
6 City or the State of Washington is pledged to the payment of the bonds of this
7 issue.

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

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

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

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

IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused
this bond to be signed with the manual or facsimile signature of the Mayor and
attested by the manual or facsimile signature of the City Clerk, and the seal of
the City to be impressed or a manual or facsimile thereof to be imprinted hereon,
as of this ___ day of _____, 2023.



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CITY OF TACOMA, WASHINGTON

By _____ /s/
Mayor

ATTEST:

_____/s/
City Clerk

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Water System Revenue Refunding Bonds, Series 2023 of the City, dated _____, 2023.

WASHINGTON STATE FISCAL AGENT, as
Bond Registrar

By _____
Authorized Signer



CLERK'S CERTIFICATE

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

4 1. That the attached Ordinance No. _____ (herein called the
5 "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally
6 passed at a regular meeting of the Council held on the ____ day of
7 _____, 2023 and duly recorded in my office.

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

16 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the
17 official seal of the City as of this ____ day of _____, 2023.

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23 _____
24 City Clerk
25 City of Tacoma
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