

1 February 24, 1994

INTRODUCED BY: PETE VON REICHBAUER

2 PROPOSED NO. 94 - 120

3
4 ORDINANCE NO. 11252

5 AN ORDINANCE providing for the public sale and issuance of limited tax
6 levy general obligation bonds of the county in the aggregate principal
7 amount of \$170,000,000 and amending Ordinance No. 11241, Sections 1,
8 16, 20 and 22.

8 PREAMBLE:

9 Ordinance No. 11241 as finally passed on February 22, 1994, provided for
10 the public sale and issuance of \$170,000,000 of limited tax levy general
11 obligation bonds of the county for the purpose of financing the
12 construction of portions of the sewer system of the county. Section 31 of
13 Ordinance No. 11241 provides that such ordinance may be amended to add
14 covenants or to cure, correct or supplement any defective provision as the
15 county council may deem necessary or desirable and which shall not
16 adversely affect the interest of the owners of the bonds.

17 It is deemed necessary and desirable to amend and supplement certain
18 provisions of Ordinance No. 11241 to cure ambiguities and redundancies
19 therein and to strengthen the security for the bonds.

17 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

18 SECTION 1. Ordinance No. 11241, Section 1, is hereby amended to read as follows:

19 Definitions. The following words and terms as used in this ordinance shall have the
20 following meanings for all purposes of this ordinance, unless some other meaning is plainly
21 intended.

22 "Arbitrage and Tax Certification" means the certificate executed by the county finance
23 manager pertaining to the calculation and payment of any Rebate Amount with respect to the
24 Bonds.

25 "Authorized Officer" means the following officers of the department of metropolitan
26 services: the executive director, the director of the finance division, the controller and the director
27 of the technical services division.

28 "Betterment Reserve" or "Betterment Reserve Account" means the Renewal, Extension and
29 Betterment Reserve Account created in the Revenue Fund by Section 8 of Resolution No. 90 of
30 Metro.

31 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by the county, of
32 nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds

1 issued by states and their political subdivisions, duly admitted to the practice of law before the
2 highest court of any state of the United States of America.

3 "Bond Fund" means the "Water Quality Limited Tax General Obligation Bond Redemption
4 Fund" established pursuant to Section 8 hereof.

5 "Bond Register" means the registration books maintained by the Bond Registrar for
6 purposes of identifying ownership of the Bonds.

7 "Bond Registrar" means the fiscal agency of the State of Washington in either Seattle,
8 Washington, or New York, New York, for the purposes of registering and authenticating the
9 Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying
10 interest on and principal (and any premium pursuant to call on) of the Bonds.

11 "Bonds" means all or a portion of the King County, Washington, Limited Tax General
12 Obligation Bonds (Payable from Sewer Revenues), 1994 Series A, issued pursuant to this
13 ordinance.

14 "Certified Public Accountant" means an independent certified public accountant (or firm of
15 certified public accountants) selected by the county and having a favorable national reputation.

16 "Closing" means the delivery of the Bonds to, and payment of the purchase price therefor
17 by, the initial purchasers of said Bonds.

18 "Code" means the Internal Revenue Code of 1986, as amended, together with
19 corresponding and applicable final, temporary or proposed regulations and revenue rulings issued
20 or amended with respect thereto by the United States Treasury Department or the Internal Revenue
21 Service, to the extent applicable to the Bonds.

22 "Comprehensive Plan" means the original comprehensive sewage disposal plan set forth in
23 Resolution No. 23 adopted by the Metro Council on April 22, 1959, subsequently redesignated the
24 "Comprehensive Water Pollution Abatement Plan" pursuant to Chapter 36, Laws of 1975, as such
25 original plan has been modified and supplemented by the following resolutions of the Metro
26 Council: Resolution No. 74 adopted February 16, 1961, Resolution No. 152 adopted April 19,
27 1962, Resolution No. 261 adopted March 7, 1963, Resolution No. 441 adopted August 20, 1964,
28 Resolution No. 477 adopted November 19, 1964, Resolution No. 795 adopted November 3, 1966,
29 Resolution No. 928 adopted June 1, 1967, Resolution No. 1011 adopted November 16, 1967,
30 Resolution No. 1024 adopted December 7, 1967, Resolution No. 1052 adopted March 21, 1968,
31 Resolution No. 1257 adopted July 3, 1969, Resolution No. 1330 adopted December 18, 1969,
32 Resolution No. 1829 adopted March 1, 1973, Resolution No. 2025 adopted February 21, 1974,

1 Resolution No. 3135 adopted March 15, 1979, Resolution No. 3781 adopted November 5, 1981,
2 Resolution No. 4217 adopted December 15, 1983, Resolution No. 4339 adopted April 5, 1984,
3 Resolution No. 4780 adopted July 17, 1986, Resolution No. 5332 adopted May 19, 1988,
4 Resolution No. 5449 adopted July 21, 1988, Resolution No. 5902 adopted June 21, 1990,
5 Resolution No. 6107 adopted March 21, 1991, and Resolution No. 6378 adopted June 4, 1992 as
6 the same may be amended or supplemented hereafter by ordinance of the county.

7 "Construction Fund" means the Second Water Quality Construction Fund established by
8 Section 13 of this ordinance."

9 "Contingency Reserve" or "Contingency Reserve Account" means the Contingency Reserve
10 Account created in the Revenue Fund by Section 7 of Resolution No. 90 of the Metro Council.

11 "County" means King County, Washington.

12 "County Council" means the Metropolitan King County Council.

13 "County Finance Manager" means the manager of the finance division of the King County
14 office of financial management or any other county officer who succeeds to the duties now
15 delegated to that office.

16 "Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit,
17 surety bond, insurance policy or other insurance commitment or similar agreement (but not
18 including a Payment Agreement), satisfactory to the county, that is provided by a commercial bank,
19 insurance company or other financial institution with a current long term rating (or whose
20 obligations thereunder are guaranteed by a financial institution with a long term rating) from
21 Moody's Investors Service and Standard & Poor's Ratings Group not lower than the credit rating of
22 any series of Parity Lien Obligations, to provide support for a series of Parity Lien Obligations,
23 (including Variable Rate Parity Lien Obligations), and shall include any substitute therefor in
24 accordance with the provisions of the ordinance providing for the issuance of Parity Lien
25 Obligations supported by a Credit Facility.

26 "Customers" means Residential Customers and Residential Customer Equivalents as defined
27 and determined in the existing Service Agreements.

28 "DTC" means the Depository Trust Company, New York, New York.

29 "Fourth Stage Project" means the ten-year fourth stage development of the Comprehensive
30 Plan authorized to be acquired, constructed and installed by Resolution No. 5471 of the Metro
31 Council adopted August 18, 1988, as amended in its entirety by Resolution No. 5920 adopted
32 June 21, 1990 as the same may be modified and supplemented hereafter by the county.

1 "Government Obligations" means direct obligations of the United States of America or
2 obligations the principal and interest of which are guaranteed by the United States of America.

3 "Letter of Representations" shall mean that letter substantially in the form of Exhibit A
4 attached hereto and incorporated herein by this reference.

5 "1990 SRF Loan Agreement" means the Washington State Water Pollution Control State
6 Revolving Fund (SRF) Loan Agreement between the State of Washington Department of Ecology
7 and Metro dated December 26, 1990, as amended from time to time.

8 "1990 SRF Loan" means the State Revolving Fund loan to Metro by the State of
9 Washington Department of Ecology pursuant to the 1990 SRF Loan Agreement.

10 "Metro Council" means the Metropolitan Council of the Municipality of Metropolitan
11 Seattle established pursuant to Chapter 35.58 RCW and abolished effective January 1, 1994
12 pursuant to Chapter 36.56 RCW.

13 "Metro" or "Municipality" means the Municipality of Metropolitan Seattle, formerly a
14 municipal corporation of the State of Washington, organized pursuant to Chapter 35.58 RCW and
15 consolidated with King County effective January 1, 1994 pursuant to Chapter 36.56 RCW.

16 "Notes" means the Municipality of Metropolitan Seattle Sewer Revenue Bond Anticipation
17 Notes, Series 1993.

18 "Operating and Maintenance Expenses" means all normal expenses incurred by the county
19 in causing the System to be maintained in good repair, working order and condition and shall
20 include payments to any private or governmental agency for the operation or maintenance of
21 facilities or for the disposal of sewage but shall exclude any allowance for depreciation.

22 "Operating Reserve" or "Operating Reserve Account" means the Operating Reserve
23 Account created in the Revenue Fund by Section 6 of Resolution No. 90 of the Metro Council.

24 "Parity Bond Fund" means the "Municipality of Metropolitan Seattle Sewer Revenue Bond
25 Fund" created by Section 10 of Resolution No. 90 of the Metro Council and redesignated and
26 continued by the county as the Water Quality Revenue Bond Fund."

27 "Parity Bond Ordinances" means the resolutions of the Metro Council providing for the
28 issuance of the Series A through Series Z Bonds and any ordinances of the county hereafter
29 authorizing the issuance of additional Parity Bonds.

30 "Parity Bond Reserve" or "Parity Bond Reserve Account" means the bond reserve account
31 in the Parity Bond Fund.
32

1 "Parity Bonds" means any and all sewer revenue bonds of the county, the payment of which
2 constitutes a lien and charge upon the Revenue of the System equal in rank with the lien and charge
3 upon such revenue for the payments required to pay or to secure the payment of the Series A
4 Bonds. The term "Parity Bonds" thus includes the Series A Bonds, the Series B Bonds, the Series
5 C Bonds, the Series D Bonds, the Series E Bonds, the Series F Bonds, the Series G Bonds, the
6 Series H Bonds, the Series I Bonds, the Series J Bonds, the Series N Bonds, the Series O Bonds,
7 the Series P Bonds, the Series Q Bonds, the Series R Bonds, the Series S Bonds, the Series T
8 Bonds, the Series U Bonds, the Series V Bonds, the Series W Bonds, the Series X Bonds, the
9 Series Y Bonds, the Series Z Bonds, and any other sewer revenue bonds hereafter issued on a
10 parity therewith, provided, however, that the term "Parity Bonds" shall not include any Refunded
11 Bonds.

12 "Parity Lien Obligations" means the Bonds and all bonds, notes or other evidences of
13 indebtedness payable in whole or in part from Revenue of the System and secured by a lien on such
14 Revenue on a parity of lien with the lien of the Bonds. "Parity Lien Obligations" includes any
15 Parity Payment Agreements and parity reimbursement agreements entered into with the provider of
16 a Credit Facility.

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

21 "Parity Term Bonds" means Parity Bonds that are Term Bonds.

22 "Payment Agreement" means, to the extent permitted from time to time by applicable law, a
23 written agreement entered into by the county (i) in connection with or incidental to the issuance,
24 incurring or carrying of the Bonds or other obligations of the county secured in whole or in part by
25 a lien on Revenue of the System; (ii) for the purpose of managing or reducing the county's exposure
26 to fluctuations or levels of interest rates, currencies or commodities or for other interest rate,
27 investment, asset or liability management purposes; (iii) with an entity that at the time the
28 agreement is entered into is a Qualified Counterparty; and (iv) which provides, on either a current
29 or forward basis, for an exchange of payments determined in accordance with a formula specified
30 therein.

31 "Payment Agreement Payments" means the amounts periodically required to be paid by the
32 county to the Qualified Counterparty pursuant to a Payment Agreement. The term "Payment

1 Agreement Payments" does not include any termination payment required to be paid with respect to
2 a Payment Agreement.

3 "Payment Agreement Receipts" means the amounts periodically required to be paid by the
4 Qualified Counterparty to the county pursuant to a Payment Agreement.

5 "Qualified Counterparty" means with respect to a Payment Agreement an entity (i) whose
6 senior long term debt obligations, other senior unsecured long term obligations or claims paying
7 ability or whose payment obligations under a Payment Agreement are guaranteed by an entity
8 whose senior long term debt obligations, other senior unsecured long term obligations or claims
9 paying ability are rated (at the time the Payment Agreement is entered into) at least as high as A3
10 by Moody's Investors Service and A- by Standard & Poor's Rating Group, or the equivalent thereof
11 by any successor thereto and (ii) who is otherwise qualified to act as the other party to a Payment
12 Agreement under any applicable laws of the State.

13 "RCW" means the Revised Code of Washington.

14 "Rebate Amount" means the amount, if any, determined to be payable with respect to the
15 Bonds by the county to the United States of America in accordance with Section 148(f) of the
16 Code.

17 "Refunded Bonds" means the \$33,465,000 principal amount of Series L Bonds maturing on
18 and after January 1, 1993, the \$42,160,000 principal amount of Series M Bonds maturing on and
19 after January 1, 1994, the \$41,745,000 principal amount of Series N Bonds maturing on and after
20 January 1, 1996, the \$34,750,000 principal amount of Series O Bonds maturing on and after
21 January 1, 1996, the \$130,740,000 of Series P Bonds maturing on and after January 1, 2001, the
22 \$117,845,000 of Series Q Bonds maturing on and after January 1, 2003, the \$33,980,000 principal
23 amount of Series R Bonds maturing on and after January 1, 2001, the \$88,215,000 principal
24 amount of Series S Bonds maturing on and after January 1, 2006 and the \$77,400,000 of Series T
25 Bonds maturing on and after January 1, 2014.

26 "Registered Owner" means any person or entity who shall be the registered owner of any
27 Bond.

28 "Revenue Fund" means the special fund of Metro created by Resolution No. 7 of the Metro
29 Council adopted November 26, 1958, redesignated as the "Municipality of Metropolitan Seattle
30 Sewer Revenue Fund" by Section 5 of Resolution No. 90 of the Metro Council and redesignated
31 and continued by the county as the Water Quality Operating Fund.
32

1 "Revenue of the System" means all the earnings, revenues and moneys received by the
2 county from or on account of the operations of the Sewer System and the income from the
3 investment of moneys in the Revenue Fund or any account within such fund, but shall not include
4 any moneys collected pursuant to the Service Agreements applicable to administrative costs of the
5 county other than costs of administration of the System.

6 "Service Agreements" means the sewage disposal agreements hereinbefore entered into
7 between Metro (now and hereinafter the "county") and municipal corporations, persons, firms,
8 private corporations, or governmental agencies providing for the disposal by the county of sewage
9 collected from such contracting parties.

10 "SRF Loan" means the 1990 SRF Loan and other loans, if any, made by the Department of
11 Ecology to Metro (now and hereafter the "county") having a lien and charge against Revenue of the
12 System on a parity with the lien and charge of the 1990 SRF Loan.

13 "State" means the state of Washington.

14 "System" or "Sewer System" means the sewers and sewage disposal facilities now or
15 hereafter acquired, constructed, used or operated by the county for the purpose of carrying out the
16 Comprehensive Plan.

17 "Term Bonds" means those outstanding bonds or obligations of any single issue or series
18 maturing in any one year for the retirement of which regularly recurring annual deposits are
19 required to be made into a bond fund prior to the scheduled maturity of such bonds sufficient to
20 pay the same at or prior to their maturity.

21 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing interest at a
22 variable rate of interest provided that at least one of the following conditions is met: (i) at the time
23 of issuance the county has entered into a Payment Agreement with respect to such Parity Lien
24 Obligations which Agreement converts the effective interest rate to the county on the Variable Rate
25 Parity Lien Obligations from a variable interest rate to a fixed interest rate or (ii) the Parity Lien
26 Obligations bear interest at a variable rate but are issued concurrently in equal par amounts with
27 other Parity Lien Obligations bearing interest at a variable rate and which are required to remain
28 outstanding in equal amounts at all times, if the net effect of such equal par amounts and variable
29 rates at all times is a fixed rate of interest to the county.

1 SECTION 2. Ordinance No. 11241, Section 16, is hereby amended to read as follows:

2 Rate Covenants.

3 A. Rate Covenant--General. The county hereby covenants with the owner of each of
4 the Bonds for so long as any of the same are outstanding that the county will at all times establish,
5 maintain and collect rates and charges for sewage disposal service that shall be fair and
6 nondiscriminatory and adequate to provide Revenue of the System sufficient for the proper
7 operation and maintenance of the System; for the punctual payment of the principal of and interest
8 on all outstanding Parity Bonds for which payment has not otherwise been provided and all
9 amounts that the county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds;
10 for the punctual payment of the principal of and interest on all outstanding Bonds and for all
11 amounts that the county is obligated to set aside in the Bond Fund; and for the payment of any and
12 all amounts that the county is now or may hereafter become obligated to pay from Revenue of the
13 System.

14 B. Rate Covenant--Coverage.

15 (1) Subject to the provisions of subparagraph (2) of this Section 16(B), the
16 county hereby covenants with the owner of each of the Bonds for as long as any of the same are
17 outstanding that the county will at all times establish, maintain and collect rates and charges for
18 sewage disposal service that, together with the interest to be earned on investments made of money
19 in the Revenue Fund or the Bond Fund, will provide in each fiscal year Revenue of the System in an
20 amount equal to at least 1.15 times the amounts required to pay:

21 (a) The interest coming due on July 1 of such fiscal year on the
22 outstanding Parity Bonds, and all amounts required to be paid in such fiscal year in respect
23 of interest on the Bonds and other Parity Lien Obligations and Payment Agreement
24 Payments in respect of Parity Payment Agreements.

25 (b) The principal and interest coming due on January 1 of the next
26 succeeding year on the outstanding Parity Bonds, and all principal coming due in such fiscal
27 year on the Bonds and other Parity Lien Obligations (other than principal and interest on
28 Parity Term Bonds and principal on Bonds and other Parity Lien Obligations that are Term
29 Bonds).

30 (c) The amounts required to be paid into the Parity Bond Fund on or
31 before January 1 of the next succeeding calendar year for interest on and amortization of
32 principal of Parity Term Bonds, into the Bond Fund for amortization of principal of Bonds

1 that are Term Bonds and into any fund or account for amortization of principal of any other
 2 Parity Lien Obligations that are Term Bonds after Operating and Maintenance Expenses
 3 have been paid.

4 For purposes of clause (c) of this paragraph, "amounts required to be paid" means the
 5 amount to be deposited or accumulated in any fund or account for interest on and amortization of
 6 Term Bonds on or before such January 1 for outstanding Term Bonds irrespective of the date or
 7 dates such amount, or any portion thereof, is actually deposited into such fund or account.

8 (2) Amounts required to be paid in respect of Parity Bonds and Parity Lien
 9 Obligations shall be calculated in accordance with the following requirements:

10 (a) Capitalized and Accrued Interest. For purposes of calculating the
 11 amounts required to pay interest on Parity Bonds or on Parity Lien Obligations, capitalized
 12 interest and accrued interest paid to the county upon the issuance of Parity Bonds and
 13 Parity Lien Obligations shall be excluded.

14 (b) Interest on Variable Rate Parity Lien Obligations. The amount of
 15 interest deemed to be payable on any issue of Variable Rate Parity Lien Obligations shall be
 16 calculated on the assumption that the interest rate on those bonds would be equal to the rate
 17 (the "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or
 18 comparable index during the fiscal quarter preceding the quarter in which the calculation is
 19 made; provided, for purposes of determining actual compliance with the covenant made in
 20 this Section 16(B) in any past fiscal year, the actual amount of interest paid on any issue of
 21 Variable Rate Parity Lien Obligations shall be taken into account.

22 (c) ~~((Payment Agreement Payments and))~~ Debt Service on Parity Lien
 23 Obligations With Respect to Which Payment Agreement Is in Force. ~~((Payment Agreement~~
 24 ~~Payments in respect of Parity Payment Agreements and d))~~ Debt service on Parity Lien
 25 Obligations with respect to which a Payment Agreement is in force shall be calculated by
 26 the county to reflect the net economic effect on the county intended to be produced by the
 27 terms of the Parity Lien Obligations and the terms of the Payment Agreement, in
 28 accordance with the requirements set forth in Section 4 of this ordinance.

29 SECTION 3. Ordinance No. 11241, Section 20, is hereby amended to read as follows:

30 Additional Obligations Payable from Revenue of the System.

31 A. Additional Parity Bonds and SRF Loans. The county expressly reserves the right to
 32 issue additional Parity Bonds in accordance with the Parity Bond Ordinances and to incur

1 additional SRF Loans in accordance with the 1990 SRF Loan Agreement. Subject to this
2 reservation of rights with respect to Parity Bonds and SRF Loans, the county hereby covenants and
3 agrees that for so long as the Bonds are outstanding it will not issue or incur any other additional
4 indebtedness secured in whole or in part by a lien on Revenue of the System superior to the lien of
5 the Bonds.

6 B. Additional Parity Lien Obligations.

7 1. Parity Lien Obligations Other Than Refunding Bonds. The county expressly
8 reserves the right to issue or enter into additional Parity Lien Obligations (including Variable Rate
9 Parity Lien Obligations as defined herein) for any lawful purpose of the county related to the
10 System if at the time of issuing or entering into such Parity Lien Obligations:

11 (a) There shall not be any deficiency in the Parity Bond Fund, the Bond
12 Fund or any other bond fund or account securing Parity Lien Obligations.

13 (b) The county shall have on file a certificate from a licensed professional
14 engineer experienced in the design, construction and operation of municipal utilities of scope similar
15 to the System (the certificate may not be dated more than 90 days prior to the date of delivery of
16 such Parity Lien Obligations) showing that in his or her professional opinion the "annual income
17 available for debt service on Parity Bonds and Parity Lien Obligations" for each year during the life
18 of such Parity Lien Obligations, after deducting therefrom amounts required to pay principal and
19 interest due in such year on SRF Loans, shall be at least equal to 1.25 times the amount required in
20 each such year to pay:

21 (i) The principal of the Parity Lien Obligations being issued and
22 all outstanding Parity Bonds, Bonds and any other Parity Lien Obligations (other than amortization
23 of principal of Term Bonds).

24 (ii) The interest on the Parity Lien Obligations being issued and
25 all outstanding Parity Bonds, Bonds and any other Parity Lien Obligations, exclusive of any interest
26 which shall be payable from the proceeds of the Parity Lien Obligations to be issued.

27 (iii) The amounts required to be paid into any fund or account to
28 amortize the principal of any Parity Lien Obligations that are Term Bonds being issued and all
29 outstanding Parity Term Bonds and Bonds or any other Parity Lien Obligations that are Term
30 Bonds.

31 (c) Amounts required to be paid in respect of Parity Bonds and Parity
32 Lien Obligations shall be calculated in accordance with the following requirements.

1 (i) For purposes of calculating the amounts required to pay
 2 interest on the Parity Lien Obligations being issued, capitalized interest and accrued interest to be
 3 paid to the county upon the issuance of such proposed Parity Lien Obligations shall be excluded.

4 (ii) Interest on Variable Rate Parity Lien Obligations. The
 5 amount of interest deemed to be payable on any issue of Variable Rate Parity Lien Obligations shall
 6 be calculated on the assumption that the interest rate on those bonds would be equal to the rate (the
 7 "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or comparable
 8 index during the fiscal quarter preceding the quarter in which the calculation is made.

9 (iii) ~~((Payment Agreement Payments and)) Debt Service on Parity~~
 10 ~~Lien Obligations With Respect to Which Payment Agreement Is in Force.~~ ~~((Payment Agreement~~
 11 ~~Payments in respect of Parity Payment Agreements and d))~~ Debt service on Parity Lien Obligations
 12 with respect to which a Payment Agreement is in force shall be calculated by the county to reflect
 13 the net economic effect on the county intended to be produced by the terms of the Parity Lien
 14 Obligations and the terms of the Payment Agreement, in accordance with the requirements set forth
 15 in Section 22 of this ordinance.

16 (d) Such "annual income available for debt service on Parity Bonds and
 17 Parity Lien Obligations" shall be determined as follows for each year following the proposed date
 18 of issue of such Parity Lien Obligations:

19 (i) The Revenue of the System shall be determined for a period
 20 of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Parity
 21 Lien Obligations being issued.

22 (ii) Such revenue shall be adjusted to give effect on a 12-month
 23 basis to the rates in effect on the date of such certificate.

24 (iii) If there were any Customers added to the System during such
 25 12-month period or thereafter and prior to the date of the engineer's certificate, such revenue shall
 26 be further adjusted on the basis that added Customers were Customers of the System during the
 27 entire 12-month period.

28 (iv) There shall be deducted from such revenue the amount
 29 expended for Operating and Maintenance Expenses during such period.

30 (v) For each year following the proposed date of issuance of such
 31 Parity Lien Obligations the engineer shall add to the annual revenue determined in the preceding
 32 four paragraphs an estimate of the income to be received in each such year from the investment of

1 moneys in the Bond Fund or any bond fund for Parity Lien Obligations and the Construction Fund
2 which will be determined by and in the sole discretion of a firm of nationally recognized financial
3 consultants selected by the county.

4 (vi) Beginning with the second year following the proposed date
5 of issue of such Parity Lien Obligations and for each year thereafter the engineer shall add to the
6 annual revenue determined in the preceding five paragraphs his or her estimate of any additional
7 annual revenue to be received from anticipated growth in the number of Customers within the area
8 which is served by the System on the date of such certificate, after deducting therefrom any
9 increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth;
10 provided that the engineer's estimate of the number of customers served shall not assume a growth
11 of more than 1/4 of 1% over and above the number of customers served or estimated to be served
12 during the preceding year.

13 (vii) If extensions of or additions to the System are in the process
14 of construction at the time of such certificate, or if the proceeds of the Parity Lien Obligations
15 being issued are to be used to acquire or construct extensions of or additions to the System, there
16 shall be added to the annual net revenue as above determined any revenue not included in the
17 preceding paragraphs which will be derived from such additions and extensions after deducting
18 therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result
19 of such additions and extensions; provided that such estimated annual revenue shall be based upon
20 75% of any estimated Customer growth in the four years following the first full year in which such
21 additional revenue is to be collected and thereafter the estimated Customer growth shall not exceed
22 1/4 of 1% per year over and above such reduced estimate.

23 2. Parity Lien Obligations That Are Refunding Bonds.

24 (a) The county may at any time for the purpose of refunding at or prior
25 to their maturity any outstanding Parity Lien Obligations or any bonds or other obligations of the
26 county payable from Revenue of the System issue additional Parity Lien Obligations without
27 complying with the provisions of Section 20(B)(1); provided, however, that the county shall not
28 issue additional Parity Lien Obligations for such purpose under this Section 20(B)(2) unless there
29 shall have been filed with the clerk of the county council a certificate of the county finance manager
30 stating that immediately after the issuance of such Parity Lien Obligations the annual debt service
31 for each year that Bonds and any other Parity Lien Obligations (other than the refunding bonds
32

1 proposed to be issued) are then outstanding shall not be increased by more than \$5,000 by reason
2 of the issuance of such Parity Lien Obligations.

3 (b) The principal amount of such Parity Lien Obligations may include
4 amounts necessary to pay the principal of the Bonds or other obligations to be refunded, interest
5 thereon to the date of payment or redemption thereof, any premium payable thereon upon such
6 payment or redemption and the costs of issuance of such Parity Lien Obligations, and if there shall
7 have been provided a Payment Agreement with respect to the obligations to be refunded, may
8 include amounts necessary to make the payment of all amounts, if any, due and payable by the
9 county under such Payment Agreement. The proceeds of such Parity Lien Obligations shall be held
10 and applied in such manner, consistent with the provisions of Section 28 of Ordinance No. 11241,
11 as is provided in the ordinance providing for the issuance of such Parity Lien Obligations, so that
12 upon the delivery of such Parity Lien Obligations, the Bonds or other obligations to be refunded
13 thereby shall be deemed to be no longer outstanding in accordance with the provisions of such
14 Section 28 of Ordinance No. 11241.

15 (c) At the election of the county, the provisions of this Section 20(B)(2)
16 shall not be applicable to the refunding at one time of all the Parity Lien Obligations then
17 outstanding.

18 (d) Additional Parity Lien Obligations for the purpose of refunding
19 outstanding Parity Lien Obligations or bonds or other obligations of the county payable from
20 Revenue of the System may also be issued upon compliance with the provisions of Section
21 20(B)(1) hereof.

22 (e) Nothing contained in this ordinance shall prohibit or prevent, or be
23 deemed or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to
24 refund maturing Parity Lien Obligations of the county for the payment of which moneys are not
25 otherwise available.

26 C. Subordinate Obligations. Nothing in this ordinance shall prohibit, or be deemed or
27 construed to prohibit, the county from authorizing and issuing bonds, notes or other evidences of
28 indebtedness for any purpose of the county related to the System payable in whole or in part from
29 Revenue of the System and secured by a lien on such Revenue that is junior, subordinate and
30 inferior to the lien of the Bonds.
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1 SECTION 4. Ordinance No. 11241, Section 22, is hereby amended to read as follows:

2 Payment Agreements and Parity Payment Agreements.

3 A. General. To the extent and for the purposes permitted from time to time by
4 chapter 39.96 RCW and other applicable provisions of State law, the county may enter into
5 Payment Agreements and Parity Payment Agreements, subject to the conditions set forth in this
6 section and in other provisions of this ordinance.

7 B. Manner and Schedule of Payments. Each Payment Agreement and Parity Payment
8 Agreement shall set forth the manner in which the Payment Agreement Payments and the Payment
9 Agreement Receipts shall be calculated and a schedule of payment dates.

10 C. Authorizing Ordinance. Prior to entering into a Payment Agreement or a Parity
11 Payment Agreement, the county council shall pass an ordinance authorizing such agreement and
12 setting forth such provisions as the county deems necessary or desirable and are not inconsistent
13 with the provisions of this ordinance.

14 D. Calculation of Payment Agreement Payments and Debt Service on Parity Lien
15 Obligations With Respect to Which a Payment Agreement Is in Force. It is the intent of the county
16 for purposes of Sections 16 or 20 of this ordinance, ~~((Payment Agreement Payments in respect of~~
17 ~~Parity Payment Agreements and))~~ debt service on Parity Lien Obligations with respect to which a
18 Payment Agreement is in force shall be calculated to reflect the net economic effect on the county
19 intended to be produced by the terms of the Parity Lien Obligations and the terms of the Payment
20 Agreement. In calculating such amounts, the county shall be guided by the following requirements.

21 (1) The amount of interest deemed to be payable on any Parity Lien Obligations
22 with respect to which a Payment Agreement is in force shall be an amount equal to the amount of
23 interest that would be payable at the rate or rates stated in those Parity Lien Obligations plus
24 Payment Agreement Payments minus Payment Agreement Receipts.

25 ~~(((2) For the purposes of calculating as nearly as practicable Payment Agreement~~
26 ~~Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable~~
27 ~~rate component determined by reference to a pricing mechanism or index that is not the same as the~~
28 ~~pricing mechanism or index used to determine the variable rate interest component on the Parity~~
29 ~~Lien Obligations to which the Payment Agreement is related, it shall be assumed that the fixed rate~~
30 ~~used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified~~
31 ~~by the Payment Agreement and that the pricing mechanism or index specified by the Payment~~
32 ~~Agreement is the same as the pricing mechanism or index specified by the Parity Lien Obligations.))~~

1 (2)(3) ~~No additional Payment Agreement Payments shall be taken into account with~~
2 ~~respect to a Parity Payment Agreement for any period during which Payment Agreement Payments~~
3 ~~on that Parity Payment Agreement are taken into account in determining interest on related Parity~~
4 ~~Lien Obligations as described in paragraph 2 above.~~ For any period during which Payment
5 Agreement Payments are not taken into account in calculating interest on any outstanding Parity
6 Lien Obligations because the Parity Payment Agreement is not then related to any outstanding
7 Parity Lien Obligations, Payment Agreement Payments on that Parity Payment Agreement shall be
8 calculated based upon the following assumptions:

9 (a) County Obligated to Make Payments Based on Fixed Rate. If the
10 county is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified
11 Counterparty is obligated to make payments based on a variable rate index, payments by the county
12 will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be
13 based on a rate equal to the average rate determined by the variable rate index specified by the
14 Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation
15 is made; and

16 (b) County Obligated to Make Payments Based on Variable Rate Index.
17 If the county is obligated to make Payment Agreement Payments based on a variable rate index and
18 the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the
19 county will be based on a rate equal to the average rate determined by the variable rate index
20 specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which
21 the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate
22 specified by the Parity Payment Agreement.
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1 E. Prior Notice to Moody's and Standard & Poor's. The county shall give notice to
2 Moody's Investors Service and Standard & Poor's Rating Group thirty days prior to the date it
3 intends to enter into a Payment Agreement.

4 INTRODUCED AND READ for the first time this 20th day of February,
5 1994.

6 PASSED this 7th day of March, 1994.

7 KING COUNTY COUNCIL
8 KING COUNTY, WASHINGTON

9 Kent Pullen
10 Chair

11 ATTEST:

12 Gerald A. Peterson
13 Clerk of the Council

14 APPROVED this 18th day of March, 1994

15 Jay Loh
16 King County Executive

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21 Passed by a vote of 9 to 0.