



ORDINANCE NO. 28355

1 AN ORDINANCE of the City of Tacoma, Washington, providing for the issuance
2 and sale of two series of sewer revenue refunding bonds of the City in the
3 aggregate principal amount of not to exceed \$55,000,000 to refund and
4 defease certain outstanding sewer revenue bonds of the City and the
5 outstanding TES Properties Lease Revenue Bonds, 2009 issued on behalf
6 of the City and to pay costs of issuing the bonds; providing the form and
7 terms of the bonds; and delegating the authority to approve the final terms
8 of the bonds.

9 WHEREAS the City of Tacoma, Washington (the "City"), now owns, operates,
10 and maintains a municipal sewer system, comprised of Wastewater Management
11 and Surface Water Management (the "System"), and

12 WHEREAS the City has issued and has outstanding the following sewer
13 revenue bonds and obligations:

14	Designation	Authorizing Documents	Date of Ordinance	Principal Amount Outstanding as of March 1, 2016
15	Sewer Revenue and Refunding Bonds, 2006 (the "2006 Bonds")	Ordinance No. 27490 and Substitute Resolution No. 36895	5/16/2006 and 6/20/2006, respectively	\$ 15,560,000
17	Monthly Rent obligation ("Monthly Rent") (principal component)	Ordinance No. 27677, as amended by Ordinance No. 27783	12/18/2007 and 1/20/2009, respectively	33,590,000
19	Sewer Revenue Refunding Bonds, 2011 (the "2011 Bonds")	Ordinance No. 28015 and Substitute Resolution No. 38334	9/20/2011 and 9/27/2011, respectively	34,315,000
22	Sewer Revenue and Refunding Bonds, 2015 (the "2015 Bonds")	Ordinance No. 28287	01/13/2015	109,300,000

24 (The outstanding sewer revenue bonds and the City's obligation to pay Monthly
25 Rent identified above are referred to as the "Outstanding Parity Bonds" and the
26



1 authorizing documents identified above are referred to as the “Outstanding Parity
2 Bond Ordinances”), and

3 WHEREAS the Outstanding Parity Bond Ordinances provide that additional
4 sewer revenue bonds may be issued with a lien on Net Revenues (as defined
5 herein) on a parity with the lien of the Outstanding Parity Bonds if certain
6 conditions are met, and

8 WHEREAS Ordinance No. 27490 provides that the 2006 Bonds may be
9 defeased and/or refunded prior to their stated maturities at the option of the City
10 on or after December 1, 2016, at a price of par plus accrued interest to their date
11 of redemption, and

13 WHEREAS the City Council (“Council”) has determined that it is in the best
14 interest of the City and its ratepayers to defease and refund a portion of the
15 2006 Bonds if debt service savings can be achieved, and

17 WHEREAS the City sought proposals for the development of an office and
18 laboratory building (“Project”) for occupancy by the City’s Environmental Services
19 Department and other tenants and selected TES Properties, a Washington
20 nonprofit corporation (“TES”), and Lorig Associates, L.L.C. to develop the Project,
21 and

22 WHEREAS, pursuant to a Property Conveyance and Reconveyance
23 Agreement between TES and the City, the City conveyed to TES real property on
24 which TES was to develop the Project on behalf of the City, and the City leased the
25 completed Project from TES pursuant to a Project Lease Agreement (“Project
26 Lease”), approved by Ordinance No. 27677, as amended by Ordinance No. 27783,



1 adopted by the Council on December 18, 2007, and January 20, 2009, respectively,
2 and

3 WHEREAS TES financed the development of the Project through the
4 issuance of its Lease Revenue Bonds, 2009 ("TES Bonds") which were issued on
5 behalf of the City pursuant to Revenue Ruling 63-20 of the U.S. Department of
6 Treasury (as compiled and supplemented by Revenue Procedure 82-26 of the
7 U.S. Department of Treasury) (together, the "Ruling"), and

9 WHEREAS the City pays monthly rent under the Project Lease in an
10 amount sufficient to pay debt service on the TES Bonds (referred to herein as
11 "Monthly Rent"), and

13 WHEREAS, pursuant to City Ordinance No. 27677, as amended, the City's
14 obligation to pay Monthly Rent was declared to be a "Future Parity Bond" with a
15 lien on Net Revenues on a parity with the then-Outstanding Parity Bonds, and

16 WHEREAS, pursuant to the Ruling, the City has the right to obtain
17 unencumbered title and exclusive possession of the Project by placing into
18 escrow an amount sufficient to defease the TES Bonds and pay reasonable costs
19 incident to the defeasance, and

21 WHEREAS the City may realize savings by issuance of its sewer revenue
22 refunding bonds to defease and refund the TES Bonds if debt service on the
23 bonds authorized herein is lower than Monthly Rent paid by the City with respect
24 to the TES Bonds, and

26 WHEREAS the City may provide written direction to TES to call the TES
Bonds at maturity and/or TES Bonds maturing on or after December 1, 2019, for



1 redemption on or after June 1, 2019, in whole or in part on any date, at a price of
2 par plus accrued interest, if any, to the date of redemption, and

3 WHEREAS, after due consideration, it appears to the Council that directing
4 TES to defease and refund the TES Bonds with proceeds of the bonds authorized
5 herein will result in a savings to the City and its ratepayers, and
6

7 WHEREAS the Council acknowledges that, upon the defeasance of the
8 TES Bonds, the Project Lease will terminate and unencumbered title and
9 exclusive possession of the Project will transfer to the City, and
10

11 WHEREAS the Council deems it in the best interest of the City to issue two
12 series of sewer revenue refunding bonds in the aggregate principal amount of not
13 to exceed \$55,000,000 (the "Bonds") to redeem and defease a portion of the
14 outstanding 2006 Bonds, to redeem and defease all of the outstanding TES
15 Bonds, and to pay costs of issuing the Bonds, and
16

17 WHEREAS the Council wishes to delegate authority to the City Finance
18 Director and Treasurer, or their designee (each, a "Designated Representative")
19 for a limited time, to select the 2006 Bonds to be refunded, if any, and to approve
20 the interest rates, maturity dates, redemption terms, principal maturities and other
21 terms for each series of Bonds within the parameters set by this ordinance, and
22

23 WHEREAS the Bonds shall be sold by negotiated sale as set forth herein;

24 Now, Therefore,

25 BE IT ORDAINED BY THE CITY OF TACOMA:
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Section 1. Definitions and Interpretation of Terms.

(a) Definitions. As used in this ordinance, the following words shall have the following meanings:

“Accreted Value” means, with respect to any Capital Appreciation Bond, as of the time of calculation, the sum of the amount representing the initial principal amount of such bond plus interest accrued, compounded thereon as of the most recent compounding date. With respect to any particular Payment Date, the Accreted Value is the amount set forth on the Accreted Value Table included as part of the form of Capital Appreciation Bond. In the event the Accreted Value of any Capital Appreciation Bond is required to be determined as of a date other than the Payment Date, the Accreted Value shall be determined by adding to the Accreted Value for the next preceding Payment Date the product obtained by multiplying (a) the difference between the Accreted Value for the next Payment Date and the Accreted Value for the next preceding Payment Date, by (b) the ratio obtained by dividing by 180 the number of days elapsed since the next preceding Payment Date (calculated on the basis of a 360-day year of twelve 30-day months).

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

“Acquired Obligations” means noncallable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government, but only to the extent that the same are acquired at Fair Market Value.



1 "Adjusted Annual Debt Service" means Annual Debt Service minus (a) an
2 amount equal to ULID Assessments due in that year and not delinquent and (b) any
3 Capitalized Interest to be paid with respect to Parity Bonds.

4 "Adjusted Net Revenues" has the meaning set forth in Section 17 of this
5 ordinance.
6

7 "Annual Debt Service" means the amount required to be paid in a calendar
8 year for (a) interest due in such calendar year on all Parity Bonds, (b) principal of all
9 Serial Bonds due in such calendar year, and (c) any Sinking Fund Requirement for
10 such calendar year.
11

12 In the case of Variable Interest Rate Bonds, for the purpose of calculating
13 Annual Debt Service, the interest rate thereon shall be calculated on the
14 assumption that such bonds will bear interest during such period at a rate equal to
15 the rate most recently reported by The Bond Buyer as the Bond Buyer Municipal
16 Bond Index for long-term revenue bonds; provided, that if on such date of
17 calculation the interest rate on any Variable Interest Rate Bonds shall then be fixed
18 for a specified period, including pursuant to a Payment Agreement, the interest rate
19 used for such specified period shall be such fixed interest rate. After all of the 2006
20 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, this
21 paragraph shall read as follows: In the case of Variable Interest Rate Bonds, for the
22 purpose of calculating Annual Debt Service, the interest rate thereon shall be equal
23 to the higher of (i) the average of the SIFMA Municipal Swap Index over the
24 60-month period immediately preceding the date of computation, or (ii) the average
25 of the SIFMA Municipal Swap Index over the 12-month period immediately
26



1 preceding the date of computation, in each case as determined within ten days prior
2 to the date of computation, with the principal thereof amortized to provide for
3 essentially level annual debt service of principal and interest over such period;
4 provided, that if on such date of calculation the interest rate on any Variable Interest
5 Rate Bonds shall then be fixed for a specified period, including pursuant to a
6 Payment Agreement, the interest rate used for such specified period shall be such
7 fixed interest rate.
8

9 For purposes of computing Annual Debt Service on any Parity Bonds which
10 constitute Balloon Indebtedness, it shall be assumed that the principal of such
11 Balloon Indebtedness, together with interest thereon at the rate applicable to such
12 Balloon Indebtedness, shall be amortized in equal annual installments over a term
13 equal to the lesser of (a) 25 years or (b) the average weighted useful life (expressed
14 in years and rounded to the next highest integer) of the properties and assets
15 constituting the project (if any) financed out of the proceeds of such Balloon
16 Indebtedness.
17
18

19 After all of the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded
20 or defeased, for purposes of satisfying the coverage test pursuant to Section 15 or
21 the requirements for the issuance of Future Parity Bonds pursuant to Section 17,
22 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt
23 Service Offsets received or expected to be received in such Fiscal Year or calendar
24 year.
25

26 "Balloon Indebtedness" means any series of Parity Bonds more than
25 percent of the principal of which, in accordance with the terms of such Parity



1 Bonds, is due and payable in any one Fiscal Year either by reason of the stated
2 maturity date of such Parity Bonds or pursuant to a Sinking Fund Requirement;
3 provided that with respect to any Parity Bonds issued as Term Bonds, such Bonds
4 shall only be treated as Balloon Indebtedness if more than 25 percent of the
5 principal thereof is due in any one Fiscal Year pursuant to the applicable Sinking
6 Fund Requirement or upon the stated maturity date thereof (assuming that the only
7 principal due on the stated maturity date thereof will be the principal remaining
8 outstanding after all redemptions have been made pursuant to the applicable
9 Sinking Fund Requirement).

12 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by
13 the City, of nationally recognized standing in matters pertaining to the tax exempt
14 nature of interest on bonds issued by states and their political subdivisions.

15 "Bond Fund" means the Sewer Revenue Bond Fund created by the City for
16 the purpose of paying and securing the payment of Parity Bonds.

18 "Bond Obligation" means, as of any given date of calculation, the sum of
19 (a) the aggregate principal amount of all outstanding Current Interest Bonds and
20 (b) the aggregate Accreted Value of all outstanding Capital Appreciation Bonds
21 calculated as of the date of calculation if that date is a Payment Date or as of the
22 next preceding Payment Date if the date of calculation is not a Payment Date.

24 "Bond Purchase Contract" means one or more contracts for the purchase of
25 the Bonds between the Underwriter and the City, executed pursuant to Section 19.

26



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

4 "Bond Registrar" means, initially, the fiscal agent of the state of Washington,
5 for the purposes of registering and authenticating the Bonds, maintaining the Bond
6 Register, effecting transfer of ownership of the Bonds and paying interest on and
7 principal of the Bonds.
8

9 "Bonds" mean the 2016A Bonds and the 2016B Bonds.

10 "Call Date" means the dates specified in the Escrow Deposit Agreement for
11 the refunding of each series of the Refunded Bonds.
12

13 "Capital Appreciation Bonds" mean Parity Bonds, the interest on which
14 accrues and compounds, payable at maturity or earlier redemption.

15 "Capitalized Interest" means proceeds (not including accrued interest) of
16 Parity Bonds used to pay interest on such Parity Bonds.
17

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

20 "City" means the City of Tacoma, Washington, a municipal corporation duly
21 organized and existing under and by virtue of the laws of the State.
22

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

25 "City Manager" means the duly appointed and acting City Manager of the
26 City or the successor to the duties of that office.



1 "Closing" means the applicable dates of delivery of the 2016A Bonds and the
2 2016B Bonds to the Underwriter.

3 "Code" means the Internal Revenue Code of 1986 as in effect on the date of
4 issuance of the Bonds or (except as otherwise referenced herein) as it may be
5 amended to apply to obligations issued on the date of issuance of the Bonds,
6 together with applicable proposed, temporary and final regulations promulgated,
7 and applicable official public guidance published, under the Code.
8

9 "Commission" means the Securities and Exchange Commission.

10 "Costs of Maintenance and Operation" means all necessary operating
11 expenses, current maintenance expenses, expenses of reasonable upkeep and
12 repairs, insurance premiums and administrative expenses and reasonable pro rata
13 charges for services provided to the System by City departments, but excludes
14 (a) payments for debt service or into debt service reserve accounts or funds,
15 (b) costs of capital additions to or replacements of the System, (c) money
16 necessary to pay extraordinary legal claims and judgments against the System or
17 amortized payments to the City's self-insurance fund with respect to extraordinary
18 claims and judgments, (d) depreciation, (e) City taxes (or payments to the City in
19 lieu of taxes) upon the properties and earnings of the System, and (f) any Rebate
20 Amount.
21
22

23 "Council" means the Council of the City, as the same shall be duly and
24 regularly constituted from time to time.
25

26 "Covered Bonds" mean (a) the Outstanding Parity Bonds, (b) so long as the
2006 Bonds and the 2011 Bonds remain outstanding, the Bonds, (c) after all of the



1 2006 Bonds and 2011 Bonds are fully redeemed, refunded or defeased, the Bonds,
2 unless and until the City determines pursuant to Section 10(a)(3)(A) of this
3 ordinance that the Bonds are no longer to be Covered Bonds secured by the
4 Reserve Fund, and (d) those Future Parity Bonds designated in the Parity Bond
5 Ordinance authorizing their issuance as Covered Bonds secured by the Reserve
6 Fund.
7

8 "Current Interest Bonds" means Parity Bonds, the interest on which is paid
9 periodically.

10 "Debt Service Offset" means receipts of the City that are not included in
11 Gross Revenues and that are legally available to pay debt service on Parity Bonds,
12 including without limitation federal interest subsidy payments, designated as such
13 by the City.
14

15 "Designated Representative" means the City Finance Director and
16 Treasurer, or his or her designee. The signature of one Designated Representative
17 shall be sufficient to bind the City.
18

19 "DTC" means The Depository Trust Company, New York, New York.

20 "Engineer" means an independent licensed professional engineer (or firm of
21 licensed professional engineers) selected by the City and experienced and skilled in
22 the design, construction and operation of sewer systems of comparable size and
23 character to the System.
24

25 "Environmental Services Director" means the duly appointed and acting
26 Environmental Services Director of the City or the successor to the duties of that
office.



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“Escrow Agent” means U.S. Bank National Association.

“Escrow Deposit Agreement” means one or more Escrow Deposit Agreements among the City, the Escrow Agent, and TES (with respect to the TES Bonds and the 2016A Bonds only) to be dated as of the date of Closing for a series of Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10 percent beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.



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“Federal Tax Certificate” means as applicable, the certificate executed by the Finance Director setting forth the requirements of the Code for maintaining the tax exemption of interest on a series of Bonds to be dated as of the date of Closing for a series of Bonds, and attachments thereto.

“Finance Director” means the duly appointed and acting Finance Director of the City or the successor to the duties of that office.

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

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns.

“Future Parity Bonds” means any revenue bonds of the City issued after the date of issuance of the Bonds having a charge or lien upon the Net Revenues and ULID Assessments for payment of the principal thereof and interest thereon equal in priority to the charge or lien upon the Net Revenues and ULID Assessments for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds.

“Government Obligations” mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

“Gross Revenues” mean (a) all revenues received for the use of the System, (b) revenues received from the sale of by-products from a treatment facility of the System or from any other source for rental, use or services rendered by the System, (c) ULID Assessments, (d) the proceeds received by the City from the sale



1 or other disposition of any of the properties of the System, (e) investment income
2 earned on money held in any fund or account of the City in connection with the
3 ownership and operation of the System, including any bond redemption funds, and
4 (f) federal or state reimbursement of operating expenses to the extent that such
5 expenses are included as Costs of Maintenance and Operation, but excluding
6 (i) insurance proceeds, (ii) investment income irrevocably pledged to the payment
7 of any specific sewer revenue bonds of the City refunded or defeased pursuant to a
8 plan of refunding heretofore or hereafter adopted by the City, (iii) investment
9 income earned on money in any rebate fund, and (iv) grants, gifts or donations.
10

11 Amounts withdrawn from the Rate Stabilization Fund shall increase Gross
12 Revenues for the period in which they are withdrawn, and amounts deposited in the
13 Rate Stabilization Fund shall reduce Gross Revenues for the period during which
14 they are deposited.
15

16 "Indenture" means the Indenture of Trust dated as of February 1, 2009,
17 between TES and the TES Bond Trustee.
18

19 "Interest Account" means the Interest Account in the Bond Fund created by
20 Ordinance No. 25562.
21

22 "Letter of Representations" means the Blanket Issuer Letter of
23 Representations from the City to DTC.
24

25 "Maximum Annual Debt Service" means at the time of calculation, the
26 maximum amount of Annual Debt Service that will mature or come due in the
current Fiscal Year or any future Fiscal Year on the Parity Bonds.



1 "Maximum Annual Adjusted Debt Service" means Maximum Annual Debt
2 Service minus the amount of ULID Assessments due in that year and not
3 delinquent.

4 "Maximum Interest Rate" means, with respect to any particular Variable
5 Interest Rate Bond, a numerical rate of interest, which shall be set forth in any
6 Parity Bond Ordinance authorizing such Bond, which shall be the maximum rate of
7 interest such Bond may at any time bear.

8 "Maximum Reserve Requirement" means the maximum dollar amount
9 permitted by the Code to be allocated to a reserve fund from tax-exempt bond
10 proceeds without requiring a balance to be invested at a restricted yield.
11

12 "Monthly Rent" means the City's obligation to pay monthly rental payments
13 under the terms of the Project Lease.

14 "Moody's" means Moody's Investors Service, Inc. or its comparable
15 recognized business successor.
16

17 "MSRB" means the Municipal Securities Rulemaking Board or any successor
18 to its functions.
19

20 "Net Revenues" means, for any period, the excess of Gross Revenues over
21 Costs of Maintenance and Operation for such period, excluding from the
22 computation of Gross Revenues (a) ULID Assessments, (b) any profit or loss
23 derived from the sale or other disposition, not in the ordinary course of business, of
24 properties, rights or facilities of the System, or (c) gains or losses resulting from the
25 early extinguishment of debt.
26



1 "Outstanding Parity Bond Ordinances" mean the ordinances and resolutions
2 authorizing the issuance of the Outstanding Parity Bonds as described in the
3 recitals to this ordinance.

4 "Outstanding Parity Bonds" means, as of the date of this ordinance, the
5 2006 Bonds, the Monthly Rent, the 2011 Bonds, and the 2015 Bonds as identified
6 in the recitals to this ordinance. After the Closing of each series of Bonds and the
7 refunding of the Refunded Bonds, the Outstanding Parity Bonds will include the
8 then-outstanding 2006 Bonds, 2011 Bonds, and 2015 Bonds.

9 "Parity Bond Ordinances" mean the Outstanding Parity Bond Ordinances,
10 this ordinance, and any ordinance hereafter passed for the purpose of authorizing
11 Future Parity Bonds.

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

14 "Payment Date" means the dates on which principal and/or interest on the
15 Parity Bonds is due and payable.

16 "Permitted Investments" means any investments that are now or may
17 hereafter be permitted to the City by the laws of the State.

18 "Principal Account" means the Principal Account of the Bond Fund created
19 by Ordinance No. 25562.

20 "Project" means the office and laboratory building known as the Urban
21 Waters Building for occupancy by the City's Environmental Services Department
22 and other tenants and financed with proceeds of the TES Bonds.



1 "Project Lease" means the Project Lease Agreement dated as of February 1,
2 2009, between TES and the City, delivered in connection with the TES Bonds.

3 "Qualified Insurance" means any municipal bond insurance policy or surety
4 bond issued by any insurance company licensed to conduct an insurance business
5 in any state of the United States (or by a service corporation acting on behalf of one
6 or more such insurance companies), which insurance company or companies, as of
7 the time of issuance of such policy or surety bond, are currently rated in one of the
8 two highest rating categories by Moody's and S&P; provided, after all of the
9 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, this
10 definition shall be amended to read as follows: "Qualified Insurance" means any
11 non-cancellable municipal bond insurance policy or surety bond issued by any
12 insurance company licensed to conduct an insurance business in any state of the
13 United States (or by a service corporation acting on behalf of one or more such
14 insurance companies), which insurance company or companies, as of the time of
15 issuance of such policy or surety bond, are currently rated in one of the two highest
16 rating categories by Moody's, S&P or Fitch, or any other rating agency then
17 maintaining a rating on the Bonds.
18

19 "Qualified Letter of Credit" means any letter of credit issued by a financial
20 institution for the account of the City on behalf of the owners of the Bonds, which
21 institution maintains an office, agency, or branch in the United States and as of the
22 time of issuance of such letter of credit is currently rated in one of the two highest
23 rating categories by Moody's and S&P; provided, after all of the 2006 Bonds and
24 the 2011 Bonds are fully redeemed, refunded or defeased, this definition shall be
25
26



1 amended to read as follows: "Qualified Letter of Credit" means any irrevocable
2 letter of credit issued by a financial institution for the account of the City on behalf of
3 the owners of one or more series of Parity Bonds, which institution maintains an
4 office, agency or branch in the United States and as of the time of issuance of such
5 letter of credit is currently rated in one of the two highest rating categories by
6 Moody's, S&P or Fitch, or any other rating agency then maintaining a rating on the
7 Bonds.
8

9 "Rate Stabilization Fund" means the fund of that name in the Sewer Fund.

10 "Rebate Amount" means the amount, if any, determined to be payable with
11 respect to the Bonds by the City to the United States of America in accordance with
12 Section 148(f) of the Code.
13

14 "Refunded Bonds" means (a) the portion of the outstanding 2006 Bonds
15 designated by the Designated Representative for defeasance and/or refunding
16 pursuant to Section 8 and Section 19 of this ordinance, and (b) all of the
17 outstanding TES Bonds.
18

19 "Refunding Account" means the account by that name established pursuant
20 to Section 8 of this ordinance.

21 "Registered Owner" means the person named as the registered owner of a
22 Bond in the Bond Register. For so long as the Bonds are held in book-entry only
23 form, DTC or its nominee shall be deemed to be the sole Registered Owner.
24

25 "Reserve Fund" means the Reserve Fund created in the Bond Fund.

26 "Reserve Fund Requirement" is the dollar amount to be calculated with
respect to all Covered Bonds and, after the 2006 Bonds and the 2011 Bonds are



1 fully redeemed, refunded or defeased, separately with respect to other Parity
2 Bonds.

3 (a) With respect to Covered Bonds, the Reserve Fund Requirement means
4 as of any date an amount equal to the lesser of (1) the Maximum Annual Debt
5 Service for Covered Bonds then outstanding, (2) 125 percent of average Annual
6 Debt Service for Covered Bonds then outstanding, or (3) 10 percent of the initial
7 face amount of the Covered Bonds then outstanding; provided, however, that the
8 dollar amount required to be contributed, if any, as a result of the issuance of a
9 series of Future Parity Bonds shall not be greater than the Maximum Reserve
10 Requirement. If the dollar amount required to be contributed at the time of issuance
11 of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement,
12 then the amount required to be contributed shall be equal to the Maximum Reserve
13 Requirement.

14 (b) After the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded
15 or defeased, with respect to other series of Parity Bonds, the Reserve Fund
16 Requirement shall be equal to the amount, if any, specified in either the Parity Bond
17 Ordinance authorizing the issuance of such Parity Bonds or in a certificate of the
18 Finance Director, Treasurer, and Environmental Services Director; provided,
19 however, such Reserve Fund Requirement shall not exceed the Maximum Reserve
20 Requirement.

21 "Rule" means the Commission's Rule 15c2-12 under the Securities and
22 Exchange Act of 1934, as the same may be amended from time to time.
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“Ruling” means Revenue Ruling 63-20 of the U.S. Department of Treasury (as compiled and supplemented by Revenue Procedure 82-26 of the U.S. Department of Treasury).

“S&P” means Standard & Poor’s Ratings Services, or its comparable recognized business successor.

“Serial Bonds” means Parity Bonds other than Term Bonds.

“Sewer Fund” means the fund of the City of that name created by Section 13 of Ordinance No. 13989, as amended by Ordinance No. 14015, and reenacted by Section 38 of Ordinance No. 21632.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal amount of Term Bonds required to be purchased, redeemed or paid in such year as established by the ordinance or resolution of the City authorizing the issuance of such Term Bonds.

“State” means the state of Washington.

“System” means the “Tacoma Municipal Sewer System,” comprised of Wastewater Management and Surface Water Management, as the same is defined in Section 1 of Ordinance No. 13989, as amended by Ordinance No. 14015, and reenacted in and referred to as the “Municipal Sewer System” in Section 1 of Ordinance No. 21632, as amended by Ordinance No. 21681 and as supplemented by Ordinance No. 21638, by adding thereto the system of storm and surface water drainage of the City, as the same has heretofore been added to, improved and extended and as the same will be added to, improved and extended for as long as any of the Parity Bonds are outstanding. Such additions, improvements and



1 extensions shall include the water system of the City should the municipal sewer
2 system ever be combined with such water system.

3 "Term Bond Retirement Account" means the Term Bond Retirement Account
4 of the Bond Fund created by Ordinance No. 25562.

5 "Term Bonds" means Parity Bonds designated by the City as term bonds.

6 "TES" means TES Properties, a Washington nonprofit corporation and
7 subordinate organization of NDC Housing and Economic Development Corporation.

8 "TES Bond Trustee" means The Bank of New York Mellon Trust Company,
9 N.A., and its successors and assigns, as trustee pursuant to the Indenture.

10 "TES Bonds" mean the TES Properties, Lease Revenue Bonds, 2009, dated
11 as of February 12, 2009, and issued in the original aggregate principal amount of
12 \$37,840,000 by TES, on behalf of the City, pursuant to the Indenture.

13 "Treasurer" means the duly appointed and acting Treasurer of the City or the
14 successor to the duties of that office.

15 "2006 Bond Ordinance" means the ordinance and resolution authorizing the
16 issuance of the 2006 Bonds as described in the recitals of this ordinance.

17 "2006 Bonds" means the outstanding Sewer Revenue and Refunding
18 Bonds, 2006 issued pursuant to Substitute Ordinance No. 27490 and Substitute
19 Resolution No. 36895.

20 "2011 Bonds" means the outstanding Sewer Revenue Refunding
21 Bonds, 2011 issued pursuant to Substitute Ordinance No. 28015 and Substitute
22 Resolution No. 38334.



1 “2015 Bonds” means the outstanding Sewer Revenue and Refunding
2 Bonds, 2015 issued pursuant to Ordinance No. 28287.

3 “2016A Bonds” mean the City of Tacoma, Washington, Sewer Revenue
4 Refunding Bonds, 2016A, authorized to be issued pursuant to this ordinance for the
5 purpose set forth in Section 3 of this ordinance.
6

7 “2016B Bonds” mean the City of Tacoma, Washington, Sewer Revenue
8 Refunding Bonds, 2016B, authorized to be issued pursuant to this ordinance for the
9 purpose set forth in Section 3 of this ordinance.
10

11 “ULID Assessments” means all assessments (including any interest and
12 penalties) levied in a utility local improvement district for the acquisition or
13 construction of improvements to and extensions of the System if those
14 assessments are pledged to be paid into the Bond Fund. In the case of ULID
15 Assessments payable in installments, ULID Assessments shall be allocated to the
16 years in which they would be received if the unpaid principal balance of each
17 assessment roll were paid over the remaining number of installments with interest
18 thereon at the rate and in the manner provided in the ordinance confirming the
19 assessment roll.
20

21 “Underwriter” means, collectively, the initial purchaser or purchasers of the
22 Bonds, as selected by the Designated Representative.
23

24 “Variable Interest Rate” means a variable interest rate or rates to be borne
25 by a series of Parity Bonds or any one or more maturities within a series of Parity
26 Bonds. The method of computing such variable interest rate shall be specified in
the bond ordinance authorizing such series of Parity Bonds. Such variable interest



1 rate shall be subject to a Maximum Interest Rate and there may be an initial rate
2 specified, in each case as provided in such bond ordinance, or a stated interest rate
3 that may be changed from time to time as provided in the bond ordinance
4 authorizing such bonds. Such bond ordinance shall also specify either (a) the
5 particular period or periods of time or manner of determining such period or periods
6 of time for which each value of such variable interest rate shall remain in effect or
7 (b) the time or times upon which any change in such variable interest rate shall
8 become effective.
9

10 "Variable Interest Rate Bonds" for any period of time means Parity Bonds
11 that during such period bear a Variable Interest Rate, provided that Parity Bonds
12 the interest rate on which shall have been fixed for the remainder of the term
13 thereof shall no longer be Variable Interest Rate Bonds.
14

15 (b) Interpretation. In this ordinance, unless the context otherwise requires:

16 (1) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and
17 any similar terms, as used in this ordinance, refer to this ordinance as a whole and
18 not to any particular article, section, subdivision or clause hereof, and the term
19 "hereafter" shall mean after, and the term "heretofore" shall mean before, the date
20 of this ordinance;
21

22 (2) Words of the masculine gender shall mean and include correlative
23 words of the feminine and neuter genders and words importing the singular number
24 shall mean and include the plural number and vice versa;
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(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations 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 constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

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

Section 2. Compliance with Parity Conditions. In accordance with the Outstanding Parity Bond Ordinances, which permit the issuance of additional Parity Bonds upon compliance with the conditions set forth therein, the City hereby finds and determines, as follows:

(a) The Bonds are being issued for lawful purposes of the City related to the System.

(b) There is not now and at the time of Closing of the Bonds there shall not be any deficiency in the Bond Fund.

(c) The Bonds shall initially be issued as Covered Bonds, and this ordinance provides for payments, if necessary, into the Reserve Fund of amounts and at the times required by the Outstanding Parity Bond Ordinances.

(d) The Bonds are being issued for refunding purposes and the issuance of such Bonds will result in a present value monetary saving to the City and will not



1 require an increase of greater than \$5,000 in debt service payments to be paid in
2 any fiscal or calendar year hereafter than would have been required to be paid in
3 the same fiscal or calendar year for Annual Debt Service on the Refunded Bonds
4 proposed to be refunded.

5
6 The applicable conditions of the Outstanding Parity Bond Ordinances having
7 been or to be complied with in connection with the issuance of the Bonds, the
8 pledge contained herein of Net Revenues of the System to pay and secure the
9 payment of the Bonds shall constitute a lien and charge upon such Net Revenues
10 equal in rank with the lien and charge upon the Net Revenues to pay and secure
11 the payment of the Outstanding Parity Bonds.

12
13 Section 3. Authorization and Description of Bonds.

14 (a) 2016A Bonds. For the purposes of defeasing and refunding the
15 outstanding TES Bonds and paying costs of issuance of the 2016A Bonds, the City
16 is hereby authorized to issue and sell sewer revenue refunding bonds (the
17 "2016A Bonds"). The 2016A Bonds shall be designated as the "City of Tacoma,
18 Washington, Sewer Revenue Refunding Bonds, 2016A" with additional series
19 designation or other designation as set forth in the Bond Purchase Contract and
20 approved by the Designated Representative.

21
22 The 2016A Bonds shall be dated as of their date of initial delivery, shall be
23 fully registered as to both principal and interest, shall be in the denomination of
24 \$5,000 each or any integral multiple thereof within a maturity, shall be numbered
25 separately in the manner and with any additional designation as the Bond Registrar
26 deems necessary for purposes of identification and control, and shall bear interest



1 payable on the dates set forth in the Bond Purchase Contract. The 2016A Bonds
2 shall bear interest at the rates set forth in the Bond Purchase Contract; and shall
3 mature on the dates and in the principal amounts set forth in the Bond Purchase
4 Contract and as approved by a Designated Representative pursuant to Section 19.

5
6 (b) 2016B Bonds. For the purposes of defeasing and refunding a portion of
7 the 2006 Bonds and paying costs of issuance of the 2016B Bonds, the City is
8 hereby authorized to issue and sell sewer revenue refunding bonds (the
9 "2016B Bonds"). The 2016B Bonds shall be designated as the "City of Tacoma,
10 Washington, Sewer Revenue Refunding Bonds, 2016B" with additional series
11 designation or other designation as set forth in the Bond Purchase Contract and
12 approved by the Designated Representative.

13
14 The 2016B Bonds shall be dated as of their date of initial delivery, shall be
15 fully registered as to both principal and interest, shall be in the denomination of
16 \$5,000 each or any integral multiple thereof within a maturity, shall be numbered
17 separately in the manner and with any additional designation as the Bond Registrar
18 deems necessary for purposes of identification and control, and shall bear interest
19 payable on the dates set forth in the Bond Purchase Contract. The 2016B Bonds
20 shall bear interest at the rates set forth in the Bond Purchase Contract; and shall
21 mature on the dates and in the principal amounts set forth in the Bond Purchase
22 Contract and as approved by a Designated Representative pursuant to Section 19.

23
24 (c) Limited Obligations. The Bonds shall be special obligations of the City
25 payable only from the Bond Fund and shall be payable and secured as provided
26



1 herein. The Bonds shall not be general obligations of the City, the State or any
2 political subdivision thereof.

3 Section 4. Registration, Exchange and Payments.

4 (a) Bond Registrar/Bond Register. The City hereby specifies and adopts
5 the system of registration approved by the Washington State Finance Committee
6 from time to time through the appointment of a state fiscal agent. The City shall
7 cause a Bond Register to be maintained by the Bond Registrar. So long as any
8 Bonds remain outstanding, the Bond Registrar shall make all necessary provisions
9 to permit the exchange or registration or transfer of Bonds at its designated office.
10

11 The Bond Registrar may be removed at any time at the option of the Finance
12 Director upon prior notice to the Bond Registrar and a successor Bond Registrar
13 appointed by the Finance Director. No resignation or removal of the Bond
14 Registrar shall be effective until a successor shall have been appointed and until
15 the successor Bond Registrar shall have accepted the duties of the Bond Registrar
16 hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate
17 and deliver Bonds transferred or exchanged in accordance with the provisions of
18 such Bonds and this ordinance and to carry out all of the Bond Registrar's powers
19 and duties under this ordinance. The Bond Registrar shall be responsible for its
20 representations contained in the Certificate of Authentication of the Bonds.
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23 (b) Registered Ownership. The City and the Bond Registrar, each in its
24 discretion, may deem and treat the Registered Owner of each Bond as the absolute
25 owner thereof for all purposes (except as provided in Section 23 of this ordinance),
26 and neither the City nor the Bond Registrar shall be affected by any notice to the



1 contrary. Payment of any such Bond shall be made only as described in
2 Section 5(g), but such Bond may be transferred as herein provided. All such
3 payments made as described in Section 5(g) shall be valid and shall satisfy and
4 discharge the liability of the City upon such Bond to the extent of the amount or
5 amounts so paid.
6

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

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

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

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds of a series, together with a written request on behalf of the Finance Director, issue a single new Bond for each series and maturity then outstanding, registered



1 in the name of such successor or such substitute depository, or their nominees, as
2 the case may be, all as specified in such written request of the Finance Director.

3 (4) In the event that (A) DTC or its successor (or substitute
4 depository or its successor) resigns from its functions as depository and no
5 substitute depository can be obtained, or (B) the Finance Director determines that
6 it is in the best interest of the beneficial owners of the Bonds that such owners be
7 able to obtain physical Bond certificates, the ownership of such Bonds may then be
8 transferred to any person or entity as herein provided, and such Bonds shall no
9 longer be held by a depository. The Finance Director shall deliver a written
10 request to the Bond Registrar, together with a supply of physical Bonds, to issue
11 Bonds as herein provided in any authorized denomination. Upon receipt by the
12 Bond Registrar of all then outstanding Bonds of a series together with a written
13 request on behalf of the Finance Director to the Bond Registrar, new Bonds shall
14 be issued in the appropriate denominations and registered in the names of such
15 persons as are requested in such written request.
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19 (e) Registration of Transfer of Ownership or Exchange; Change in
20 Denominations. The transfer of any Bond may be registered and Bonds may be
21 exchanged, but no transfer of any such Bond shall be valid unless it is surrendered
22 to the Bond Registrar with the assignment form appearing on such Bond duly
23 executed by the Registered Owner or such Registered Owner's duly authorized
24 agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the
25 Bond Registrar shall cancel the surrendered Bond and shall authenticate and
26 deliver, without charge to the Registered Owner or transferee therefor, a new Bond



1 (or Bonds at the option of the new Registered Owner) of the same series, date,
2 maturity and interest rate and for the same aggregate principal amount in any
3 authorized denomination, naming as Registered Owner the person or persons listed
4 as the assignee on the assignment form appearing on the surrendered Bond, in
5 exchange for such surrendered and canceled Bond. Any Bond may be surrendered
6 to the Bond Registrar and exchanged, without charge, for an equal aggregate
7 principal amount of Bonds of the same series, date, maturity and interest rate, in
8 any authorized denomination. The Bond Registrar shall not be obligated to register
9 the transfer or to exchange any Bond during the 15 days preceding any principal
10 payment date any such Bond is to be redeemed.
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13 (f) Bond Registrar's Ownership of Bonds. The Bond Registrar may become
14 the Registered Owner of any Bond with the same rights it would have if it were not
15 the Bond Registrar, and to the extent permitted by law, may act as depository for
16 and permit any of its officers or directors to act as a member of, or in any other
17 capacity with respect to, any committee formed to protect the right of the Registered
18 Owners of Bonds.
19

20 (g) Place and Medium of Payment. Both principal of and interest on the
21 Bonds shall be payable in lawful money of the United States of America. Interest
22 on the Bonds shall be calculated on the basis of a year of 360 days and twelve
23 30-day months. For so long as all Bonds are held by a depository, payments of
24 principal and interest thereon shall be made as provided in accordance with the
25 operational arrangements of DTC referred to in the Letter of Representations. In
26 the event that the Bonds are no longer held by a depository, interest on the Bonds



1 shall be paid by check or draft mailed to the Registered Owners at the addresses
2 for such Registered Owners appearing on the Bond Register on the 15th day of the
3 month preceding the interest payment date, or upon the written request of a
4 Registered Owner of more than \$1,000,000 of Bonds (received by the Bond
5 Registrar at least 15 days prior to the applicable payment date), such payment shall
6 be made by the Bond Registrar by wire transfer to the account within the United
7 States designated by the Registered Owner. Principal of the Bonds shall be
8 payable upon presentation and surrender of such Bonds by the Registered Owners
9 at the designated office of the Bond Registrar.
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12 If any Bond shall be duly presented for payment and funds have not been
13 duly provided by the City on such applicable date, then interest shall continue to
14 accrue thereafter on the unpaid principal thereof at the rate stated on such Bond
15 until it is paid.

16 Section 5. Redemption Prior to Maturity and Purchase of Bonds.

17 (a) Mandatory Redemption of Term Bonds and Optional Redemption, if
18 any. The Bonds of each series shall be subject to mandatory redemption to the
19 extent, if any, set forth in the Bond Purchase Contract approved by the Designated
20 Representative pursuant to Section 19. The Bonds of each series shall be subject
21 to optional redemption on the dates, at the prices and under the terms set forth in
22 the Bond Purchase Contract approved by the Designated Representative pursuant
23 to Section 19.
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1 (b) Purchase of Bonds. The City hereby reserves the right at any time and
2 at any price to purchase any of the Bonds from amounts in the Sewer Fund
3 available for such purchase.

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

2 (1) Official Notice. For so long as the Bonds are held in uncertificated
3 form, notice of redemption (which notice may be conditional) shall be given in
4 accordance with the operational arrangements of DTC as then in effect, and neither
5 the City nor the Bond Registrar will provide any notice of redemption to any
6 beneficial owners. Thereafter (if the Bonds are no longer held in uncertificated
7 form), notice of redemption shall be given in the manner hereinafter provided.

8 Unless waived by any owner of Bonds to be redeemed, official notice of any such
9 redemption (which redemption may be conditioned by the Bond Registrar on the
10 receipt of sufficient funds for redemption or otherwise) shall be given by the Bond
11 Registrar on behalf of the City by mailing a copy of an official redemption notice by
12 first-class mail at least 20 days and not more than 60 days prior to the date fixed for
13 redemption to the Registered Owner of the Bond or Bonds to be redeemed at the
14 address shown on the Bond Register or at such other address as is furnished in
15 writing by such Registered Owner to the Bond Registrar.

16 All official notices of redemption shall be dated and shall state:

17 (A) the redemption date,

18 (B) the redemption price,

19 (C) if fewer than all outstanding Bonds are to be redeemed,
20 the identification by maturity (and, in the case of partial redemption, the respective
21 principal amounts) of the Bonds to be redeemed,

22 (D) that unless conditional notice of redemption has been
23 given and such conditions have not been satisfied or waived or such notice has
24



1 been rescinded, on the redemption date the redemption price will become due and
2 payable upon each such Bond or portion thereof called for redemption, and if the
3 Bond Registrar then holds sufficient funds to pay such Bonds at the redemption
4 price, interest thereon shall cease to accrue from and after said date,

5
6 (E) any conditions to redemption, and

7 (F) the place where such Bonds are to be surrendered for
8 payment of the redemption price, which place of payment shall be the designated
9 office of the Bond Registrar.

10
11 On or prior to any redemption date, unless any condition to such redemption
12 has not been satisfied or waived or notice of such redemption has been rescinded,
13 the City shall deposit with the Bond Registrar an amount of money sufficient to pay
14 the redemption price of all the Bonds or portions of Bonds which are to be
15 redeemed on that date. The City retains the right to rescind any redemption notice
16 and the related optional redemption of Bonds by giving notice of rescission to the
17 affected Registered Owners at any time on or prior to the scheduled redemption
18 date. Any notice of optional redemption that is so rescinded shall be of no effect,
19 and the Bonds for which the notice of optional redemption has been rescinded shall
20 remain outstanding.

21
22 (2) Effect of Notice; Bonds Due. If notice of redemption has been
23 given and not rescinded, or if the conditions set forth in a conditional notice of
24 redemption have been satisfied or waived, the Bonds or portions of Bonds to be
25 redeemed shall, on the redemption date, become due and payable at the
26 redemption price therein specified, and, if the Bond Registrar then holds sufficient



1 funds to pay such Bonds at the redemption price, then from and after such date
2 such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of
3 such Bonds for redemption in accordance with said notice, such Bonds shall be
4 paid by the Bond Registrar at the redemption price. Installments of interest due on
5 or prior to the redemption date shall be payable as herein provided for payment of
6 interest. All Bonds which have been redeemed shall be canceled by the Bond
7 Registrar and shall not be reissued.
8

9 (3) Additional Notice. In addition to the foregoing notice, further
10 notice shall be given by the City as set out below, but no defect in said further
11 notice nor any failure to give all or any portion of such further notice shall in any
12 manner defeat the effectiveness of a call for redemption if notice thereof is given
13 as above prescribed. Each further notice of redemption given hereunder shall
14 contain the information required above for an official notice of redemption plus
15 (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the
16 Bonds as originally issued; (C) the rate of interest borne by each Bond being
17 redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other
18 descriptive information needed to identify accurately the Bonds being redeemed.
19 Each further notice of redemption may be sent at least 20 days before the
20 redemption date to each party entitled to receive notice pursuant to Section 23 and
21 with such additional information as the City shall deem appropriate, but such
22 mailings shall not be a condition precedent to the redemption of such Bonds.
23

24 (4) Amendment of Notice Provisions. The foregoing notice provisions of this
25 Section 5, including, but not limited to, the information to be included in redemption
26



1 notices and the persons designated to receive notices, may be amended by
2 additions, deletions and changes in order to maintain compliance with duly
3 promulgated regulations and recommendations regarding notices of redemption of
4 municipal securities.

5
6 Section 6. Form of Bonds and Certificate of Authentication. The Bonds of
7 each series shall be in substantially the form set forth in Exhibit A, which is
8 incorporated herein by this reference, with appropriate or necessary insertions,
9 depending upon the omissions and variations as permitted or required hereby.

10
11 Section 7. Execution of Bonds. The Bonds shall be executed on behalf of
12 the City with the manual or facsimile signatures of the Mayor and City Clerk of the
13 City and the seal of the City shall be impressed, imprinted or otherwise reproduced
14 thereon.

15
16 Only such Bonds as shall bear thereon a Certificate of Authentication in the
17 form provided herein, manually executed by the Bond Registrar, shall be valid or
18 obligatory for any purpose or entitled to the benefits of this ordinance. Such
19 Certificate of Authentication shall be conclusive evidence that the Bonds so
20 authenticated have been duly executed, authenticated and delivered hereunder
21 and are entitled to the benefits of this ordinance.

22
23 In case either of the officers who shall have executed the Bonds shall cease
24 to be an officer or officers of the City before the Bonds so signed shall have been
25 authenticated or delivered by the Bond Registrar, or issued by the City, such
26 Bonds may nevertheless be authenticated, delivered and issued and upon such
authentication, delivery and issuance, shall be as binding upon the City as though



1 those who signed the same had continued to be such officers of the City. Any
2 Bond may be signed and attested on behalf of the City by such persons who at the
3 date of the actual execution of such Bond, are the proper officers of the City,
4 although at the original date of such Bond any such person shall not have been
5 such officer of the City.
6

7 Section 8. Application of Bond Proceeds; Refunding Plan. For the purpose
8 of realizing a debt service savings (as determined by comparing the Monthly Rent
9 the City is paying under the Project Lease to the debt service to be paid on the
10 2016A Bonds), the City proposes to defease and/or refund the TES Bonds as set
11 forth herein. A portion of the proceeds of the 2016A Bonds shall be deposited, on
12 behalf of TES, with the Escrow Agent pursuant to the Escrow Deposit Agreement to
13 be used immediately upon receipt thereof to defease the TES Bonds as authorized
14 by the Indenture and the Project Lease and to pay costs of issuance of the 2016A
15 Bonds.
16
17

18 For the purpose of realizing a debt service savings, the City also proposes to
19 defease and/or refund a portion of the 2006 Bonds as set forth herein. The
20 Designated Representative shall designate which 2006 Bonds will be refunded with
21 proceeds of the 2016B Bonds and such designation shall be set forth in the Bond
22 Purchase Contract. A portion of the proceeds of the 2016B Bonds shall be
23 deposited with the Escrow Agent pursuant to the Escrow Deposit Agreement to be
24 used immediately upon receipt thereof to defease the refunded 2006 Bonds as
25 authorized by the 2006 Bond Ordinance and to pay costs of issuance of the
26 2016B Bonds.



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The net proceeds of each series of Bonds deposited with the Escrow Agent shall be used to defease the applicable Refunded Bonds and discharge the obligations thereon by the purchase of certain Acquired Obligations bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (a) interest on each series of Refunded Bonds as such becomes due on and prior to the applicable Call Date; and
- (b) the redemption price (100 percent of the principal amount) of each series of Refunded Bonds on the applicable Call Date.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

A beginning cash balance, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the applicable series of Refunded Bonds. In order to carry out the purposes of this Section 8, the Finance Director is authorized and directed to execute and deliver to the Escrow Agent, one or more Escrow Deposit Agreements.

The City hereby sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Bonds to make the payments described above.

The City hereby calls the refunded 2006 Bonds for redemption on their Call Date in accordance with the provisions of the 2006 Bond Ordinance authorizing the redemption and retirement of the 2006 Bonds prior to their fixed maturities.



1 The City hereby directs TES and the Escrow Agent to irrevocably call the
2 TES Bonds for redemption on their Call Date in accordance with the provisions of
3 the Indenture authorizing the redemption and retirement of the TES Bonds prior to
4 their fixed maturities.

5
6 Said defeasance and call for redemption of the Refunded Bonds shall be
7 irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations
8 to the Escrow Agent.

9 The Escrow Agent is hereby authorized and directed to provide, or cause
10 the TES Bond Trustee to provide, for the giving of notices of the defeasance and/or
11 redemption of each series of the Refunded Bonds in accordance with the applicable
12 provisions of the 2006 Bond Ordinance and the Indenture, as applicable. The costs
13 of publication of such notices shall be an expense of the City.
14

15 The Escrow Agent is hereby authorized and directed to pay to the Finance
16 Director, or, at the direction of the Finance Director, to the paying agent for the
17 Refunded Bonds, sums sufficient to pay, when due, the payments specified in this
18 Section 8. All such sums shall be paid from the moneys and Acquired Obligations
19 deposited with the Escrow Agent, and the income therefrom and proceeds thereof.
20 All such sums so paid to or to the order of the Finance Director shall be credited to
21 the Refunding Account. All moneys and Acquired Obligations deposited with the
22 Escrow Agent and any income therefrom shall be held, invested (but only at the
23 direction of the Finance Director) and applied in accordance with the provisions of
24 this ordinance, the Indenture, and the Escrow Deposit Agreement and with the laws
25 of the State for the benefit of the City and owners of the Refunded Bonds.
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The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

A portion of the proceeds of the Bonds may also be used, if necessary, to satisfy the Reserve Fund Requirement at the time of issuance of the Bonds as set forth in Section 10(a)(3)(A) of this ordinance.

Section 9. Sewer Fund. A special fund of the City has been created and designated the "Sewer Fund". The City covenants and agrees that so long as any of the Parity Bonds are outstanding, it will pay or cause to be paid into the Sewer Fund all Gross Revenues exclusive of ULID Assessments and earnings on money and investments in any construction fund, the Rate Stabilization Fund, the Bond Fund and any rebate fund, which earnings may be retained in such funds or accounts or transferred to other funds or accounts as permitted or required by this ordinance.

The amounts on deposit in the Sewer Fund shall be used only for the following purposes and in the following order of priority:

- (a) To pay or provide for Costs of Maintenance and Operation.
- (b) To make all payments required to be made into the Interest Account in the Bond Fund or to make any Payment in accordance with Section 16.
- (c) To make all payments required to be made into the Principal Account in the Bond Fund and to make all payments into the Term Bond Retirement Account in the Bond Fund.



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(d) To make all payments pursuant to a reimbursement agreement ranking on a parity of lien with the Parity Bonds and entered into in connection with a Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility with respect to the Reserve Fund, and after the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, into any other reserve fund created in the future for the payment of debt service on Parity Bonds; provided, that if there is not sufficient money to make all payments under reimbursement agreements the payments will be made on a pro rata basis.

(e) To make all payments required to be made into the Reserve Fund to secure the payment of any Covered Bonds, and after the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, into any other reserve fund created in the future for the payment of debt service on Parity Bonds.

(f) To make all payments required to be made into any special fund or account created to pay or secure the payment of obligations issued having a lien upon amounts in the Sewer Fund junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds.

(g) To pay any taxes (or payments in lieu of taxes) upon the System payable to the City.

(h) To make payments into the Rate Stabilization Fund for the purposes set forth in Section 11 or for any lawful purpose of the City related to the System.

Section 10. Bond Fund.

(a) A special fund of the City designated the "City of Tacoma Sewer Revenue Bond Fund" (the "Bond Fund") has previously been created by the City.



1 The Bond Fund shall be used solely for the purposes of paying the principal of,
2 premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to
3 maturity in the manner provided herein or in any Parity Bond Ordinance.

4 The Bond Fund contains four funds and accounts: the Interest Account, the
5 Principal Account, the Term Bond Retirement Account, and the Reserve Fund. At
6 the option of the City, separate funds and accounts may be created in the Bond
7 Fund for the purpose of paying or securing the payment of principal, premium, if
8 any, and interest on any series of Parity Bonds. The City hereby obligates and
9 binds itself irrevocably to set aside and to pay into the Bond Fund all ULID
10 Assessments and out of the Sewer Fund certain fixed amounts sufficient (together
11 with other available funds on hand and paid into the Bond Fund) to pay the principal
12 of, premium, if any, and interest on the Bonds and all other Parity Bonds
13 outstanding pursuant to this ordinance and all other Parity Bond Ordinances when
14 due, either at maturity or in accordance with the terms of any Sinking Fund
15 Requirement schedule established for the retirement of Term Bonds. The fixed
16 amounts to be paid into the Bond Fund, to the extent that such payments are not
17 made from ULID Assessments, bond proceeds or from other legally available
18 money, shall be made out of the Sewer Fund in the following order of priority: first,
19 into the Interest Account; second, into the Principal Account and Term Bond
20 Retirement Account; and third, into the Reserve Fund. The City may create
21 subaccounts within such funds and accounts for the purpose of paying the Bonds.
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26 (1) Interest Account. In the case of all Parity Bonds, no later than the
day prior to the date on which an installment of interest is due on any Parity Bonds,



1 the City shall transfer from the Sewer Fund to the Interest Account in the Bond
2 Fund an amount (together with other money as is on hand and available in such
3 Account) equal to the installment of interest then due on all outstanding Parity
4 Bonds.

5
6 (2) Principal Account and Term Bond Retirement Account. No later
7 than the day prior to the date upon which an installment of principal on Parity Bonds
8 that are Serial Bonds is due, the City shall transfer from the Sewer Fund to the
9 Principal Account in the Bond Fund an amount (together with such other money as
10 is on hand and available in such Account) equal to the installment of principal then
11 due on all outstanding Parity Bonds that are Serial Bonds.

12
13 No later than the day prior to the Sinking Fund Requirement date, the City
14 will transfer from the Sewer Fund to the Term Bond Retirement Account an amount
15 (together with such other money as is available and on hand in such account) equal
16 to the Sinking Fund Requirement for such date.

17
18 The City will apply all the money paid into the Term Bond Retirement
19 Account to the redemption or purchase of Term Bonds on the next ensuing Sinking
20 Fund Requirement due date (or may so apply such money prior to the Sinking Fund
21 Requirement due date). In addition to redeeming Term Bonds, the City may apply
22 the money paid into the Term Bond Retirement Account to retire Term Bonds by
23 purchasing such Term Bonds at a purchase price (including any brokerage charge)
24 that is not in excess of the principal amount thereof, in which event the principal of
25 such Term Bonds so purchased will be credited against the ensuing Sinking Fund
26 Requirement. If, as of any January 1, the principal amount of Term Bonds retired



1 by purchase or redemption exceeds the cumulative amount required to be
2 redeemed by Sinking Fund Requirement on or before such January 1, then the
3 excess may be credited against Sinking Fund Requirements in the manner
4 determined by the City at the time of the purchase or redemption. Any such
5 purchase of Term Bonds by the City may be made with or without tenders of such
6 Term Bonds in such manner as the City will deem, in its discretion, to be in its best
7 interest.
8

9 (3) Reserve Fund.

10 (A) A Reserve Fund has been created in the Bond Fund for
11 the purpose of securing the payment of the principal of and interest on the Covered
12 Bonds. After the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or
13 defeased, the City may create separate reserve funds and establish separate
14 Reserve Fund Requirements, if any, to secure the payment of the principal of and
15 interest on other Parity Bonds.
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18 The Bonds shall initially be issued as Covered Bonds and the payment of the
19 principal of and interest on the Bonds shall initially be secured by the Reserve
20 Fund. After the 2006 Bonds and 2011 Bonds are fully redeemed, refunded or
21 defeased, the City, in its sole discretion, may create a separate reserve fund and
22 establish a separate Reserve Fund Requirement, if any, to secure the payment of
23 the principal of and interest on the Bonds. If the City determines to create a
24 separate reserve fund and establish a Reserve Fund Requirement for the Bonds,
25 from such date the Bonds will no longer be Covered Bonds and the payment of the
26 principal of and interest on the Bonds will no longer be secured by the Reserve



1 Fund. The new Reserve Fund Requirement for the Bonds shall be equal to the
2 amount, if any, specified in a certificate of the Finance Director, Treasurer and
3 Environmental Services Director, a form of which is attached hereto as Exhibit "B."
4 The City shall provide notice of any such separate reserve fund and corresponding
5 Reserve Fund Requirement for the Bonds in the same manner as a listed event
6 notice that would be required upon the occurrence of a material "release,
7 substitution, or sale of property securing repayment of the Bonds" in accordance
8 with Section 23(c) of this ordinance.
9

10 The City hereby covenants and agrees that on the date of Closing for the
11 Bonds it shall pay into the Reserve Fund out of proceeds of such Bonds and other
12 funds lawfully available therefor and/or acquire Qualified Insurance or a Qualified
13 Letter of Credit so that the amount in the Reserve Fund at least equals the Reserve
14 Fund Requirement.
15

16 The City may, at any time, substitute Qualified Insurance or a Qualified
17 Letter of Credit for the money and investments in the Reserve Fund or may
18 substitute money and investments for Qualified Insurance or a Qualified Letter of
19 Credit in accordance with this subsection. The face amount of such Qualified
20 Insurance or Qualified Letter of Credit shall be at least equal to the amount of the
21 money or investments for which the Qualified Insurance or Qualified Letter of Credit
22 is substituted.
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25 (B) Valuation of the amount in the Reserve Fund and all
26 subaccounts therein shall be made by the City on each December 31 and may be
made on any other date. Such valuation shall be at the market value of the



1 obligations in such fund and such subaccounts (including accrued interest);
2 provided, that investments which mature within one year shall be valued at their
3 maturity value.

4
5 (C) In the event of the issuance of any Future Parity Bonds
6 that are Covered Bonds, the Parity Bond Ordinance authorizing the issuance of
7 such Future Parity Bonds shall provide for further and additional approximately
8 equal monthly payments into the Reserve Fund from the money in the Sewer Fund,
9 in such amounts and at such times so that by no later than five years from the date
10 of issuance of such Future Parity Bonds or by the final maturity established for such
11 series of Future Parity Bonds, whichever occurs first, there will be credited to the
12 Reserve Fund an amount equal to the Reserve Fund Requirement.

13
14 Notwithstanding the foregoing provisions of this subparagraph (C), the proceedings
15 authorizing the issuance of Future Parity Bonds that are Covered Bonds, to the
16 extent permitted under the Code, may provide for payments into the Reserve Fund
17 from the proceeds of such Future Parity Bonds or from any other money lawfully
18 available therefor, or may provide for the City to obtain Qualified Insurance or a
19 Qualified Letter of Credit for amounts required by subparagraph (E) of this section
20 or parallel provisions in other Parity Bond Ordinances to be paid out of the Reserve
21 Fund. The face amount of any such Qualified Insurance or Qualified Letter of
22 Credit may be credited against the amounts required to be maintained in the
23 Reserve Fund by this section or parallel provisions in other Parity Bond Ordinances
24 to the extent that such payments and credits to be made are insured by an
25 insurance company or guaranteed by a letter of credit from a financial institution.
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On receipt of a notice of cancellation of any Qualified Letter of Credit or Qualified Insurance or upon notice that the entity providing the Qualified Letter of Credit or Qualified Insurance no longer meets the requirements specified herein, the City shall substitute a Qualified Letter of Credit or Qualified Insurance in the amount required to make up the deficiency created in the Reserve Fund or in the alternative shall create a special account in the Sewer 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) one thirty-sixth of the amount sufficient, together with other money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement in effect as of the date the cancellation or disqualification of the entity becomes effective. Those amounts shall be deposited in the special account from money in the Sewer Fund after making provision for payment of Costs of Maintenance and Operation and for required payments into the Bond Fund. Amounts on deposit in that special account shall not be available to pay debt service on Covered Bonds or for any other purpose of the City, and shall be transferred to the Reserve Fund on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance to make up all or part of the deficiency caused thereby. Amounts in that special account or in the Reserve Fund may be transferred to the Sewer Fund and used for any purpose if and when a qualifying Qualified Letter of Credit or Qualified Insurance is obtained.

(D) If at any time the money and value of Permitted Investments in the Reserve Fund shall exceed the amount of money and value of



1 Permitted Investments then required to be maintained therein, such excess may be
2 transferred to the Sewer Fund.

3 (E) In the event that there shall be a deficiency in the Interest
4 Account, Principal Account or Term Bond Retirement Account in the Bond Fund
5 with respect to Covered Bonds, the City shall promptly make up such deficiency
6 from the Reserve Fund by the withdrawal of cash therefrom for that purpose and by
7 the sale or redemption of obligations held in the Reserve Fund, if necessary, in
8 such amounts as will provide cash in the Reserve Fund sufficient to make up any
9 such deficiency, and if a deficiency still exists immediately prior to a Payment Date
10 and after the withdrawal of cash, the City shall then draw from any Qualified Letter
11 of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount
12 to make up the deficiency. Such draw shall be made at such times and under such
13 circumstances as the agreement for such Qualified Letter of Credit or Qualified
14 Insurance shall provide. The City covenants and agrees that any deficiency
15 created in the Reserve Fund by reason of any withdrawal therefrom for payment
16 into the Interest Account, Principal Account or Term Bond Retirement Account shall
17 be made up from money in the Sewer Fund first available after providing for the
18 required payments into such Interest, Principal and Term Bond Retirement
19 Accounts and after providing for payments under a reimbursement agreement
20 entered into by the City under Section 18; provided, after the 2006 Bonds and the
21 2011 Bonds are fully redeemed, refunded or defeased, any such deficiency shall be
22 made up within 12 months of such deficiency.
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(F) When a series of Covered Bonds is refunded in whole or in part, money may be withdrawn from the Reserve Fund to pay or provide for the payment of refunded Covered Bonds; provided that immediately after such withdrawal there shall remain in or be credited to the Reserve Fund money and Permitted Investments in an amount equal to the Reserve Fund Requirement or so much thereof as is then required to be maintained.

(b) In making the payments and credits to the Principal Account, Interest Account, Term Bond Retirement Account and Reserve Fund required by this Section 10 and parallel provisions in other Parity Bond Ordinances, to the extent that such payments are made from bond proceeds, from money in any Capitalized Interest account, or from other money that may legally be available, such payments are not required to be made from the Sewer Fund.

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

Subject to the foregoing sentence, the Bond Fund shall be drawn upon solely for the purpose of paying the principal of, premium, if any, and interest on Parity Bonds. Money set aside from time to time with the Bond Registrar for such payment shall be held in trust for the owners of Parity Bonds in respect of which the same shall have been so set aside. Until so set aside, and except as otherwise



1 provided herein, all money in the Bond Fund shall be held in trust for the benefit of
2 the owners of all Parity Bonds at the time outstanding equally and ratably.

3 (d) Money in the Bond Fund may, at the option of the City, be invested and
4 reinvested as permitted by law in Permitted Investments maturing, or which are
5 redeemable at the option of the owner, prior to the date needed or prior to the
6 maturity date of the final installment of principal of the Parity Bonds payable out of
7 the Bond Fund, but only to the extent that the same are acquired, valued and
8 disposed of at Fair Market Value. At the City's option, earnings on investments in
9 the Bond Fund may be retained in the Bond Fund or transferred to the Sewer Fund,
10 except that earnings on investments in the Reserve Fund shall first be applied to
11 remedy any deficiency in such fund.
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14 (e) Money in each of the subaccounts and funds established in this
15 Section 10 may be used, if necessary, to pay Rebate Amounts to the extent that
16 such Rebate Amounts are directly attributable to earnings on such subaccount.
17

18 Section 11. Rate Stabilization Fund. A special fund of the City designated
19 the "Rate Stabilization Fund" has been established by the City in the Sewer Fund.
20 In accordance with the priorities set forth in this ordinance, the City may from time
21 to time deposit Net Revenues into the Rate Stabilization Fund and may from time to
22 time withdraw amounts therefrom to enhance rate stability or for other lawful
23 purposes of the City related to the System.
24

25 Section 12. Security for Parity Bonds. All Parity Bonds are special limited
26 obligations of the City payable from and secured solely by a charge and lien as set
forth in this paragraph. There are hereby pledged as security for the payment of



1 the principal of, premium, if any, and interest on all Parity Bonds in accordance with
2 the provisions of this ordinance, subject to the provisions of this ordinance
3 restricting or permitting the application thereof, (a) the proceeds of the sale of Parity
4 Bonds to the extent held in funds established or continued by this ordinance,
5 (b) Net Revenues and ULID Assessments and (c) the money and assets credited to
6 the Sewer Fund and the Bond Fund and the income therefrom. The pledge of Net
7 Revenues, money and assets credited to the Sewer Fund and Bond Fund and
8 ULID Assessments constitutes a lien and charge on the Net Revenues, the funds
9 and ULID Assessments superior to all other charges of any kind or nature.
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12 All Parity Bonds hereafter outstanding shall be equally and ratably payable
13 and secured hereunder without priority by reason of date of adoption of the
14 ordinance providing for their issuance or by reason of their number or date of sale,
15 issuance, execution or delivery, or by the liens, pledges, charges, trusts,
16 assignments and covenants made herein, except as otherwise expressly provided
17 or permitted in this ordinance and except as to insurance which may be obtained by
18 the City to insure the repayment of one or more series or maturities within a series.
19

20 Parity Bonds shall not in any manner or to any extent constitute general
21 obligations of the City or of the State, or any political subdivision of the State, or a
22 charge upon any general fund or upon any money or other property of the City or
23 of the State, or of any political subdivision of the State, not specifically pledged
24 thereto by this ordinance.
25

26 Section 13. Adequacy of Revenue of System to Make Required Payments.

The Council declares, in fixing the amounts to be paid into the Bond Fund as



1 provided herein, that it has exercised due regard for Costs of Maintenance and
2 Operation and has not obligated the City to set aside and pay into the Bond Fund a
3 greater amount of the Gross Revenues than in its judgment will be available over
4 and above such Costs of Maintenance and Operation.

5
6 Section 14. Defeasance. In the event that the City, to effect the payment,
7 retirement or redemption of any Bond, sets aside in the Bond Fund or in another
8 special account, cash or noncallable Government Obligations, or any combination
9 of cash and/or noncallable Government Obligations, in amounts and maturities
10 which, together with the known earned income therefrom, are sufficient to redeem
11 or pay and retire such Bond in accordance with its terms and to pay when due the
12 interest and redemption premium, if any, thereon, and such cash and/or noncallable
13 Government Obligations are irrevocably set aside and pledged for such purpose,
14 then no further payments need be made into the Bond Fund for the payment of the
15 principal of and interest on such Bond. The owner of a Bond so provided for shall
16 cease to be entitled to any lien, benefit or security of this ordinance except the right
17 to receive payment of principal, premium, if any, and interest from the Bond Fund or
18 such special account, and such Bond shall be deemed to be not outstanding under
19 this ordinance.
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22 The City shall give written notice of defeasance in accordance with
23 Section 23.
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25 Section 15. Covenants. The City covenants and agrees with the owners of
26 the Bonds, from time to time for as long as any such Bonds are outstanding, as
follows:



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(a) Rate Covenant – General. The City shall establish, maintain and collect rates or charges in connection with the ownership and operation of the System that shall be fair and nondiscriminatory and adequate to provide Gross Revenues sufficient for the payment of the principal of and interest on all Parity Bonds for which payment has not otherwise been provided and all amounts that the City is obligated to set aside in the Bond Fund, for the proper operation and maintenance of the System, and for the payment of all amounts that the City may now or hereafter become obligated to pay from Gross Revenues.

(b) Rate Covenant – Coverage. The City shall establish, maintain and collect rates or charges in connection with the ownership and operation of the System sufficient to provide Net Revenues in any calendar year hereafter in an amount equal to at least 1.30 times the Adjusted Annual Debt Service. After all of the 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, this requirement shall read as follows: The City shall establish, maintain and collect rates or charges in connection with the ownership and operation of the System sufficient to provide Net Revenues in any calendar year hereafter in an amount equal to at least 1.25 times the Adjusted Annual Debt Service.

Solely for purposes of calculating the coverage requirement set forth above, there shall be added to Gross Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited in the Sewer Fund, and there shall be subtracted from Gross Revenues in any Fiscal Year any amount withdrawn from the Sewer Fund and deposited in the Rate Stabilization Fund. After all of the 2006 Bonds and the 2011 Bonds are fully redeemed,



1 refunded or defeased, credits to or from the Rate Stabilization Fund that occur
2 within 90 days after the end of a Fiscal Year may be treated as occurring within
3 such Fiscal Year.

4 The calculation of the coverage requirement set forth above, and in
5 Section 17, and the City's compliance therewith, may be made solely with
6 reference to this ordinance without regard to future changes in generally accepted
7 accounting principles. If the City has changed one or more of the accounting
8 principles used in the preparation of its financial statements, because of a change
9 in generally accepted accounting principles or otherwise, then an event of default
10 relating to this coverage requirement shall not be considered an event of default if
11 the coverage requirement ratio would have been complied with had the City
12 continued to use those accounting principles employed at the date of the most
13 recent audited financial statements prior to the date of this ordinance.

14 (c) Maintenance and Operation Standards. The City will at all times keep
15 and maintain the System in good repair, working order and condition, and will at all
16 times operate the System and the business in connection therewith in an efficient
17 manner and at a reasonable cost.

18 (d) Disposal of Properties. The City shall not sell, mortgage, lease or
19 otherwise dispose of the properties constituting the System except as provided by
20 law and subject to such additional restrictions as are provided in this section and as
21 may be provided in a reimbursement agreement with respect to Qualified Insurance
22 or a Qualified Letter of Credit, as follows:
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(1) The City will not sell, mortgage, lease or otherwise dispose of the System in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment, redemption or other retirement of all Parity Bonds then outstanding.

(2) Except as provided in paragraph (3) below, the City will not sell, mortgage, lease or otherwise dispose of any part of the System in excess of 5 percent of the book value of the net utility plant of the System unless provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:

(A) An amount that will be in the same proportion to the net Bond Obligation of Parity Bonds then outstanding (defined as the total Bond Obligation of such Parity Bonds outstanding less the amount of cash and investments in the Principal Account and Term Bond Retirement Account in the Bond Fund) that the revenues attributable to the part of the System sold or disposed of for the 12 preceding months bears to the total revenues for such period; or

(B) An amount that will be in the same proportion to the net Bond Obligation of Parity Bonds then outstanding that the book value of the part of the System sold or disposed of bears to the book value of the entire System immediately prior to such sale or disposition.

(3) The City may sell, lease, mortgage or otherwise dispose of any part of the System which shall have become unserviceable, inadequate, obsolete or



1 unfit to be used in the operation of the System, or no longer necessary, material to
2 or useful in such operation.

3 (4) The proceeds of the sale, lease or disposal of any part of the
4 System shall be deposited in the Sewer Fund.

5 (5) If the sale, lease, mortgage or other disposal of any part of the
6 System is valued in excess of 10 percent of the book value of the physical assets of
7 the System, an opinion of an Engineer, based on financial statements of the
8 System for the most recent Fiscal Year available, shall be delivered in connection
9 with such disposition demonstrating that such sale, mortgage, lease or other
10 disposal would not prevent the City from meeting the requirements of Section 15(b).

11 (e) No Free Service. Except as permitted by law for the support of the poor
12 and infirm and otherwise permitted by law in an amount per year not exceeding
13 1/10 of 1 percent of annual Costs of Maintenance and Operation, the City will not
14 furnish sanitary and storm sewage collection and disposal service to any customer
15 whatsoever free of charge.

16 (f) Books and Accounts – Operating Statement. The City shall keep and
17 maintain proper books and accounts with respect to the operations, income and
18 expenditures of the System that are in accordance with proper and legal
19 accounting procedures. On or before 120 days after each Fiscal Year of the City's
20 operation of the System, it will prepare or cause to be prepared an operating
21 statement of the System for such preceding Fiscal Year. Each such statement
22 shall contain a statement in detail of the Gross Revenues, Costs of Maintenance
23 and Operation, and expenses for capital purposes of the System for such Fiscal
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1 Year, shall contain a statement as of the end of such year showing the status of all
2 the funds and accounts created by the various ordinances pertaining to the
3 operation of the System and authorizing the issuance of outstanding bonds
4 payable from the revenue of the System, and shall contain a statement of the
5 number of sanitary and storm sewage collection and disposal customers per class
6 of customer at the end of such year. Copies of such statement shall be placed on
7 file in the office of the Department of Finance and shall be open to inspection at
8 any reasonable time by any owner of the Bonds or of any other outstanding bonds
9 of the City payable out of the Gross Revenues of the System. Upon the request of
10 any owner of Parity Bonds, the City shall provide a copy of such statement to such
11 owner. All expenses incurred in the maintenance of such books and accounts and
12 the preparation of such statement may be regarded and paid as an expense of
13 operation of the System.
14
15

16 (g) Insurance. The City will keep the System insured, and will carry such
17 other insurance, with responsible insurers, with policies payable to the City, against
18 risks, accidents or casualties, at least to the extent that insurance is usually carried
19 by municipal corporations operating like properties; provided, however, that the City
20 may, if deemed necessary and advisable by the Council, institute or continue a
21 self-insurance program with respect to any or all of the aforementioned risks. In the
22 event of any loss or damage, the City will promptly deposit the insurance proceeds
23 into any construction fund hereafter created for the System, and use such funds to
24 repair or replace the damaged portion of the insured property and apply the
25 proceeds of any insurance policy or self-insurance funding for that purpose; or in
26



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

10 (h) Tax Covenants. The City will take all actions necessary to assure the
11 exclusion of interest on the Bonds from the gross income of the owners of the
12 Bonds to the same extent as such interest is permitted to be excluded from gross
13 income under the Code as in effect on the date of issuance of the Bonds, including
14 but not limited to the following:
15

16 (1) Private Activity Bond Limitation. The City will assure that the
17 proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private
18 business tests of Section 141(b) of the Code or the private loan financing test of
19 Section 141(c) of the Code.
20

21 (2) Limitations on Disposition of Project. The City will not sell or
22 otherwise transfer or dispose of (i) any personal property components of the
23 projects refinanced with proceeds of the Bonds (the "Projects") other than in the
24 ordinary course of an established government program under Treasury
25 Regulation 1.141-2(d)(4) or (ii) any real property components of the Projects,
26 unless it has received an opinion of Bond Counsel to the effect that such



1 disposition will not adversely affect the treatment of interest on the Bonds as
2 excludable from gross income for federal income tax purposes.

3 (3) Federal Guarantee Prohibition. The City will not take any action
4 or permit or suffer any action to be taken if the result of such action would be to
5 cause any of the Bonds to be “federally guaranteed” within the meaning of
6 Section 149(b) of the Code.
7

8 (4) Rebate Requirement. The City will take any and all actions
9 necessary to assure compliance with Section 148(f) of the Code, relating to the
10 rebate of excess investment earnings, if any, to the federal government, to the
11 extent that such section is applicable to the Bonds.
12

13 (5) No Arbitrage. The City will not take, or permit or suffer to be
14 taken by the Escrow Agent or otherwise, any action with respect to the proceeds of
15 the Bonds which, if such action had been reasonably expected to have been taken,
16 or had been deliberately and intentionally taken, on the date of issuance of the
17 Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of
18 Section 148 of the Code.
19

20 (6) Registration Covenant. The City will maintain a system for
21 recording the ownership of each Bond that complies with the provisions of
22 Section 149 of the Code until all Bonds have been surrendered and canceled.
23

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



1 at least three years after the earlier of the maturity or redemption of the obligations
2 that refunded the Bonds.

3 (8) Compliance with Federal Tax Certificate. The City will comply
4 with the provisions of the Federal Tax Certificate with respect to the Bonds, which
5 are incorporated herein as if fully set forth herein. The covenants of this Section
6 will survive payment in full or defeasance of the Bonds.
7

8 Section 16. Parity Derivative Products. For purposes of this Section 16, the
9 following words shall have the following definitions:

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

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

21 (c) "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 City
25 and a Qualified Counterparty, all as authorized by any applicable laws of the State.
26



1 Such agreement may or may not be characterized by a structure of reciprocity of
2 payment.

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

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

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

12 (g) "Qualified Counterparty" means a party (other than the City or a party
13 related to the City) who is the other party to a Payment Agreement that has or
14 whose obligations are unconditionally guaranteed by a party that has at least an
15 investment grade rating from a rating agency (who, if the City's Parity Bonds are
16 rated by Moody's, must have a rating of at least "A") and who is otherwise qualified
17 to act as the other party to a Payment Agreement under any applicable laws of the
18 State.
19
20

21 A Payment made under a Payment Agreement may be on a parity with the
22 Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds
23 described in Section 17, taking into consideration regularly scheduled Payments
24 and Receipts (if any) under a Payment Agreement. The following shall be
25 conditions precedent to the use of any Payment Agreement on a parity with the
26 Bonds:



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(1) The City shall obtain an opinion of Bond Counsel on the due authorization and execution of such Payment Agreement, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this ordinance or the applicable provisions of any supplemental ordinance and will not adversely affect the excludability for federal income tax purposes of the interest on any outstanding Parity Bonds.

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

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

(B) establish general provisions for the rights of parties to Payment Agreements; and

(C) set forth such other matters as the City deems necessary or desirable in connection with the management of Payment Agreements as are not clearly inconsistent with the provisions of this ordinance.

The Payment Agreement may oblige the City to pay, on one or more scheduled and specified Payment Dates, the Payments in exchange for the Payor's obligation to pay or to cause to be paid to the City, on scheduled and specified Payment Dates, the Receipts. The City may also enter into Payment Agreements that are not reciprocated by the other party to the agreement.

If the City enters into a Parity Payment Agreement, Payments shall be made from the Interest Account in the Bond Fund and Annual Debt Service shall include any regularly scheduled City Payments adjusted by any regularly scheduled



1 Receipts during a Fiscal Year. Receipts shall be paid directly into the Bond Fund.
2 Obligations to make unscheduled payments, such as termination payments, may
3 not be entered into on a parity with the Parity Bonds.

4 Nothing in this section shall preclude the City from entering into Payment
5 Agreements with a claim on Net Revenues junior to that of the Bonds.

6 Furthermore, nothing in this section shall preclude the City from entering into
7 obligations on a parity with the Bonds in connection with the use of Payment
8 Agreements or similar instruments if the City obtains an opinion of Bond Counsel
9 that the obligations of the City thereunder are consistent with this ordinance.
10

11 Section 17. Future Parity Bonds.

12 (a) The City reserves the right to issue Future Parity Bonds from time to
13 time as may be required for any lawful purpose of the City relating to the System,
14 including but not limited to, acquiring, constructing and installing additions and
15 improvements to and extensions of, acquiring necessary equipment for, or making
16 necessary renewals, replacements or repairs and capital improvements to the
17 System and refunding any outstanding indebtedness.
18

19 (b) The City covenants that Future Parity Bonds shall be issued only upon
20 compliance with the following conditions:
21

22 (1) At the times of the issuance of such Future Parity Bonds there is
23 no deficiency in the Bond Fund or in any of the funds and accounts therein.
24

25 (2) With respect to Covered Bonds, the ordinances authorizing the
26 issuance of the Future Parity Bonds shall require that there shall be paid into the
Reserve Fund in the Bond Fund (A) from the proceeds of such Future Parity Bonds



1 an amount such that the amount on deposit in the Reserve Fund, allowing for any
2 amount covenanted in an ordinance authorizing the issuance of outstanding Parity
3 Bonds to be paid into such Fund over five years, is equal to the Reserve Fund
4 Requirement, or (B) from the Sewer Fund in approximately equal monthly
5 payments, such amounts and at such times so that by no later than five years from
6 the date of issuance of such Future Parity Bonds or by the final maturity established
7 for such series of Future Parity Bonds, whichever occurs first, there will be credited
8 to the Reserve Fund an amount equal to the Reserve Fund Requirement. Upon the
9 issuance of any series of Future Parity Bonds, the City shall recalculate the
10 Reserve Fund Requirement, which recalculated Reserve Fund Requirement shall
11 become effective as of such date of recalculation.
12
13

14 (3) If such Future Parity Bonds are being issued to pay costs incurred
15 or to be incurred for purposes other than refunding purposes as described in
16 subsection 17(c), there shall be on file with the City Clerk either:
17

18 (A) A certificate of the Finance Director of the City stating that
19 Net Revenues in any 12 consecutive months out of the most recent 24 months
20 preceding the delivery of the bonds then proposed to be issued, as determined from
21 the financial statements of the System, were not less than 1.30 times Maximum
22 Adjusted Annual Debt Service on all outstanding Parity Bonds and the bonds then
23 proposed to be issued; provided, after all of the 2006 Bonds and the 2011 Bonds
24 are fully redeemed, refunded or defeased, this requirement shall read as follows:
25

26 A certificate of the Finance Director of the City stating that Net Revenues in any
12 consecutive months out of the most recent 24 months preceding the delivery of



1 the bonds then proposed to be issued, as determined from the financial statements
2 of the System, were not less than 1.25 times Maximum Adjusted Annual Debt
3 Service on all outstanding Parity Bonds and the bonds then proposed to be issued.
4 In issuing such certificate the Finance Director shall reflect in the certificate the Net
5 Revenues he or she estimates would have been collected in such 12-month period
6 if the Council at any time on or prior to the date of delivery of the bonds proposed to
7 be issued had adopted any adjustment in the rates, fees and charges collected by
8 the City for the services to the System if such new rates, fees and charges had
9 been in effect for the entire 12-month period, or
10
11

12 (B) A certificate of an Engineer or a Certified Public
13 Accountant showing that the "Adjusted Net Revenues" (as determined herein) for
14 each calendar year during the life of the bonds proposed to be issued will equal not
15 less than 1.30 times Maximum Adjusted Annual Debt Service on all outstanding
16 Parity Bonds and the bonds then proposed to be issued; provided, after all of the
17 2006 Bonds and the 2011 Bonds are fully redeemed, refunded or defeased, this
18 requirement shall read as follows: A certificate of an Engineer or a Certified Public
19 Accountant showing that the "Adjusted Net Revenues" (as determined herein) for
20 each calendar year during the life of the bonds proposed to be issued will equal not
21 less than 1.25 times Maximum Adjusted Annual Debt Service on all outstanding
22 Parity Bonds and the bonds then proposed to be issued.
23
24

25 The "Adjusted Net Revenues" shall be the Net Revenues for a period of any
26 12 consecutive months out of the 24 months immediately preceding the date of
delivery of such proposed Future Parity Bonds (the "Base Period") as adjusted by



1 such Engineer or Certified Public Accountant to take into consideration changes in
2 Net Revenues estimated to occur under the following conditions for each year after
3 such delivery for so long as any Parity Bonds, including the Future Parity Bonds
4 proposed to be issued, shall be outstanding:

5
6 (1) the additional Net Revenues that would have been
7 received if any change in rates and charges adopted prior to the date of such
8 certificate and subsequent to the beginning of the Base Period and effective within
9 12 months had been in force during the full Base Period;

10
11 (2) the additional Net Revenues that would have been
12 received if any facility of the System that became fully operational after the
13 beginning of the Base Period had been so operating for the entire Base Period;

14
15 (3) the additional Net Revenues estimated by such Engineer
16 or Certified Public Accountant to be received as a result of any additions and
17 improvements to and extensions of any facilities of the System which are (a) under
18 construction at the time of such certificate or (b) will be constructed or acquired
19 from the proceeds of the Future Parity Bonds to be issued;

20
21 (4) the additional Net Revenues that would have been
22 received if any customers added to the System during the Base Period or
23 subsequent thereto were customers for the entire Base Period, and

24
25 (5) ninety percent of the additional Net Revenues estimated by
26 such Engineer or Certified Public Accountant to be derived from the new customers
that will be added to the System in the first 12 months after the completion of the



1 construction of the improvements to be made thereto or from acquisitions out of the
2 proceeds of the sale of such Future Parity Bonds.

3 Such Certified Public Accountant or Engineer may rely upon, and the
4 Certified Public Accountant or Engineer's certificate shall have attached thereto,
5 financial statements of the System, certified by the Finance Director, showing
6 income and expenses for the period upon which the same is based.

8 (c) Refunding Bonds. In the event that any Future Parity Bonds provided
9 for in this section are issued for refunding purposes and the issuance of such
10 refunding Future Parity Bonds results in a present value monetary saving to the
11 City and such refunding Future Parity Bonds will not require an increase of greater
12 than \$5,000 in debt service payments to be paid in any fiscal or calendar year
13 thereafter than would have been required to be paid in the same fiscal or calendar
14 year for Annual Debt Service on the bonds being refunded, then paragraph (3) of
15 subsection 17(b) need not be complied with to permit such refunding Future Parity
16 Bonds to be issued, although the provisions of paragraphs (1) and (2) of
17 subsection 17(b) must still be complied with.

18 (d) Junior Lien Bonds. Nothing herein shall prevent the City from issuing
19 bonds, notes, warrants or other obligations payable from and secured by a lien and
20 charge junior to the lien and charge securing the payment of Parity Bonds.

21 Section 18. Reimbursement Obligations. In the event that the City elects to
22 meet the requirements of subsection 10(a)(3) with respect to the Reserve Fund as
23 to any issue of Parity Bonds through the use of a Qualified Letter of Credit,
24 Qualified Insurance or other equivalent credit enhancement, the City may contract
25
26



1 with the entity providing such Qualified Letter of Credit, Qualified Insurance or other
2 equivalent credit enhancement that the City's reimbursement obligation, if any, to
3 such entity ranks on a parity of lien with the Parity Bonds.

4
5 In the event that the City elects additionally to secure any issue of Variable
6 Interest Rate Bonds through the use of a letter of credit, insurance or other
7 equivalent credit enhancement, the City may contract with the entity providing such
8 letter of credit, insurance or other equivalent credit enhancement that the City's
9 reimbursement obligation, if any, to such entity ranks on a parity of lien with the
10 Parity Bonds; provided, that the payments due under such reimbursement
11 agreement are such that if such reimbursement obligation were a series of Future
12 Parity Bonds, such Future Parity Bonds could be issued in compliance with the
13 provisions of Section 17.

14
15 Section 19. Sale of Bonds.

16
17 (a) Bond Sale. The Bonds shall be sold by negotiated sale to the
18 Underwriter selected by the Designated Representative pursuant to the terms of
19 this ordinance and the Bond Purchase Contract. The Designated Representative
20 is hereby authorized to select the Underwriter that submits the proposal that is in
21 the best interest of the City.

22
23 The Council has determined that it would be in the best interest of the City to
24 delegate to the Designated Representative for a limited time the authority to select
25 the Underwriter, approve the selection of the 2006 Bonds to be refunded and
26 approve the final interest rates, maturity dates, aggregate principal amounts,
principal amounts of each maturity, and redemption rights for each series of Bonds.



1 Subject to the terms and conditions set forth in this Section 19, the
2 Designated Representative is hereby authorized to enter into the Bond Purchase
3 Contract with the Underwriter to issue and sell the Bonds upon his or her approval
4 of the final interest rates, maturity dates, aggregate principal amounts, principal
5 maturities, and redemption rights set forth therein for each series of Bonds in
6 accordance with the authority granted by this section so long as:
7

8 (1) the aggregate principal amount of the Bonds does not exceed
9 \$55,000,000,

10 (2) the final maturity date for the 2016A Bonds is no later than
11 December 1, 2038,

12 (3) the final maturity date for the 2016B Bonds is no later than
13 December 1, 2021,

14 (4) the Bonds are sold (in the aggregate) at a price not less than
15 97 percent and not greater than 130 percent,
16

17 (5) the Bonds are sold for a price that results in an aggregate
18 minimum net present value debt service savings over the Refunded Bonds of at
19 least 5 percent,
20

21 (6) the true interest cost for the Bonds (in the aggregate) does not
22 exceed 4.5 percent, and
23

24 (7) the Bonds conform to all other terms of this ordinance.

25 Subject to the terms and conditions set forth in this section, the Designated
26 Representative is hereby authorized to execute one or more Bond Purchase



1 Contracts to be dated the date of sale of a series of Bonds. The signature of one
2 Designated Representative shall be sufficient to bind the City.

3 Following the execution of the Bond Purchase Contract, the Designated
4 Representative shall provide a report to the City Council describing the final terms
5 of the Bonds approved pursuant to the authority delegated in this section. The
6 authority granted to the Designated Representative by this Section 19 shall expire
7 120 days after the effective date of this ordinance. If a Bond Purchase Contract for
8 the Bonds has not been executed within 120 days after the effective date of this
9 ordinance, the authorization for the issuance of the Bonds shall be rescinded and
10 the Bonds shall not be issued nor their sale approved unless such Bonds shall
11 have been reauthorized by ordinance of the City Council. The ordinance
12 reauthorizing the issuance and sale of such Bonds may be in the form of a new
13 ordinance repealing this ordinance in whole or in part or may be in the form of an
14 amendatory ordinance approving a bond purchase contract or establishing terms
15 and conditions for the authority delegated under this Section 19.

19 (b) Delivery of Bonds; Documentation; Transfer of Title. Upon the passage
20 and approval of this ordinance, the proper officials of the City, including the Finance
21 Director, Treasurer, and City Manager, are authorized and directed to undertake all
22 action necessary for the prompt execution and delivery of the Bonds to the
23 Underwriter and further to execute all closing certificates and documents required
24 to effect the closing and delivery of the Bonds, transfer of title to the Project to the
25 City, and the assignment and termination (within 90 days of such title transfer) of
26



1 management contracts and other encumbrances on the Project, in accordance with
2 the terms of this ordinance, the Ruling and the Bond Purchase Contract.

3 Section 20. Approval of Official Statement. The Finance Director is hereby
4 authorized to approve and to deem final the preliminary Official Statement relating
5 to the Bonds for the purposes of the Rule. The Finance Director is further
6 authorized to approve for purposes of the Rule, on behalf of the City, the final
7 Official Statement relating to the issuance and sale of the Bonds and the
8 distribution of the final Official Statement pursuant thereto with such changes, if
9 any, as may be deemed by him or her to be appropriate.
10

11 Section 21. Supplemental Ordinances.

12 (a) The Council from time to time and at any time may pass an ordinance or
13 ordinances supplemental hereto, which ordinance or ordinances thereafter shall
14 become a part of this ordinance, for any one or more or all of the following
15 purposes:
16

17 (1) To add to the covenants and agreements of the City contained in
18 this ordinance other covenants and agreements thereafter to be observed which
19 shall not adversely affect the interests of the owners of any Parity Bonds or to
20 surrender any right or power reserved to or conferred upon the City.
21

22 (2) To make such provisions for the purpose of curing any
23 ambiguities or of curing, correcting or supplementing any defective provision
24 contained in this ordinance or any ordinance authorizing Parity Bonds in regard to
25 matters or questions arising under such ordinances as the Council may deem
26 necessary or desirable and not inconsistent with such ordinances and which shall



1 not adversely affect the interest of the owners of the Parity Bonds. Any such
2 supplemental ordinance of the City may be passed without the consent of the
3 owners of any Parity Bonds at any time outstanding, notwithstanding any of the
4 provisions of subsection (b) of this section, if the City obtains an opinion of Bond
5 Counsel to the effect that such supplemental ordinance is solely for one or more of
6 the purposes stated above and will not adversely affect the interests of the owners
7 of Parity Bonds.
8

9 (b) With the consent of the owners of not less than 51 percent in aggregate
10 Bond Obligations of the Parity Bonds at the time outstanding, the City may pass an
11 ordinance or ordinances supplemental hereto for the purpose of adding any
12 provisions to or changing in any manner or eliminating any of the provisions of this
13 ordinance or of any supplemental ordinance; provided, however, that no such
14 supplemental ordinance shall:
15

16 (1) Extend the fixed maturity of any Parity Bonds, or reduce the rate
17 of interest thereon, or extend the times of payment of interest thereon from their
18 due dates, or reduce the amount of the principal thereof, or reduce any premium
19 payable on the redemption thereof, without the consent of the owner of each bond
20 so affected; or
21

22 (2) Reduce the aforesaid percentage of bondowners required to
23 approve any such supplemental ordinance, without the consent of the owners of all
24 of the Parity Bonds then outstanding.
25

26 It shall not be necessary for the consent of bondowners under this
subsection (b) to approve the particular form of any proposed supplemental



1 ordinance, but it shall be sufficient if such consent shall approve the substance
2 thereof.

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

13 Section 22. Bond Insurance.. The Designated Representative is hereby
14 further authorized to solicit proposals from municipal bond insurance companies for
15 the issuance of a bond insurance policy. In the event that the Designated
16 Representative receives multiple proposals in response to a solicitation, the
17 Designated Representative may select the proposal having the lowest cost and
18 resulting in an overall lower interest cost with respect to the Bonds to be insured.
19 The Designated Representative may execute a commitment received from the
20 insurer selected by the Designated Representative. The Council further authorizes
21 all proper officers, agents, attorneys and employees of the City to cooperate with
22 the insurer in preparing such additional agreements, certificates, and other
23 documentation on behalf of the City as shall be necessary or advisable in providing
24 for the bond insurance policy.
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Section 23. Ongoing Disclosure.

(a) Contract/Undertaking. This section constitutes the City’s written undertaking for the benefit of the owners, including beneficial owners, of the Bonds as required by Section (b)(5) of the Rule.

(b) Financial Statements/Operating Data. The City agrees to provide or cause to be provided to the MSRB the following annual financial information and operating data for the prior fiscal year (commencing in 2016 for the fiscal year ended December 31, 2015):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System prepared in accordance with Generally Accepted Accounting Principles prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);

(2) Principal amount of outstanding Parity Bonds and debt service coverage;

(3) Rates for the System substantially as provided in the rate ordinance approved by the Council; and

(4) Number of wastewater and surface water customers.

Items (2)–(4) shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the last day of the ninth month after the end of the City’s fiscal year. The City’s current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such



1 annual financial information and operating data, the City may cross-reference to
2 other documents available to the public on the MSRB's internet website or filed with
3 the Commission.

4 If not provided as part of the annual financial information discussed above,
5 the City shall provide the City's audited annual financial statement prepared in
6 accordance with Generally Accepted Accounting Principles prescribed by the
7 Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)
8 when and if available to the MSRB.
9

10 (c) Listed Events. The City agrees to provide or cause to be provided to the
11 MSRB, in a timely manner not in excess of 10 business days after the occurrence
12 of the event, notice of the occurrence of any of the following events with respect to
13 the Bonds:
14

- 15 • Principal and interest payment delinquencies;
- 16 • Non-payment related defaults, if material;
- 17 • Unscheduled draws on debt service reserves reflecting financial
18 difficulties;
- 19 • Unscheduled draws on credit enhancements reflecting financial
20 difficulties;
- 21 • Substitution of credit or liquidity providers, or their failure to perform;
- 22 • Adverse tax opinions, the issuance by the Internal Revenue Service of
23 proposed or final determinations of taxability, Notices of Proposed Issue
24 (IRS Form 5701-TEB) or other material notices or determinations with
25 respect to the tax status of the Bonds, or other material events affecting
26 the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled
sinking fund redemptions for which notice is given pursuant to Exchange
Act Release 34 23856, if material, and tender offers;
- Defeasances;



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- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) Format for Filings with the MSRB. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(e) Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(f) Termination/Modification. The City's obligations to provide annual financial information and notices of certain listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (i) obtains an opinion of Bond Counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (ii) notifies the MSRB of such opinion and the cancellation of this section.



1 The City may amend this section with an opinion of Bond Counsel in
2 accordance with the Rule. In the event of any amendment of this section, the City
3 shall describe such amendment in the next annual report, and shall include a
4 narrative explanation of the reason for the amendment and its impact on the type
5 (or in the case of a change of accounting principles, on the presentation) of
6 financial information or operating data being presented by the City. In addition, if
7 the amendment relates to the accounting principles to be followed in preparing
8 financial statements, (A) notice of such change shall be given in the same manner
9 as for a listed event under subsection (c), and (B) the annual report for the year in
10 which the change is made shall present a comparison (in narrative form and also,
11 if feasible, in quantitative form) between the financial statements as prepared on
12 the basis of the new accounting principles and those prepared on the basis of the
13 former accounting principles.
14

15
16 (g) Bond Owner's Remedies Under This Section. The right of any
17 bondowner or beneficial owner of Bonds to enforce the provisions of this section
18 shall be limited to a right to obtain specific enforcement of the City's obligations
19 under this section, and any failure by the City to comply with the provisions of this
20 undertaking shall not be an event of default with respect to the Bonds.
21

22 Section 24. Lost or Destroyed Bonds. In case any Bonds shall be lost,
23 stolen or destroyed, the Bond Registrar may authenticate and deliver a new
24 Bond(s) of like series, amount, date, tenor, and effect to the owner thereof upon the
25 owner paying the expenses and charges of the City in connection therewith and
26 upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that



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such Bond(s) were actually lost, stolen or destroyed and of ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 25. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 26. 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 to the City of Tacoma

By _____

EXHIBIT A

1 UNITED STATES OF AMERICA

2 No. _____ \$ _____

3 STATE OF WASHINGTON
4 CITY OF TACOMA, WASHINGTON
5 SEWER REVENUE REFUNDING BOND, 2016[A/B]

6 INTEREST RATE: % MATURITY DATE: CUSIP NO.:
7 REGISTERED OWNER: CEDE & CO.
8 PRINCIPAL AMOUNT:

9 The City of Tacoma, Washington, a municipal corporation of the State of
10 Washington (the "City"), hereby acknowledges itself to owe and for value received
11 promises to pay to the Registered Owner identified above, or registered assigns,
12 on the Maturity Date identified above, the Principal Amount indicated above and
13 to pay interest from _____, 2016, or the most recent date to which
14 interest has been paid or duly provided for until payment of this bond at the
15 Interest Rate set forth above, payable on _____ 1, 20__, and semiannually
16 thereafter on the first days of December and June. Both principal of and interest
17 on this bond are payable in lawful money of the United States of America. For so
18 long as the bonds of this issue are held in fully immobilized form, payments of
19 principal and interest thereon shall be made as provided in accordance with the
20 operational arrangements of The Depository Trust Company ("DTC") referred to in
21 the Blanket Issuer Letter of Representations (the "Letter of Representations") from
22 the City to DTC.

23 This bond is one of an authorized issue of bonds of like date and tenor,
24 except as to number, amount, rate of interest, date of maturity and rights of
25 redemption, in the aggregate principal amount of \$_____, and is issued
26 pursuant to Ordinance No. _____ passed by the Council on _____, 2016
(the "Bond Ordinance") to provide the funds necessary to defease and/or refund
[certain outstanding sewer revenue bonds of the City][the TES Properties Lease
Revenue Bonds, 2009 issued on behalf of the City] and to pay costs of issuance.
Simultaneously with the issuance of this bond, the City is also issuing its Sewer
Revenue Refunding Bonds, 2016[A/B] pursuant to the Bond Ordinance to provide
the funds necessary to defease and/or refund [certain outstanding sewer revenue
bonds of the City][the TES Properties Lease Revenue Bonds, 2009 issued on
behalf of the City] and to pay costs of issuance for such bonds.

The bonds of this issue are subject to redemption at the option of the
City as provided in the Bond Ordinance.



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As security for the payment of the principal of, premium, if any, and interest on all Parity Bonds the City has pledged in accordance with the provisions of the Bond Ordinance, subject to the provisions of the Bond Ordinance restricting or permitting the application thereof, (a) the proceeds of the sale of Parity Bonds to the extent held in funds established or continued by the Bond Ordinance, (b) Net Revenues and ULID Assessments and (c) the money and assets credited to the Sewer Fund and the Bond Fund and the income therefrom. The pledge of Net Revenues, money and assets credited to the Sewer Fund and the Bond Fund and ULID Assessments constitutes a lien and charge on Net Revenues, said Funds and ULID Assessments superior to all other charges of any kind or nature.

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The City has not designated the bonds of this issue as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

The City hereby irrevocably covenants and agrees with the Registered Owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed. Reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

Bonds are interchangeable for bonds of any authorized denomination of equal aggregate principal amount and of the same interest rate and maturity upon presentation and surrender to the Bond Registrar.

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

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

IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused this bond to be signed with the manual or facsimile signature of the Mayor and attested



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by the manual or facsimile signature of the City Clerk, and the seal of the City to be impressed or a facsimile thereof to be imprinted hereon, as of this ____ day of _____, 2016.

[SEAL]

CITY OF TACOMA, WASHINGTON

By _____
/s/ manual or facsimile
Mayor

ATTEST:

/s/ manual or facsimile
City Clerk

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

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Sewer Revenue Refunding Bonds, 2016[A/B] of the City of Tacoma, Washington, dated _____, 2016.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By _____



EXHIBIT B

FORM OF NOTICE OF SEPARATE RESERVE FUND*

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CITY OF TACOMA, WASHINGTON
SEWER REVENUE REFUNDING BONDS, 2016A
(date of issuance _____, 2016)
SEWER REVENUE REFUNDING BONDS, 2016B
(date of issuance _____, 2016)

CUSIP No.: _____

NOTICE IS HEREBY GIVEN that the City of Tacoma, Washington (the "City"), pursuant to Section 10(a)(3)(A) of Ordinance No. ____ adopted by the City Council on April 26, 2016 (the "Bond Ordinance"), has established a separate reserve fund ("Reserve Fund") and a new reserve fund requirement (the "Reserve Fund Requirement") for the above-referenced bonds (the "Bonds"). As of _____, 20__, the Bonds shall no longer be considered "Covered Bonds" as defined in the Bond Ordinance, and principal of and interest on the Bonds shall be secured by the separate Reserve Fund.

The Reserve Fund Requirement for the Bonds as of _____, 20__ shall be _____.

[details of Reserve Fund to be added, if needed]

This notice is being given to provide interested parties information regarding the source of security and payment for the Bonds. No further notice or updates will be provided unless the City determines to revise the Reserve Fund Requirement at a later date.

Dated: _____, 20__.

Finance Director, City of Tacoma

Treasurer, City of Tacoma

Environmental Services Director, City of Tacoma

* The City shall provide notice of any such separate Reserve Fund and corresponding Reserve Fund Requirement for the Bonds in the same manner as a listed event notice that would be required upon the occurrence of a material "release, substitution, or sale of property securing repayment of the Bonds" in accordance with Section 23(c) of the Bond Ordinance.



CLERK'S CERTIFICATE

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

1. That the attached Ordinance No. ____ (herein called the "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally passed at a regular meeting of the Council held on the 26th day of April, 2016, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of this 26th day of April 2016.

City Clerk
City of Tacoma, Washington