



REVISED AGENDA V.2

SHORELINE CITY COUNCIL SPECIAL MEETING

Monday, October 17, 2016
5:45 p.m.

Conference Room 303 · Shoreline City Hall
17500 Midvale Avenue North

TOPIC/GUESTS: Shoreline Farmers Market
Sound Cities Association Appointments

SHORELINE CITY COUNCIL REGULAR MEETING

Monday, October 17, 2016
7:00 p.m.

Council Chamber · Shoreline City Hall
17500 Midvale Avenue North

	<u>Page</u>	<u>Estimated Time</u>
1. CALL TO ORDER		7:00
2. FLAG SALUTE/ROLL CALL		
3. REPORT OF THE CITY MANAGER		
4. COUNCIL REPORTS		
5. PUBLIC COMMENT		
<i>Members of the public may address the City Council on agenda items or any other topic for three minutes or less, depending on the number of people wishing to speak. The total public comment period will be no more than 30 minutes. If more than 10 people are signed up to speak, each speaker will be allocated 2 minutes. Please be advised that each speaker's testimony is being recorded. Speakers are asked to sign up prior to the start of the Public Comment period. Individuals wishing to speak to agenda items will be called to speak first, generally in the order in which they have signed. If time remains, the Presiding Officer will call individuals wishing to speak to topics not listed on the agenda generally in the order in which they have signed. If time is available, the Presiding Officer may call for additional unsigned speakers.</i>		
6. APPROVAL OF THE AGENDA		7:20
7. CONSENT CALENDAR		7:20
(a) Minutes of Special Meeting of September 19, 2016	<u>7a-1</u>	
8. STUDY ITEMS		
(a) Discussion of the Proposed 2017 Budget – Department Presentations	<u>8a-1</u>	7:20
(b) Discussion of Res. No. 396 – Delegating Authority to Designate Expenditures for Reimbursement from Bonds that may be Authorized and Approved in the Future	<u>8b-1</u>	8:50
(c) Discussion of Ord. No. 763 – Amending Surface Water Utility Bond Ord. No. 721 to Revise the Exhibit to Conform to the City Council's Intent to Issue the Bonds in 2016	<u>8c-1</u>	9:05
(d) Discussion of Ord. No. 764 – Authorizing the Refunding of Unlimited Tax and General Obligations Bonds (Parks) and Limited	<u>8d-1</u>	9:15

Tax General Obligation Bonds (City Hall)

9. EXECUTIVE SESSION: Litigation – RCW 42.30.110(1)(i)

9:35

The Council may hold Executive Sessions from which the public may be excluded for those purposes set forth in RCW 42.30.110 and RCW 42.30.140. Before convening an Executive Session the presiding officer shall announce the purpose of the Session and the anticipated time when the Session will be concluded. Should the Session require more time a public announcement shall be made that the Session is being extended.

10. ADJOURNMENT

9:55

The Council meeting is wheelchair accessible. Any person requiring a disability accommodation should contact the City Clerk's Office at 801-2231 in advance for more information. For TTY service, call 546-0457. For up-to-date information on future agendas, call 801-2236 or see the web page at www.shorelinewa.gov. Council meetings are shown on Comcast Cable Services Channel 21 and Verizon Cable Services Channel 37 on Tuesdays at 12 noon and 8 p.m., and Wednesday through Sunday at 6 a.m., 12 noon and 8 p.m. Online Council meetings can also be viewed on the City's Web site at <http://shorelinewa.gov>.

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING

Monday, September 19, 2016
5:45 p.m.

Conference Room 303 - Shoreline City Hall
17500 Midvale Avenue North

PRESENT: Mayor Roberts, Deputy Mayor Winstead, Councilmembers McGlashan, Scully, Hall, McConnell, and Salomon

ABSENT: None

STAFF: Debbie Tarry, City Manager, John Norris, Assistant City Manager; Eric Bratton, Communications Program Manager; and Bonita Roznos, Deputy City Clerk

GUESTS: Jason Morado, Senior Project Manager

At 5:51 p.m., the meeting was called to order by Mayor Roberts.

Eric Bratton, Communications Program Manager, introduced Jason Morado, ETC Institute Senior Project Manager, and said he will be presenting 2016 Citizen Satisfaction Survey results.

Mr. Morado provided an overview of the methodology used in the survey. He presented the respondents' demographics and displayed a map identifying where they reside in Shoreline. He said the Survey has a 95% confidence level and a plus or minus 3% margin of error. He shared results revealed that residents are generally satisfied with city services; Shoreline rated at or above the national average in 22 of 33 areas assessed; and the overall quality of services ranked 12% higher than both regional and national averages. He conveyed that the flow of traffic and congestion, and the quality of police services are the two areas the City needs to address, and that the quality of human services ranked third. He reviewed overall satisfaction ratings trends, the most significant rating increases and decreases for 2004, 2014, and 2016, and the Importance-Satisfaction ratings.

Councilmembers discussed the police services results and how to help people feel safe. They questioned the quality of human services and code enforcement results. They stated the City does not provide direct human services, and asked if respondents were indicating that too much or too little code enforcement is provided. They discussed stormwater management results, and noted the increase in satisfaction could be attributed to addressing stormwater issues at Ronald Bog. They discussed the sidewalk maintenance results, and inquired about the neutral rating.

At 6:45 p.m. the meeting was adjourned.

Bonita Roznos, Deputy City Clerk

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2017 Proposed Budget Department Presentations
DEPARTMENT: Administrative Services Department
PRESENTED BY: Sara Lane, Administrative Services Director
Rick Kirkwood, Budget Supervisor
ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

PROBLEM/ISSUE STATEMENT:

The City Manager presented the 2017 Proposed Budget to the City Council on October 10, 2016. Tonight's agenda includes an overview of the City departments' 2017 proposed budget requests. The 2017 Proposed Budget and 2017-2022 Capital Improvement Plan (CIP) has been made available to the public and is available on the City's website and at City Hall, the Shoreline Police Station, and the Shoreline and Richmond Beach libraries.

The focus of the departmental presentations will be on any significant changes between the department's 2016 budget and the 2017 proposed budget. The October 17 department review schedule and corresponding pages in the budget document are listed below:

<u>Department</u>	<u>Budget Pages</u>
City Council	97 - 101
City Manager's Office	105 - 115
Community Services	119 - 127
Administrative Services & Citywide	131 - 146
City Attorney	149 - 154
Human Resources	157 - 161
Police	165 - 177
Criminal Justice (Jail, Court & Public Defense)	181 - 186
Parks, Recreation & Cultural Services	189 - 204
Planning & Community Development	207 - 217

Staff plans to complete department reviews through the Planning & Community Development Department on October 17. On October 24, Council will review the Public Works Department, the 2017-2022 CIP, and the capital and operating budgets for the Surface Water Utility. Staff will also describe the budgets in other funds.

Future budget discussions will be held on November 7 and November 14. Public hearings for the 2017 Proposed Budget will also be held on November 7 and November 14. Adoption of the 2017 property tax levy, budget and CIP is scheduled for November 21.

FINANCIAL IMPACT:

The 2017 Proposed Budget totals \$86,351,928, is balanced and includes adequate reserve levels to meet all adopted budget policies.

RECOMMENDATION

No action is required by the City Council. Department presentations will be for informational purposes and provide an opportunity for Council to ask specific questions regarding proposed department budgets.

Approved By: City Manager ***DT*** City Attorney ***MK***

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Resolution No. 396 Delegating Authority to Designate Expenditures for Reimbursement from Bonds that may be Authorized and Approved in the Future		
DEPARTMENT:	Administrative Services Department		
PRESENTED BY:	Sara Lane, Administrative Services Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

Internal Revenue Service (IRS) regulations allow the City within certain restrictions to reimburse eligible expenditures that have been contributed from other funds prior to bond issuance. The declaration of intent to reimburse from tax-exempt bond proceeds must be done within 60 days of the payment of the original expenditure of the funds, and, with limited exceptions, the reimbursement from bonds must be completed within three years of the date of the original expenditure.

Proposed Resolution No. 396 allows the City Manager or her designee to certify eligible expenses within 60 days of being incurred. The certification would become back-up documentation to the future reimbursement from bond proceeds. Council will discuss proposed Resolution No. 396 tonight, and it will be brought back to Council for potential adoption on November 7, 2016.

RESOURCE/FINANCIAL IMPACT:

Without appropriate authorization to reimburse expenditures from potential future bond proceeds the City may incur higher interest and or arbitrage charges that could be avoided with timely documentation of potentially reimbursable expenses. The actual impact would be dependent on several factors including market rate of return, the amount of the bond issue and the amount of potentially reimbursable expenses.

RECOMMENDATION

Staff recommends that Council review proposed Resolution No. 396 delegating authority to designate expenditures for reimbursement from bonds that may be authorized and approved in the future and direct staff to return with the resolution for Council adoption on November 7, 2016.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

Issuers of governmental bonds, qualified 501(c)(3) bonds, and private activity bonds issued for the purpose of financing governmentally owned facilities, may allocate all or a portion of the proceeds of such bonds to the reimbursement of expenditures made prior to the date of issuance if certain rules are followed. These bonds are referred to as “reimbursement bonds.” If the rules are followed, the portion of the proceeds allocated to the reimbursement will be considered “spent” when the allocation is made, and will not be subject to the general arbitrage and rebate rules imposed under the Internal Revenue Code of 1986, as amended (the “Code”) and the federal tax regulations (the “Regulations”).

DISCUSSION

During the financial planning process, the City may identify the potential need for future debt funding for a project. The City tries to time the issuance of the debt carefully to avoid unnecessary interest and administrative costs.

Once staff issues the debt, the City begins to incur interest costs and has monitoring requirements including the need to ensure that the City is not earning more interest than it is paying (called Arbitrage). Compliance monitoring continues throughout the life of a bond, but Arbitrage monitoring is only required until the bond proceeds are fully expended.

The IRS regulations would allow the City to identify potential reimbursable expenses in advance, thus allowing the City to have maximum flexibility on the timing of the Debt without delaying project expenditures. A good example of where this would be beneficial would be future work on the North Maintenance Facility, where timing of design and construction is unknown and immediate costs needed to complete planning is needed to proceed.

Proposed Resolution No. 396 (Attachment A) allows the City Manager or her designee to certify eligible expenses within 60 days of being incurred. The certification would become back-up documentation to the future reimbursement from bond proceeds. The IRS has developed rules related to reimbursement to prevent abuse of this management tool. These are described at Attachment B.

RESOURCE/FINANCIAL IMPACT

Without appropriate authorization to reimburse expenditures from potential future bond proceeds the City may incur higher interest and or arbitrage charges that could be avoided with timely documentation of potentially reimbursable expenses. The actual impact would be dependent on several factors including market rate of return, the amount of the bond issue and the amount of potentially reimbursable expenses.

RECOMMENDATION

Staff recommends that Council review proposed Resolution No. 396 delegating authority to designate expenditures for reimbursement from bonds that may be authorized and approved in the future and direct staff to return with the resolution for Council adoption on November 7, 2016.

ATTACHMENTS

Attachment A – Proposed Resolution No. 396, including Exhibit A
Attachment B – Municipal Bonds: Reimbursement Rules

RESOLUTION NO. 396

**A RESOLUTION OF THE CITY OF SHORELINE,
WASHINGTON, APPOINTING THE CITY MANAGER
FOR THE PURPOSE OF DESIGNATING CERTAIN
EXPENDITURES FOR REIMBURSEMENT FROM
BONDS THAT MAY BE AUTHORIZED AND
APPROVED BY THE CITY FOR ISSUANCE IN THE
FUTURE.**

WHEREAS, the City of Shoreline, Washington (the “City”) issues tax-exempt obligations, including bonds, notes, and leases from time to time for the purpose of financing its governmental activities; and

WHEREAS, the United States Department of the Treasury has published regulations (the “Regulations”) governing the ability of the City to use the proceeds of tax-exempt obligations for reimbursement of prior expenditures; and

WHEREAS, the Regulations require that a governmental entity declare its intent (“Official Intent”) to issue tax-exempt bonds to reimburse itself for expenditures made prior to the issuance of such bonds before the expenditures are incurred and such Official Intent may be made by a representative of the entity authorized or designated for such purposes;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE
HEREBY RESOLVES:**

Section 1. The City Council hereby appoints and designates the City Manager, or his or her designee (the “Authorized Representative”), as the official responsible for issuing statements of Official Intent in compliance with Treasury Regulation Section 1.150-2. Upon a determination by the Authorized Representative that the costs of a particular capital project may be reimbursed from the proceeds of tax-exempt obligations of the City, the Authorized Representative is authorized and directed to execute a certificate of Official Intent, substantially in the form attached hereto as Exhibit A. Each certificate so executed shall become a part of the official records of the City available for public inspection and review.

Section 2. The adoption of this resolution and any statement of Official Intent made by the Authorized Representative shall not obligate the City to issue tax-exempt obligations. The issuance of such obligations shall require separate and additional official approval by the City Council.

Section 3. This resolution shall take effect and be in full force immediately after passage by the City Council.

ADOPTED BY THE CITY COUNCIL ON NOVEMBER 7, 2016.

Mayor Christopher Roberts

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Pacifica Law Group LLP, Bond Counsel

EXHIBIT A

FORM OF OFFICIAL INTENT CERTIFICATE

Pursuant to Resolution No. 396 of the City of Shoreline, Washington (the “City”), the undersigned, City Manager, or _____, as designee of the City Manager, hereby states as follows:

Section 1. The City reasonably expects to reimburse the expenditures described herein with the proceeds of debt to be incurred by the City (the “Reimbursement Bonds”).

Section 2. The maximum principal amount of Reimbursement Bonds expected to be issued is \$[_____].

Section 3. The expenditures with respect to which the City reasonably expects to be reimbursed from the proceeds of Reimbursement Bonds will be made from the City’s [_____] Fund for project costs related to the [brief description of the project].

Dated this ____ day of _____, 20____.

City Manager
_____, as designee of the City Manager



Municipal Bonds: Reimbursement Rules

Issuers of governmental bonds, qualified 501(c)(3) bonds, and private activity bonds issued for the purpose of financing governmentally owned facilities, may allocate all or a portion of the proceeds of such bonds to the reimbursement of expenditures made prior to the date of issuance if certain rules are followed. These bonds are referred to as “reimbursement bonds.” If the rules are followed, the portion of the proceeds allocated to the reimbursement will be considered “spent” when the allocation is made, and will not be subject to the general arbitrage and rebate rules imposed under the Internal Revenue Code of 1986, as amended (the “Code”) and the federal tax regulations (the “Regulations”). The following is a summary of the general requirements for qualifying reimbursements.

Official Intent Declaration Requirement. The issuer, or in limited circumstances the ultimate borrower, must declare its “official intent” to reimburse itself not later than 60 days after payment of the original expenditure. The declaration of official intent may be made before any expenditures are made, and will essentially “start the clock” for purposes of reimbursement. The official intent declaration must include the following requirements:

- The declaration may be made in any reasonable form, including a resolution or other legislative authorization. The legislative action may specifically declare the intent to reimburse or may delegate to an individual the authority to make the declaration.
- The declaration of official intent must:
 - contain a general functional description of the project, property or program to be financed by the reimbursement bonds (for instance, highway capital improvement program or school building renovation). The project description is sufficient if it identifies, by name and functional purpose, the fund or account from which the original expenditure is paid (for instance, parks and recreation fund-recreational facility capital improvement program); and
 - state the maximum principal amount of the obligations expected to be issued for the project.

The Regulations allow for reasonable deviations in the project description, so long as the actual project is reasonably related in function to the described project.

- The declaration of intent must be “reasonable.” A declaration of intent will be considered reasonable if, on the date of the declaration, the issuer or ultimate borrower had a reasonable expectation that it would reimburse the original expenditure with proceeds of reimbursement bonds. Reasonableness is based on the relevant facts and circumstances, including the issuer’s history of making declarations and actually reimbursing expenditures. For instance, declarations of intent made as a matter of course or in amounts substantially in excess of the amounts expected to be necessary for the project are not reasonable. Similarly, a pattern of failing to reimburse original

expenditures covered by declarations of official intent (other than due to extraordinary circumstances) is evidence of unreasonableness.

Eligible Expenditures. Generally, the expenditures to be reimbursed must be “capital expenditures.” A capital expenditure is any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles. The Regulations also include extraordinary working capital expenditures, bond costs of issuance, grants, qualified student loans, and qualified mortgage loans as expenditures eligible for reimbursement. Non-extraordinary working capital expenditures are typically not eligible. The determination of whether an expenditure is a capital expenditure is made at the time the expenditure is made, not at the time of issuance of the reimbursement bonds.

Reimbursement Period. The reimbursement bonds must be issued and proceeds must be allocated to reimburse the issuer or conduit borrower not later than 18 months after the *later* of:

- The date on which the original expenditure is paid, or
- The date that the project to be financed was placed in service, but in no event more than three years after the original expenditure is paid.

Special rules apply for governmental issuers that expect to issue no more than \$5 million of governmental bonds in any calendar year, and for long term construction projects.

Proceeds of reimbursement bonds will be “allocated” to reimbursement once there is written evidence of an issuer’s (or conduit borrower’s) use of the proceeds to reimburse a prior expenditure. An allocation made within 30 days of issuance of the reimbursement bonds may be treated as made on the date of issuance of the reimbursement bonds.

Special Exceptions. The official intent declaration requirement and the timing of issuance of reimbursement bonds do not apply to:

- costs of issuance for a bond issue;
- an amount not in excess of the lesser of \$100,000 or 5% of the bond proceeds; or
- preliminary expenditures not in excess of 20% of the aggregate issue price of the related reimbursement bond issue. Preliminary expenditures include architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred before commencement of acquisition, construction or rehabilitation of the financed property. Land acquisition, site preparation and other costs incident to commencement of construction do not constitute preliminary expenditures.

Original expenditures in these categories may be reimbursed with bond proceeds without following the reimbursement bond rules.

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussion of Ordinance No. 763 Amending Surface Water Utility Bond Ordinance No. 721 to Revise an Exhibit to Conform to the City Council's Intent to Issue the Bonds in 2016

DEPARTMENT: Administrative Services Department

PRESENTED BY: Sara Lane, Administrative Services Director

ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

PROBLEM/ISSUE STATEMENT:

The City Council approved Ordinance No. 721 authorizing the issuance of \$2,000,000 (plus bank fees and closing costs) in Surface Water Utility Fund debt on August 17, 2015. That Ordinance intended to provide the authority for the City to issue the debt when needed in 2016. Proposed Ordinance No. 763 corrects an error in an exhibit to Ordinance No. 721 that limited the timing of the debt issuance. The bonds are anticipated to be issued in the 4th quarter 2016.

RESOURCE/FINANCIAL IMPACT:

The adopted CIP Budget for 2016-2021 for the Surface Water Utility Fund is \$12,907,461. The adopted budget included the issuance of \$2,000,000 in debt in 2016 and an additional \$2,000,000 in 2017. Annual debt service payments for this issuance are estimated at \$182,391 and included in the adopted CIP. The debt service payments are fully payable from and secured by revenue of the SWM Utility. The bonds are not general obligations of the City. The bonds will be issued for a term not to exceed 15 years.

RECOMMENDATION

Staff recommends that Council review Ordinance No. 763 and direct staff to return with the ordinance for Council adoption on November 7, 2016.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

The City Council adopted Ordinance No. 721 (Attachment A) authorizing the issuance of \$2,000,000 (plus bank fees and closing costs) in Surface Water Utility Fund debt on August 17, 2015. That ordinance intended to provide the authority for the City to issue the debt as needed in 2015 or 2016. Proposed Ordinance No. 763 (Attachment B) corrects an error in an exhibit to Ordinance No. 721 that limited the timing of the debt issuance. The bonds are planned to be issued in the 4th quarter 2016.

DISCUSSION

The City has been actively monitoring the appropriate timing for the issuance of the Surface Water Utility revenue bonds. When the initial ordinance was approved last year, staff recognized that the timing would be dependent on the project execution and that staff didn't want to issue the debt before funds were needed. Staff have identified the fourth quarter of 2016 as the appropriate time, and in reviewing the Bond Ordinance with the City's new Bond Counsel, they identified an error in the Exhibit that limited the issuance to 12 months from the date of the ordinance. A review of all other materials confirmed the intent to allow issuance throughout 2016.

No other changes are being proposed to the ordinance. The Bonds will be issued using a negotiated private placement method, which is a lower cost option than a public sale and a more attractive option for investors for a bond issue of this size. Ordinance No. 721 authorizes issuance of revenue bonds ("the Bonds") in a principal amount not to exceed \$2,000,000 plus bank fees and closing costs. The Bonds will have a maximum 15-year maturity. The Bonds will be issued at an interest rate not to exceed 5.0% for a term of no more than 15 years. The City will need to maintain a debt service reserve of approximately \$177,590, and the administrative costs to issue the debt are estimated at \$30,390.

COUNCIL GOAL(S) ADDRESSED

The Surface Water Utility CIP projects funded through the Bonds directly supports Council Goal #2 – Improve Shoreline's utility, transportation, and environmental infrastructure.

RESOURCE/FINANCIAL IMPACT

The adopted CIP Budget for 2016-2021 for the Surface Water Utility Fund is \$12,907,461. The adopted budget included the issuance of \$2,000,000 in debt in 2016 and an additional \$2,000,000 in 2017. Annual debt service payments for this issuance are estimated at \$182,391 and included in the adopted CIP. The debt service payments are fully payable from and secured by revenue of the SWM Utility. The Bonds are not a general obligation of the City. The Bonds will be issued for a term not to exceed 15 years.

RECOMMENDATION

Staff recommends that Council review Ordinance No. 763 and direct staff to return with the ordinance for Council adoption on November 7, 2016.

ATTACHMENTS

Attachment A - Ordinance No. 721

Attachment B - Proposed Ordinance No. 763

ORDINANCE NO. 721

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

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

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

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

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

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

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

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

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

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


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

PASSED BY THE CITY COUNCIL ON AUGUST 17, 2015


Mayor Shari Winstead

ATTEST:

APPROVED AS TO FORM:


Jessica Simulcik Smith
City Clerk


Margaret King
City Attorney

Date of Publication: August 20, 2015

Effective Date: August 25, 2015

ORIGINAL

CITY OF SHORELINE, WASHINGTON

ORDINANCE NO. 721

EXHIBIT A

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Attachment A Description of the Bonds

Attachment B Parity Conditions For Issuance of Future Parity Bonds

Attachment C Description of Plan of Additions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(yy) “*State*” means the State of Washington.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Fiscal Agent may become an Owner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

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

Section 7. Form and Execution of Bonds.

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

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

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

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

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

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

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

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

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

(e) *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

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

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

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

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

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

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

Section 12. Security for the Bonds; Bond Fund.

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

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

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

- (1) Into the Principal and Interest Account, before each interest payment date of the Parity Bonds, an amount that will be sufficient, together with other money on deposit therein, to pay the interest on the Parity Bonds on the next succeeding interest payment date; and
- (2) Into the Principal and Interest Account, before each principal payment date of the Parity Bonds (including any mandatory redemption date), an amount that will be sufficient, together with other money on deposit therein, to pay the principal of the Parity Bonds on the next succeeding Principal Payment Date, including mandatory redemption amounts due on that date with respect to any Term Bonds; and
- (3) Into the Reserve Account, an amount sufficient so that the amount on deposit in the Reserve Account satisfies the Reserve Requirement for the Parity Bonds in the time and manner required by this ordinance.

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

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

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

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

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

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

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

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

- (1) To pay Operating and Maintenance Expenses.
- (2) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds.
- (3) To make when due the required payments into the Principal and Interest Account in respect of principal of (and premium on, if any) the Parity Bonds, whether at maturity or pursuant to redemption prior to maturity.
- (4) To make when due all payments required to be made into the Reserve Account.
- (5) To make when due all payments required to be made under any reimbursement agreement with a Bond Insurer in any priority not inconsistent with this ordinance, which the City may hereafter establish by ordinance.
- (6) To make when due the required payments to be made into any revenue bond, note warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any revenue obligations of the Utility System having a charge upon the Net Revenue junior to the charge thereon for the payment of the Parity Bonds.
- (7) Without priority, to retire by redemption or to purchase in the open market any outstanding Parity Bonds or junior lien obligations, to make necessary betterments and replacements of or repairs, additions or extensions to the Utility System, to make deposits into the Rate Stabilization Account, or for any other lawful purpose.

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

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

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

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

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

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

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

ORIGINAL

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

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

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

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

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

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

Section 18. Sale and Delivery of the Bonds.

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

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

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

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

Section 20. Tax Matters.

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

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

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

- (1) the Series of Tax-Exempt Bonds does not constitute “private activity bonds” within the meaning of Section 141 of the Code;
- (2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Tax-Exempt Bonds are issued will not exceed \$10,000,000; and
- (3) the amount of tax-exempt obligations, including the Series of Tax-Exempt Bonds, designated by the City as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series of Tax-Exempt Bonds are issued does not exceed \$10,000,000.

Section 21. Amendatory Ordinances.

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

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

- (1) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Parity Bonds;
- (2) To impose upon the Bond Registrar (with its consent) for the benefit of the registered owners of the Parity Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect;
- (3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary or inconsistent with this ordinance as theretofore in effect;
- (4) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;
- (5) To authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;
- (6) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section; and

- (7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on Tax-Exempt Bonds from federal income taxation.
- (c) Except for any amendatory ordinance passed into pursuant to subsection (b) of this section, subject to the terms and provisions contained in this subsection (c) and not otherwise:
- (1) Registered owners of not less than 50% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to the passage of any amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance. However, consent by the registered owners of all the Bonds then outstanding is required for any amendatory ordinance authorizing: (i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Bond, or a reduction in the principal amount of redemption price of any outstanding Bond or a change in the redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon; (ii) a preference of priority of any Bond or Bonds or any other bond or bonds; or (iii) a reduction in the aggregate principal amount of Bonds.
- (2) Any amendatory ordinance passed for any of the purposes of this subsection (c), shall not become effective except in accordance with this subsection (c)(2). Upon passage of any such amendatory ordinance, the City shall cause notice of the proposed ordinance to be given by first class United States mail to all registered owners of the then outstanding Parity Bonds. Such notice shall briefly describe the proposed ordinance and shall state that a copy is available from the Finance Officer for inspection. The amendatory ordinance shall become effective in substantially the form described in the notice only if within two years after mailing of such notice, the City has received (i) the required consents, in writing, of the registered owners of the Parity Bonds (or of the Bonds, as applicable) and (ii) an opinion of Bond Counsel stating that such amendatory ordinance is permitted by this ordinance; that upon the effective date thereof, it will be valid and binding upon the City in accordance with its terms; and its passage will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.
- (3) If registered owners of not less than the percentage of Parity Bonds (or Bonds, as applicable) required by this subsection (c) have consented, no owner of the Parity Bonds shall have any right to object to the passage of the ordinance (or to any of the terms and provisions contained therein or the operation thereof), or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City from passing, or from taking any action pursuant to, the same.
- (d) Upon the effective date of any amendatory ordinance passed pursuant to the provisions of this Section 21, this ordinance shall be amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all Registered Owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such amendments.

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

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

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

ATTACHMENT A
DESCRIPTION OF THE BONDS

- (i) **Principal Amount.** The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$2,000,000 plus bank fees and closing costs, and may be issued as either taxable or tax-exempt obligations.
- (ii) **Date or Dates.** Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this ordinance.
- (iii) **Denominations, Name, etc.** The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
- (iv) **Interest Rate(s).** Unless otherwise specified in the Bond Purchase Contract, each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.00%, and the true interest cost to the City for each Series of the Bonds may not exceed 5.00%.
- (v) **Payment Dates.** Interest shall be payable not less frequently than semiannually on dates acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments on dates acceptable to the Designated Representative.
- (vi) **Final Maturity.** Each Series of the Bonds shall mature no later than December 1, 2031.
- (vii) **Redemption Rights.** The Designated Representative may approve in the Bond Purchase Contract provisions for the optional and mandatory redemption of Bonds, subject to the following:
- (1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Contract; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption

prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

- (2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Contract.

(viii) Price.

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

(ix) Other Terms & Conditions.

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

ATTACHMENT B

PARITY CONDITIONS FOR ISSUANCE OF FUTURE PARITY BONDS

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

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

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

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

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

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

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

- (i) Any rate change that has taken place or been approved, may be reflected;
- (ii) Revenue may be added from customers actually added to the Utility System subsequent to the 12-month base period;
- (iii) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the Future Parity Bonds to be issued; and
- (iv) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate; and
- (v) Actual or reasonably anticipated changes to the Operating and Maintenance Expenses subsequent to such 12-month period shall be added or deducted, as is applicable.

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

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

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

ATTACHMENT C

DESCRIPTION OF PLAN OF ADDITIONS

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

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

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

ORDINANCE NO. 763

**AN ORDINANCE OF THE CITY OF SHORELINE,
WASHINGTON, AMENDING AN EXHIBIT TO
ORDINANCE NO. 721 AUTHORIZING THE ISSUANCE
OF SURFACE WATER UTILITY REVENUE BONDS.**

WHEREAS, the City Council of the City of Shoreline, Washington (the “City”) previously adopted Ordinance No. 721 on August 17, 2015 (the “Bond Ordinance”) authorizing the issuance of one or more series of surface water utility revenue bonds of the City in the aggregate principal amount of not to exceed \$2,000,000 plus bank fees and closing costs (the “Bonds”); and

WHEREAS, the City now desires to amend Exhibit A to Attachment A of the Bond Ordinance to conform the delegation period for the Bonds to the intent expressed in the Agenda Item for Ordinance No. 721 to allow for the potential issuance of debt in 2016, as provided herein;

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

Section 1. Definitions. Definitions used herein shall have the meanings set forth in the Bond Ordinance.

Section 2. Amendment. Subsection (ii) of Exhibit A to Attachment A (“Description of the Bonds”) of the Bond Ordinance is hereby amended as follows (deletions are ~~stricken~~, additions are double underlined):

...

(ii) **Date or Dates.** Each Bond shall be dated the Issue Date, which date may not be later than December 31, 2016 ~~one year after the effective date of this ordinance~~.

...

Section 3. Ratification. Except as hereby amended, the remaining terms and conditions of the Bond Ordinance are hereby ratified and confirmed in all respects. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 4. Effective Date. This ordinance shall be effective five days after its passage, approval, and publication as provided by law.

PASSED BY THE CITY COUNCIL ON NOVEMBER 7, 2016.

By _____
Mayor Christopher Roberts

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Margaret King, City Attorney

Publication Date: _____, 2016

Effective Date: _____, 2016

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussion of Ordinance No. 764 Authorizing the Refunding of Unlimited Tax General Obligation Bonds (Parks) and Limited Tax General Obligation Bonds (City Hall)

DEPARTMENT: Administrative Services Department

PRESENTED BY: Sara Lane, Administrative Services Director

ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

PROBLEM/ISSUE STATEMENT:

Bond refinancing (refunding) is an important debt management tool for state and local government issuers. Refundings are commonly executed to achieve interest cost savings, remove or change burdensome bond covenants, or restructure the stream of debt service payments. The City has two debt issues that are currently good candidates for refunding. The Government Finance Officers Association recommends that present value savings from refunding's be at least 3.00%.

Proposed Ordinance No. 764 would provide for this refunding of the City's Unlimited Tax General Obligation (UTGO) bonds that were used in the 2006 voter-approved Park Bond Levy and the Limited Tax General Obligation (LTGO) bonds that were used in 2009 for Shoreline City Hall. Council will discuss proposed Ordinance No. 764 tonight, and it will be brought back to Council for potential adoption on November 7, 2016.

RESOURCE/FINANCIAL IMPACT:

The refunding of the UTGO Parks Bonds is estimated to provide savings of approximately \$537,000 (present value of \$512,000 or 6.8% of refunded bonds) or savings could be deferred allowing the City to increase nominal savings approximately \$20,000. The refunding of the 2009 LTGO City Hall Bonds is estimated to provide net interest savings of approximate \$3,100,000 (present value of \$2,285,000 or 13.27% of refunded bonds).

RECOMMENDATION

Staff recommends that Council review Ordinance No. 764 and direct staff to return with the ordinance for Council adoption on November 7, 2016.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

Bond refinancing (refunding) is an important debt management tool for state and local government issuers. Refunding's are commonly executed to achieve interest cost savings, remove or change burdensome bond covenants, or restructure the stream of debt service payments. The City has two debt issues that are currently good candidates for refunding:

- In May 2006, Shoreline voters approved a bond levy totaling \$18,795,000 for park and open space acquisition and parks improvements. These UTGO bonds were issued in 2006 and have maturity dates that range from 2007 through 2021. The interest rates range from 3.55% to 4.09%. As of December 31, 2015, the City has \$8,885,000 in debt remaining on these bonds. \$7,540,000 is eligible for refunding.
- In July 2009, the City issued \$18,340,000 in LTGO (Councilmanic) Build America Bonds for construction of City Hall. These bonds mature between 2019 and 2039 with interest rates ranging from 4.69% to 6.40%. Build America Bonds were offered as an incentive to build during the economic downturn and provide a subsidy for a portion of the interest by the Federal Government.

While the interest rates on these bonds are all very good, the current bond market offers savings that make refunding beneficial to the City and its taxpayers. Staff has worked with Fred Eoff from PFM Financial Advisors, LLC, the City's financial advisor, to monitor the bond market and determine whether refunding might be advantageous to the City. Based on an analysis of the City's current debt and the market, staff is recommending that Council consider approving a delegating ordinance that authorizes staff to pursue refunding of the debt. Proposed Ordinance No. 764 (Attachment A) would provide for this refunding.

DISCUSSION

The following is a discussion regarding the considerations for both of the bond issues being considered for refunding.

UTGO 2006 Parks Bonds

These bonds could be refunded to either pay the debt off early or to reduce annual debt service. Either option provides an overall benefit to the City and reduces overall interest paid. Should council choose the early payoff option, the net present value savings is estimated at \$512,000 (6.8%), which would be primarily in 2021 at the end of the bond issue (Attachment B). This option basically keeps the property tax rate needed to pay the annual service level with current projections through 2020, but results in a lower collection in 2021 because the final payment is smaller.

Should council choose to do a level debt issuance, which would reduce the annual debt service payment, the net present value savings is estimated at \$510,000 (6.77%). Since the annual debt service is reduced, the annual property tax collections will be slightly lower thus resulting in an approximately \$.01 decrease in the property tax rate for the voted debt for 2018 through 2021.

The current projected tax rate for 2017 without the refunding is \$0.21 per \$1,000 assessed value.

Method of Sale

The delegating ordinance provides the City the option to do either a public sale (also referred to as Underwritten Bonds) or a private placement (also referred to as Direct Purchase Bonds). Either option would be done competitively. Because the costs and administrative efforts required for a private placement are lower than for a public sale, staff would first perform a Request for Proposal (RFP) to find potential investors. If there are no satisfactory responses to the RFP that achieve the anticipated savings, staff would move to a public sale.

Refunding Parameters

In the delegating ordinance, Council provides the following parameters for the refunding:

- Maximum principal amount: \$8,500,000
- Minimum Net Present Value Savings: 3.00%
- Maturity Date: No later than 12/1/2021
- True Interest Cost (in aggregate) not to exceed: 2.65%

LTGO 2009 City Hall Bonds

Refunding of these bonds is estimated to provide annual savings ranging between \$155,000 and \$160,000 per year. The net present value savings of the complete refunding is estimated to be \$2,285,000 (13.3% of the par amount of the refunded 2009 City Hall Bonds). Because the interest on the 2009 City Hall Bonds is subsidized by the Federal Government, this refunding would be accomplished as a “crossover” advanced refunding to avoid the potential loss of interest subsidy prior to the December 1, 2019 redemption date of the 2009 Bonds. This means that the new refunding debt would be fully secured and paid by the refunding escrow up to December 1, 2019, at which point the escrow matures and fully redeems the 2009 Bonds. At that point the City first becomes liable for the replacement bonds. No debt service savings is achieved prior to December 1, 2019. Savings is valued by comparing new debt service versus prior debt service after deduction of the Federal subsidy.

Method of Sale

The delegating ordinance provides the City the option to do either a public sale (also referred to as Underwritten Bonds) or a private placement (also referred to as Direct Purchase Bonds). Depending on market conditions, the City may pursue an RFP for potential investors as a private placement. Due to the size of this financing, however, the City's financial advisory has indicated that this sale may be more advantageous as a competitive publicly offered sale.

Refunding Parameters

In the delegating ordinance, Council provides the following parameters for the refunding:

- Maximum principal amount: \$18,500,000
- Minimum Net Present Value Savings: 3.00%

- Maturity Date: No later than 12/1/2039
- True Interest Cost (in aggregate) not to exceed: 3.20%

RESOURCE/FINANCIAL IMPACT

The refunding of the UTGO Parks Bonds is estimated to provide savings of approximately \$537,000 (present value of \$512,000 or 6.8% of refunded bonds) or savings could be deferred allowing the City to increase nominal savings approximately \$20,000. The refunding of the 2009 LTGO City Hall Bonds is estimated to provide net interest savings of approximate \$3,100,000 (present value of \$2,285,000 or 13.27% of refunded bonds).

RECOMMENDATION

Staff recommends that Council review Ordinance No. 764 and direct staff to return with the ordinance for Council adoption on November 7, 2016.

ATTACHMENTS

Attachment A: Proposed Ordinance No. 764, including Exhibit A
Attachment B: UTGO Debt Service Savings Calculations
Attachment C: LTGO Debt Service Savings Calculations

CITY OF SHORELINE, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
ORDINANCE NO. 764

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$18,800,000 AND UNLIMITED TAX GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$8,500,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY AND PAYING COSTS OF ISSUING THE BONDS; DELEGATING CERTAIN AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED THERETO.

PASSED: November 7, 2016

PREPARED BY:

PACIFICA LAW GROUP LLP
Seattle, Washington

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Exhibit A: Form of Bond

* This Table of Contents is provided for convenience only and is not a part of this ordinance.

ORDINANCE NO. 764

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$18,800,000 AND UNLIMITED TAX GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$8,500,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY AND PAYING COSTS OF ISSUING THE BONDS; DELEGATING CERTAIN AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED THERETO.

WHEREAS, the City of Shoreline, Washington (the “City”), has issued the following general obligation bonds, which remain outstanding as follows:

Bonds	Authorizing Ordinance	Original Principal Amount	Outstanding Principal Amount
Unlimited Tax General Obligation Bonds, 2006 (the “2006 Bonds”)	454	\$ 18,795,000	\$ 8,885,000
Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds – Direct Payment) (the “2009 Bonds”)	556	\$ 18,340,000	\$ 18,340,000

WHEREAS, Ordinance No. 454 (the “2006 Ordinance”) provides that the City may call the 2006 Bonds maturing on or after December 1, 2017 (the “2006 Refunding Candidates”), for redemption on or after December 1, 2016, in whole or in part on any date, at the price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, after due consideration it appears that all or a portion of the 2006 Refunding Candidates (the “2006 Refunded Bonds”) may be defeased and refunded on a current basis by the proceeds of unlimited tax general obligation bonds at a savings to the City and its taxpayers; and

WHEREAS, Ordinance No. 556 (the “2009 Ordinance”) provides that the City may call the 2009 Bonds maturing on or after December 1, 2021 (the “2009 Refunding Candidates” and together with the 2006 Refunding Candidates, the “Refunding Candidates”), for redemption on

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

WHEREAS, after due consideration it appears that all or a portion of the 2009 Refunding Candidates (the “2009 Refunded Bonds” and together with the 2006 Refunded Bonds, the “Refunded Bonds”) may be refunded on a crossover basis by the proceeds of limited tax general obligation bonds at a savings to the City and its taxpayers; and

WHEREAS, the Council deems it in the best interest of the City to issue unlimited tax general obligation refunding bonds and limited tax general obligation refunding bonds (as further defined herein, the “Bonds”) to redeem the Refunded Bonds as described herein and to pay costs of issuing the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Manager (the “Designated Representative”), for a limited time, to select the method of bond sale for each series of bonds authorized hereunder that is in the best interest of the City (if any) and to approve the interest rates, maturity dates, redemption terms and principal maturities for each series of Bonds within the parameters set by this ordinance, in order to effect such a refinancing; and

WHEREAS, the Bonds of each series shall be sold by either a private placement or be underwritten, all as set forth herein;

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

Section 1. Definitions. As used in this ordinance, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa.

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

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

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

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

Bond Purchase Contract one or more contracts, if any, for the purchase of any Underwritten Bonds sold by negotiated sale to the initial purchaser, executed pursuant to Section 11.

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

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

Bonds mean together, the LTGO Bonds and the UTGO Bonds.

Certificate of Award means one or more certificates, if any, for the purchase of any Underwritten Bonds sold by competitive sale awarding the Bonds of a series to the bidder as set forth in Section 11 of this ordinance.

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

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

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

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

Closing means the date of delivery of a Bond or Bonds of a series to the initial purchaser thereof.

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

Commission means the Securities and Exchange Commission.

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

Crossover Date means December 1, 2019.

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

Designated Representative means the City Manager, any successors to the functions of such office, and his or her designee.

Direct Purchase Bonds means any Bonds or Bond sold to a Direct Purchaser pursuant to Section 11 of this ordinance.

Direct Purchaser means any bank or other financial institution selected to purchase (or to accept delivery of one or more Direct Purchase Bonds to evidence the City's obligations under a Loan Agreement) one or more Direct Purchase Bonds pursuant to Section 11 of this ordinance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for any Underwritten Bonds pursuant to Section 3 of this ordinance.

Escrow Agent means the trust company or state or national bank having powers of a trust company selected by the City to serve as escrow agent pursuant to Section 7 of this ordinance.

Escrow Agreement means one or more Escrow Deposit Agreements between the City and the Escrow Agent to be dated as of the date of Closing of 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% 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.

Federal Tax Certificate means one or more certificates executed by the Administrative Services Director or City Manager setting forth the requirements of the Code for maintaining the tax exemption of interest on the Bonds of a series to be dated as of the date of Closing for such Bonds, and attachments thereto.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW, as such chapter may be amended or restated.

Letter of Representations means the Blanket Issuer Letter of Representations from the City to DTC.

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

evidenced by a Direct Purchase Bond, or under which the Direct Purchaser will purchase the Direct Purchase Bond.

LTGO Bonds mean the limited tax general obligation refunding bonds authorized to be issued by the City in the aggregate principal amount of not to exceed \$18,800,000 pursuant to the terms of this ordinance.

LTGO Debt Service Fund means the fund or account established by the City for the purpose of paying debt service on the LTGO Bonds.

LTGO Escrow Fund means the fund or account established by the Escrow Agent under the Escrow Agreement executed in connection with the redemption, on a crossover basis, of the 2009 Refunded Bonds.

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

Official Statement means the disclosure document(s) prepared and delivered in connection with the issuance of any Underwritten Bonds.

Projects mean the capital projects financed with proceeds of the Refunded Bonds.

Record Date means the close of business on the fifteenth day of the month preceding each principal and/or interest payment date.

Refunded Bonds mean together, the 2006 Refunded Bonds and the 2009 Refunded Bonds.

Refunding Candidates mean together, the 2006 Refunding Candidates and the 2009 Refunding Candidates.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register.

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

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

State means the State of Washington.

2006 Bonds mean the City's Unlimited Tax General Obligation Bonds, 2006, issued pursuant to the 2006 Ordinance as described in the recitals of this ordinance.

2006 Bonds Call Date means the call date set forth in the Escrow Agreement for the 2006 Refunded Bonds, which date shall be on or after December 1, 2016.

2006 Ordinance means Ordinance No. 454 passed by the Council on November 29, 2006, authorizing the issuance of the 2006 Bonds.

2006 Refunded Bonds mean those 2006 Refunding Candidates designated by the Designated Representative for refunding pursuant to Section 7 and Section 11.

2006 Refunding Candidates mean the outstanding 2006 Bonds maturing on or after December 1, 2017.

2009 Bonds mean the City's Limited Tax General Obligation Bonds, Series 2009B (Taxable Build America Bonds – Direct Payment), issued pursuant to the 2009 Ordinance as described in the recitals of this ordinance.

2009 Ordinance means Ordinance No. 556 passed by the Council on July 29, 2009, authorizing the issuance of the 2009 Bonds.

2009 Refunded Bonds mean those 2009 Refunding Candidates designated by the Designated Representative for refunding pursuant to Section 7 and Section 11.

2009 Refunding Candidates mean the outstanding 2009 Bonds maturing on or after December 1, 2021.

Underwriter means any underwriter, in the case of a negotiated sale, or initial purchaser, in the case of a competitive sale, for any series of Underwritten Bonds selected pursuant to Section 11.

Underwritten Bonds means Bonds of a series, if any, sold pursuant to a negotiated or a competitive sale by the City to an Underwriter pursuant to Section 11 of this ordinance.

UTGO Bonds mean the unlimited tax general obligation refunding bonds authorized to be issued by the City in the aggregate principal amount of not to exceed \$8,500,000 pursuant to the terms of this ordinance.

UTGO Debt Service Fund means the fund or account established by the City for the purpose of paying debt service on the UTGO Bonds.

UTGO Escrow Fund means the fund or account established by the Escrow Agent under the Escrow Agreement executed in connection with the redemption of the 2006 Refunded Bonds.

Section 2. Purpose and Authorization of Bonds.

(a) **UTGO Bonds.** For the purpose of defeasing and refunding on a current basis the 2006 Refunded Bonds and paying related costs of issuance, the City is hereby authorized to issue and sell unlimited tax general obligation refunding bonds in an aggregate principal amount not to exceed \$8,500,000 (the "UTGO Bonds"). The UTGO Bonds shall be general obligations of the

City, shall be designated “City of Shoreline, Washington, Unlimited Tax General Obligation Refunding Bonds, 20XX,” or other such designation as set forth in the applicable Sale Document. The UTGO Bonds shall be dated as of the date of Closing of the UTGO Bonds. The UTGO Bonds shall be fully registered as to both principal and interest and shall be sold as either Direct Purchase Bonds or Underwritten Bonds.

(b) *LTGO Bonds.* For the purpose of advance refunding, on a crossover basis, the 2009 Refunded Bonds and paying related costs of issuance, the City is hereby authorized to issue and sell limited tax general obligation refunding bonds in an aggregate principal amount not to exceed \$18,800,000 (the “LTGO Bonds”). The LTGO Bonds shall be general obligations of the City, shall be designated “City of Shoreline, Washington, Limited Tax General Obligation Refunding Bonds, 20XX (2019 Crossover Refunding),” or other such designation as set forth in the applicable Sale Document. The LTGO Bonds shall be dated as of the date of Closing of the LTGO Bonds. The LTGO Bonds shall be fully registered as to both principal and interest and shall be sold as either Direct Purchase Bonds or Underwritten Bonds.

Section 3. Bond Details; Registration, Exchange and Payments.

(a) *Underwritten Bonds.*

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

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

(3) Registered Ownership. The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Underwritten Bond as the absolute owner thereof for all purposes (except as otherwise provided in this ordinance or in the

Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Underwritten Bond shall be made only as described below, but such Underwritten Bond may be transferred as provided herein. All such payments made as described below shall be valid and shall satisfy and discharge the liability of the City upon such Underwritten Bond to the extent of the amount or amounts so paid.

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

(5) Use of Depository.

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

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

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

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

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

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

(7) Bond Registrar's Ownership of Bonds. The Bond Registrar may become the Registered Owner of any Underwritten Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Underwritten Bonds.

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

draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Underwritten Bonds (received by the Bond Registrar at least by the record date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Underwritten Bonds shall be payable upon presentation and surrender of such Underwritten Bonds by the Registered Owners at the designated office of the Bond Registrar.

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

(b) *Direct Purchase Bonds.*

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

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

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

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

(5) Place and Medium of Payment. Both principal of and interest on Direct Purchase Bonds shall be payable in lawful money of the United States of America. Principal and

interest on Direct Purchase Bonds shall be payable by check, warrant, ACH transfer or by other means mutually acceptable to the Direct Purchaser and the City.

Section 4. Redemption and Purchase of Bonds.

(a) *Redemption of Bonds.* The Bonds of each series shall be subject to mandatory redemption to the extent, if any, as set forth in the applicable Sale Document and as approved by the Designated Representative pursuant to Section 11. The Bonds of each series shall be subject to optional redemption and/or prepayment on the dates, at the prices and under the terms set forth in the applicable Sale Document approved by the Designated Representative pursuant to Section 11.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds at any time at a price deemed reasonable by the Designated Representative.

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

(d) *Notice of Redemption or Prepayment.*

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

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

more than 60 days prior to the date fixed for redemption to the Registered Owner of the Underwritten Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

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

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

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

If addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Underwritten Bonds being redeemed; (B) the date of issue of the Underwritten Bonds as originally issued; (C) the rate of interest borne by each Underwritten Bond being redeemed; (D) the maturity date of each Underwritten Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Underwritten Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to the Continuing Disclosure Certificate and with

such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Underwritten Bonds.

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

Section 5. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

Section 6. Execution of Bonds. The Bonds of each series shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

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

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

Section 7. Refunding Plan; Application of Bond Proceeds.

(a) *Refunding Plan.* For the purpose of realizing an aggregate debt service savings and benefiting the taxpayers of the City, the Council proposes to refund the Refunded Bonds as set forth herein. The Refunded Bonds shall include those Refunding Candidates (or portions thereof) as are selected by the Designated Representative and set forth in the applicable Sale Document.

Net proceeds of the UTGO Bonds and other available funds of the City, if any, shall be deposited into an escrow fund or account (the "UTGO Escrow Fund") held by the Escrow Agent pursuant to the Escrow Agreement and shall be invested in certain Government Obligations, the principal of and interest on which shall be used, together with funds deposited with the Escrow Agent as cash, to defease and pay the redemption price of the 2006 Refunded Bonds on the 2006 Bonds Call Date, and interest thereon and before such date.

Net proceeds of the LTGO Bonds and other available funds of the City, if any, shall be deposited into an escrow fund or account (the "LTGO Escrow Fund") held by the Escrow Agent

pursuant to the Escrow Agreement and invested in certain Government Obligations, the principal of and interest on which shall be used, together with other funds deposited with the Escrow Agent as cash, to pay the interest due on the LTGO Bonds on and prior to the Crossover Date and the redemption price of the 2009 Refunded Bonds on the Crossover Date. The 2009 Refunded Bonds shall remain outstanding until the Crossover Date. Prior to the Crossover Date, the 2009 Refunded Bonds shall not be considered reissued, defeased or redeemed for any purpose, including but not limited to for purposes of federal tax law and statutory and constitutional debt limitations applicable to cities.

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.

(b) *Escrow Agent/Escrow Agreement.* The Designated Representative is hereby authorized to solicit proposals from and to select an Escrow Agent. The proceeds of the Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.

In order to carry out the purposes of this Section 7, the Designated Representative is authorized and directed to execute and deliver to the Escrow Agent one or more Escrow Agreements.

(c) *Call for Redemption of Refunded Bonds.* The City hereby calls the 2006 Refunded Bonds for redemption on the 2006 Bonds Call Date and the 2009 Refunded Bonds for redemption on the Crossover Date in accordance with the provisions of the 2006 Ordinance and the 2009 Ordinance authorizing the redemption and retirement of the 2006 Bonds and the 2009 Bonds, respectively, prior to their fixed maturities. Said call for redemption of the Refunded Bonds shall be irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations to the Escrow Agent. The Designated Representative and the Escrow Agent are hereby authorized and directed to provide for the giving of notices of the redemption in accordance with the provisions of the 2006 Ordinance and the 2009 Ordinance. The costs of publication of such notices shall be an expense of the City.

Section 8. Tax Covenants. The City will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the following:

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

(b) *Limitations on Disposition of Project.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the projects financed with proceeds of the Refunded Bonds (the "Projects") other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the

Projects, unless it has received an opinion of Bond Counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bond as excludable from gross income for federal income tax purposes.

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

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

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

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

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

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

Section 9. Debt Service Funds and Provision for Tax Levy Payments.

(a) *UTGO Bonds.* The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the UTGO Bonds (the “UTGO Bond Fund”). No later than the date each payment of principal of or interest on the UTGO Bonds becomes due, the City shall transmit sufficient funds, from the UTGO Bond Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the UTGO Bond Fund may be invested in legal investments for City funds. Any interest or profit from the investment of such money shall be deposited in the UTGO Bond Fund, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value.

The City hereby irrevocably covenants that, unless the principal of and interest on the UTGO Bonds are paid from other sources, it will make annual levies of taxes without limitation as to rate or amount upon all of the property in the City subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due. All of such taxes and any of

such other money so collected shall be paid into the UTGO Bond Fund. None of the money in the UTGO Bond Fund shall be used for any other purpose than the payment of the principal of and interest on the UTGO Bonds.

The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the UTGO Bonds when due.

(b) *LTGO Bonds.* The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the LTGO Bonds (the "LTGO Bond Fund"). No later than the date each payment of principal of or interest on the LTGO Bonds becomes due, the City shall transmit sufficient funds, from the LTGO Bond Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the LTGO Bond Fund may be invested in legal investments for City funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Any interest or profit from the investment of such money shall be deposited in the LTGO Bond Fund.

Pursuant to RCW 39.53.070, until proceeds of the LTGO Bonds and other funds on deposit in the LTGO Escrow Fund are required to be used to redeem the 2009 Refunded Bonds on the Crossover Date, proceeds of the LTGO Bonds and other funds on deposit in the LTGO Escrow Fund and the income therefrom shall be used to pay and secure the payment of interest on the LTGO Bonds. The City hereby irrevocably pledges proceeds of the LTGO Bonds and other funds on deposit in the LTGO Escrow Fund to the payment of debt service on the LTGO Bonds due prior to the Crossover Date. From and after the Crossover Date, without further action on the part of the City or the owners or Beneficial Owners of the LTGO Bonds, the LTGO Bonds will be secured by an ad valorem property tax to be levied on all taxable property within the City as provided in this Section 9(b).

The City hereby irrevocably covenants and agrees that on and after the Crossover Date, for as long as any of the LTGO Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the LTGO Bonds when due.

The City hereby irrevocably pledges that on and after the Crossover Date, the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the LTGO Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes on and after the Crossover Date and for the prompt payment of the principal of and interest on the LTGO Bonds when due on and after such date.

Section 11. Sale of Bonds.

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

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

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

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

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

(1) the aggregate principal amount of the UTGO Bonds does not exceed \$8,500,000,

(2) the final maturity date for the UTGO Bonds is no later than December 1, 2021,

(3) the UTGO Bonds are sold for a price that results in a minimum net present value debt service savings over the 2006 Refunded Bonds (in the aggregate) of 3.0%,

- (4) the true interest cost for the UTGO Bonds (in the aggregate) does not exceed 2.65%.
- (5) the aggregate principal amount of the LTGO Bonds does not exceed \$18,800,000,
- (6) the final maturity date for the LTGO Bonds is no later than December 1, 2039,
- (7) the LTGO Bonds are sold for a price that results in a minimum net present value debt service savings over the 2009 Refunded Bonds (in the aggregate) of 3.0%,
- (8) the true interest cost for the LTGO Bonds (in the aggregate) does not exceed 3.25%.
- (9) the Bonds of each series are sold (in the aggregate) at a price not less than 98% and not greater than 130%, and
- (10) the coupon rates for any maturity of the Bonds of each series does not exceed 5.00%.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the applicable Sale Document for a series of Bonds. Following the execution of the applicable Sale Document, the Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section.

The authority granted to the Designated Representative by this Section 11 shall expire one year after the effective date of this ordinance. If a Sale Document for the LTGO Bonds or the UTGO Bonds has not been executed by such date, the authorization for the issuance of such series of Bonds shall be rescinded, and such Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council.

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

(g) *Preliminary and Final Official Statements.* The Administrative Services Director and the City Manager are each hereby authorized to deem final the preliminary Official Statement(s) relating to any Underwritten Bonds for the purposes of the Rule. The Administrative Services Director and the City Manager are each further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement(s) relating to the

issuance and sale of any Underwritten Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 12. Undertaking to Provide Ongoing Disclosure; Covenants.

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

(b) The City may agree to provide the Direct Purchaser certain financial or other information and agree to such additional covenants as determined to be necessary by the Designated Representative and as set forth in the Loan Agreement and approved by the Designated Representative pursuant to Section 11.

Section 13. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 14. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 15. Payments Due on Holidays. If an interest and/or principal payment date for a series of Bonds is not a business day, then payment shall be made on the next business day and no interest shall accrue for the intervening period.

Section 16. Amendments Related to Crossover Refunding. Upon approval of the City Attorney and Bond Counsel and without further action of the Council, provisions of this ordinance as they relate to the crossover advance refunding of the 2009 Refunded Bonds may be amended by the Sale Document for the LTGO Bonds order to effect such crossover refunding.

Section 17. Corrections by Clerk. Upon approval of the City Attorney and Bond Counsel and without further action of the Council, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 18. Effective Date of Ordinance. This ordinance shall take effect and be in force five (5) days from and after its passage, approval, and publication, as required by law. A summary of this ordinance, consisting of the title, may be published in lieu of publishing the ordinance in its entirety.

PASSED BY THE CITY COUNCIL ON NOVEMBER 7, 2016.

By _____
Mayor Christopher Roberts

ATTEST:

Jessica Simulcik Smith
City Clerk

APPROVED AS TO FORM:

Pacifica Law Group LLP, Bond Counsel

Publication Date: _____, 2016
Effective Date: _____, 2016

Exhibit A

Form of Bond

[DTC LANGUAGE][TRANSFER RESTRICTIONS]

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF SHORELINE

[UNLIMITED][LIMITED] TAX GENERAL OBLIGATION REFUNDING BOND, 20[___]
[(2019 CROSSOVER REFUNDING)]

INTEREST RATE: %

MATURITY DATE:

[CUSIP NO.:]

REGISTERED OWNER:

PRINCIPAL AMOUNT:

[The City of Shoreline, Washington (the “City”) hereby acknowledges itself to owe and for value received promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from the date of delivery, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above (the “Interest Rate”). Interest on this bond shall accrue from its dated date until paid and shall be computed per annum on the principal amount outstanding on a 30/360 basis. Principal of and accrued interest on this bond shall be payable on the dates set forth in the payment schedule attached hereto.] [The City of Shoreline, Washington (the “City”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 2016, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 20____, and semiannually thereafter on the first days of each succeeding _____ and _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the “Bond Registrar”). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the City to DTC.]

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. 764 duly

passed by the City Council on November 7, 2016 (the “Bond Ordinance”). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

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 or on behalf of the Bond Registrar or its duly designated agent.

This bond [is one of an authorized issue of bonds of like series, date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$_____ and] is issued pursuant to the Bond Ordinance to provide a portion of the funds necessary (a) to refund [on a crossover basis] certain [unlimited][limited] tax general obligation bonds of the City (the “Refunded Bonds”), and (b) to pay costs of issuance and costs related to the administration of the refunding.

[insert description of redemption or prepayment terms]

[Pursuant to RCW 39.53.070, until proceeds of the bonds of this issue and other funds on deposit in the escrow fund (the “Escrow Fund”) held under the Escrow Deposit Agreement between the City and _____ as escrow agent (the “Escrow Agreement”) are required to be used to redeem the Refunded Bonds on December 1, 2019 (the “Crossover Date”), proceeds of the bonds of this issue and other funds on deposit in the Escrow Fund and the income therefrom shall be used to pay and secure the payment of interest on this bond. The City hereby irrevocably pledges proceeds of the bonds of this issue and other funds on deposit in the Escrow Fund to the payment of debt service on this bond due prior to the Crossover Date. From and after the Crossover Date, without further action on the part of the City or the owners or Beneficial Owners of the bonds of this issue, this bond will be secured by an ad valorem property tax to be levied on all taxable property within the City as hereinafter provided. The City hereby irrevocably covenants and agrees with the owner of this bond that on and after the Crossover Date it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due on and after such date. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest on and after the Crossover Date.][The City has irrevocably covenanted with the owner of this bond that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond when due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.]

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed

precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue 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 Shoreline, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City to be imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 20____.

[SEAL]

CITY OF SHORELINE, WASHINGTON

By _____
/s/ manual or facsimile
Mayor

ATTEST:

/s/ manual or facsimile
City Clerk

[FOR UNDERWRITTEN BONDS]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the [Unlimited][Limited] Tax General Obligation Refunding Bonds, 20____ [2019 Crossover Refunding)], of the City of Shoreline, Washington, dated _____, 20____.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By _____

[FOR DIRECT PURCHASE BONDS]

REGISTRATION CERTIFICATE

This bond is registered in the name of the Registered Owner on the books of the City, in the office of the Administrative Services Director of the City (the "Bond Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this bond shall be made by the City as provided in the Bond Ordinance.

Date of Registration	Name and Address of Registered Owner	Signature of Bond Registrar
_____, 20__		_____ Administrative Services Director

PAYMENT SCHEDULE

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

Date	Principal	Interest	Total Payment
_____	_____	_____	_____

CERTIFICATE

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

1. The attached copy of Ordinance No. 764 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on November 7, 2016, as that ordinance appears in the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its passage and publication as provided by law; and

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 passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. The Ordinance has not been amended, supplemented or rescinded since its passage and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of November, 2016.

City Clerk

**City of Shoreline
Refunding of UTGO 2006 Bonds
Comparison of Savings Structures**

Direct Placement Financing

Period Ending	Existing Debt Service	<u>Uniform Savings</u>		<u>Accelerated Retirement</u>		
		Proposed Debt Service	Savings	Proposed Debt Service	Savings	
12/1/2016		(\$2,000)	\$2,000.00	(\$2,000)	\$2,000.00	(1)
12/1/2017	\$1,703,575	1,598,572	105,002.71	1,703,572	2.71	
12/1/2018	1,695,800.00	1,586,650	109,150.00	1,695,075	725.00	
12/1/2019	1,692,800.00	1,584,225	108,575.00	1,691,000	1,800.00	
12/1/2020	1,692,600.00	1,586,500	106,100.00	1,691,625	975.00	
12/1/2021	1,690,000.00	1,583,400	106,600.00	1,141,875	548,125.00	
	\$8,474,775	\$7,937,347	\$537,428	\$7,921,147	\$553,628	
Net PV Savings						
		NPV Amount	\$512,582.00	NPV Amount	\$510,461.00	
		% of Refunded	6.80%	% of Refunded	6.77%	

Cost of Issuance Summary

Bond Counsel	\$25,000
Financial Advisor	15,000
Escrow Trustee	1,000
Rounding Surplus	(2,000)
	\$39,000

Note:

(1) Negative debt service on refunding bonds reflects surplus bond proceeds due to rounding



City of Shoreline
Refunding of LTGO 2009 Bonds

Debt Service Savings

<i>Period Ending</i>	<i>Existing Debt Service</i>	<i>Refunding Debt Service</i>	<i>Debt Service Savings</i>
12/1/2017	\$755,111	\$755,111	
12/1/2018	755,111	755,111	
12/1/2019	755,111	755,111	
12/1/2020	1,345,111	1,189,300	155,811
12/1/2021	1,343,694	1,186,700	156,994
12/1/2022	1,341,551	1,182,450	159,101
12/1/2023	1,337,611	1,181,950	155,661
12/1/2024	1,337,911	1,179,950	157,961
12/1/2025	1,333,346	1,176,450	156,896
12/1/2026	1,332,686	1,176,450	156,236
12/1/2027	1,325,712	1,169,700	156,012
12/1/2028	1,322,643	1,166,450	156,193
12/1/2029	1,323,260	1,164,450	158,810
12/1/2030	1,317,344	1,161,250	156,094
12/1/2031	1,314,179	1,156,850	157,329
12/1/2032	1,309,442	1,150,150	159,292
12/1/2033	1,308,134	1,147,850	160,284
12/1/2034	1,305,030	1,149,800	155,230
12/1/2035	1,300,130	1,140,850	159,280
12/1/2036	1,297,290	1,141,300	155,990
12/1/2037	1,292,380	1,135,850	156,530
12/1/2038	1,285,400	1,129,650	155,750
12/1/2039	1,281,350	1,122,700	158,650
	\$28,619,530	\$25,475,432	\$3,144,098

Net PV Savings

Net Total PV	\$2,284,701
% of Refunded	13.27%

Sources of Funds:

Par Amount of Bonds	\$16,655,000
Reoffering Premium	<u>2,138,895</u>
Total Sources	\$18,793,895

Uses of Funds:

Deposit to Escrow Fund	\$15,609,729
Underwriter Discount	99,930
Costs of Issuance	80,000
Rounding/Miscellaneous	<u>4,235</u>
Total Uses	\$15,793,895

