

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
 X 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

