CITY OF KENT, WASHINGTON

ORDINANCE NO. 2382

AN ORDINANCE relating to the water supply and distribution system of the City; providing for the issuance and sale of $4,800,000 par value of "Water Revenue Bonds, 1982," for the purpose of providing funds to carry out the system or plan for making additions to and betterments and extensions of the existing water system of the City, specified and adopted by Ordinance No. 2329, as amended; fixing the date, form, denomination, maturities, interest rates, terms and covenants of such bonds; confirming the sale and providing for the delivery of such bonds to Foster & Marshall/American Express Inc. of Seattle, Washington.

WHEREAS, the City has heretofore issued under date of May 1, 1963, pursuant to Ordinance No. 1178 its "Water Revenue Bonds, 1963, Issue No. 1," in the principal amount of $327,000 for the purpose of refunding the then outstanding "Water Revenue Bonds, 1959," of the City; and

WHEREAS, pursuant to the provisions of Section 9 of Ordinance No. 1178, as amended by Ordinance No. 2118, the City covenanted and agreed that it would not issue any Parity Revenue Bonds (as therein defined) unless it should first satisfy the following conditions:

(a) At the time of the issuance of such Parity Revenue Bonds there shall be no deficiency in either the Principal and Interest Account or Reserve Account of the Bond Fund.

(b) The City shall have covenanted in each ordinance authorizing the issuance of Parity Revenue Bonds that it will establish, maintain and collect rates and charges for water (and for sanitary sewage disposal service in the event that the sanitary sewerage system of the City ever becomes a part of the Water System) for as long as any of the Bonds and any Parity Revenue Bonds are outstanding as will make available for payment of the principal of and interest on all of such bonds, for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, as the same shall become due, an amount equal to at least 1.35 times the average annual amount required for such payments, exclusive of the principal requirements for any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term
Bond Maturity Year), after necessary costs of main-
tenance and operation of the Water System shall have 
been paid, but before depreciation. The ordinance 
authorizing such additional Parity Bonds shall 
require that the payment of all such bonds maturing 
in a Term Bond Maturity Year shall be provided for by 
either a mandatory sinking fund or by mandatory 
redemption thereof on or before their maturity.

(c) The City shall have covenanted in each ordi-
nance authorizing the issuance of Parity Revenue 
Bonds that it will pay into the Reserve Account of 
the Bond Fund within five years of the date of 
issuance of such Parity Revenue Bonds an amount 
which, with the money in the Reserve Account, will be 
at least equal to the maximum annual debt service on 
all then outstanding bonds payable from the Bond Fund 
but not less than the next year's debt service on all 
outstanding bonds, the principal of and interest on 
which are payable out of the Bond Fund, and will 
further provide in each such ordinance for additional 
payments to be made into the Reserve Account if 
necessary so that there shall be on deposit therein 
at all times after each of those five year periods an 
amount at least equal to the next succeeding year's 
debt service on all bonds payable out of the Bond 
Fund. To satisfy the Reserve Account requirement, 
the whole or any part of the money in any other 
reserve fund or account of the City created to secure 
the payment of the principal of or interest on any 
revenue bonds or revenue coupon warrants being 
refunded by such Parity Revenue Bonds may be trans-
ferred to the Reserve Account at the time such out-
standing bonds or warrants are redeemed.

(d) At the time of the issuance of such Parity 
Revenue Bonds, except the "Water Revenue Bonds, 1963, 
Issue No. 2," the City shall have on file a certifi-
cate from an independent licensed professional engi-
neer showing that in his professional opinion the net 
revenue of the Water System which will be available 
in each succeeding year for the payment of the prin-
cipal of and interest on, mandatory sinking funds of, 
and mandatory redemptions of the Bonds, all bonds 
payable from the Bond Fund then outstanding and the 
Parity Revenue Bonds to be issued as all of the same 
shall become due (except for those Bonds or any then 
outstanding Parity Revenue Bonds that are to be 
refunded by the Parity Revenue Bonds to be issued) 
will equal at least 1.35 times the average annual 
amount required for such payments, exclusive of the 
principal requirement in any Term Bond Maturity Year 
(unless the ordinance authorizing the issuance of any 
such bonds requires that the rate coverage obligation 
apply to the principal amount in a Term Bond Maturity 
Year).

For the purpose of the engineer's certificate, 
the words "net revenue of the Water System which will 
be available . . . for the payment of the principal 
of and interest on all of such bonds" shall mean the 
gross operating revenues and receipts of the Water 
System after deducting therefrom all necessary
expenses of maintenance and operation thereof, but before depreciation and annual debt service on all outstanding revenue bonds or revenue coupon warrants that may have a lien on the gross revenue of the Water System junior and inferior to the lien thereon for the payment of the principal of and interest on the Bonds. The net revenue may be based on any increase in revenues to be derived by an increase in water rates and charges (and any charges for sanitary sewage disposal service should the sanitary sewerage system of the City ever be combined with the Water System) authorized by the City Council to be effective by the time delivery of such Parity Revenue Bonds is made; and

WHEREAS, pursuant to Ordinance No. 1179, the City heretofore issued under date of May 1, 1963, its "Water Revenue Bonds, 1963, Issue No. 2," in the principal sum of $1,000,000 for the purpose of obtaining funds to pay the cost of carrying out a system or plan of additions to and betterments and extensions of the water supply and distribution system of the City, and for the purpose of refunding all outstanding "Water Revenue Bonds, 1948," "Water Revenue Bonds, 1957," and "Water Revenue Bonds, 1958," which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 1269, the City heretofore issued under date of November 1, 1964, its "Water Revenue Bonds, 1964," in the principal sum of $1,210,000 par value for the purpose of obtaining funds to pay the cost of carrying out the system or plan for making additions to and betterments and extensions of the existing water supply and distribution system of the City specified and adopted in Ordinance No. 1269 and for the purpose of paying the cost of excess water pipe capacity in Local Improvement Districts Nos. 245 and 246 heretofore created, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 1691, the City heretofore issued $1,000,000 par value of "Water Revenue Bonds, 1970," for the purpose of obtaining a part of the funds to pay the cost
of carrying out certain portions of the system or plan for making additions to and betterments and extensions of the existing water supply and distribution system of the City specified and adopted by Ordinance No. 1408 and for the purpose of paying the cost of excess water pipe capacity in Local Improvement District No. 252 heretofore created, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 1822, the City heretofore issued $1,005,000 par value of "Water Revenue Refunding Bonds, 1973," for the purpose of providing funds to redeem, pay and retire on December 1, 1985, all of its then outstanding "Water Revenue Bonds, 1970," which 1973 Refunding Bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, will be Parity Revenue Bonds after the payment and retirement of those 1970 bonds on December 1, 1985; and

WHEREAS, pursuant to Ordinance No. 1967, the City heretofore issued $1,000,000 par value of "Water Revenue Bonds, 1976," for the purpose of obtaining funds to pay the cost of carrying out the system or plan for making additions to and betterments and extensions of the existing water supply and distribution system of the City specified and adopted in Ordinance No. 1967, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 2118, the City heretofore issued $2,000,000 par value of "Water Revenue Bonds, 1978," for the purpose of providing funds to carry out a system or plan for making additions to and betterments and extensions of the existing water supply and distribution system specified and adopted in Ordinance No. 2118, for completing the system or plan specified and adopted by Ordinance No. 1967, and for other system purposes, which bonds, pursuant to the provisions of
Section 9 of Ordinance No. 1178, as amended, were issued as Parity Revenue Bonds; and

WHEREAS, the existing water supply and distribution system of the City is in such condition that the public interest, welfare and convenience require and it is advisable that the system or plan for additions and betterments to and extensions of the water supply and distribution system specified and adopted by Ordinance No. 2329, as amended by Ordinance No. 2369, be carried out, and that the City issue and sell its water revenue bonds in order to provide the funds necessary to carry out such improvements; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DO ORDAIN as follows:

Section 1. As used in this ordinance the following words shall have the following meanings:

(a) "City" shall mean the City of Kent, Washington, a duly organized and existing non-charter code city under the laws of the State of Washington.

(b) "Bonds" shall mean the "Water Revenue Bonds, 1982," authorized to be issued by this ordinance.

(c) "Bond Fund" shall mean the "Water Revenue Bond Redemption Fund, 1963," created by Ordinance No. 1178, passed April 1, 1963.

(d) "1963 Bonds, Issue No. 1," shall mean the "Water Revenue Bonds, 1963, Issue No. 1," authorized to be issued by Ordinance No. 1178, passed April 1, 1963.


(f) "1964 Bonds" shall mean the "Water Revenue Bonds, 1964," authorized to be issued by Ordinance No. 1269, passed October 5, 1964.
g) "1970 Bonds" shall mean the "Water Revenue Bonds, 1970," authorized to be issued by Ordinance No. 1691, passed November 2, 1970.

(h) "1973 Refunding Bonds" shall mean the "Water Revenue Refunding Bonds, 1973," authorized to be issued by Ordinance No. 1822, passed March 5, 1973.


(j) "1978 Bonds" shall mean the "Water Revenue Bonds, 1978," authorized to be issued by Ordinance No. 2118, passed October 2, 1978.

(k) "Future Parity Bonds" shall mean all revenue bonds of the City issued after the date of the issuance of the Bonds and having a lien and charge upon the gross revenues of the Water System on a parity with the lien and charge upon such gross revenues for the Outstanding Parity Bonds and the Bonds for the payment of the principal thereof and interest thereon, and constituting "Parity Revenue Bonds" under Section 9 of Ordinance No. 1178, as amended by Ordinance No. 2118.


(m) "Term Bond Maturity Year" shall mean any calendar year or years in which the 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds, 1970 Bonds, 1973 Refunding Bonds, 1976 Bonds, 1978 Bonds, the Bonds or any Parity Bonds of any one issue or series mature (regardless of reservation of prior redemption rights) in an amount which is more than 1.25 times the average annual maturities of the outstanding bonds of that
issue or series for three calendar years immediately preceding such calendar year or years.

(n) "Water System" shall mean the existing water supply and distribution system of the City as the same may be added to, improved and extended at any time hereafter for as long as the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are outstanding, and which additions, improvements and extensions shall include the sanitary sewerage system of the City should it ever be combined with the water supply and distribution system in the manner authorized by law.

Section 2. The City Council finds that no deficiency exists in either the Principal and Interest Account or the Reserve Account of the Bond Fund; that provision is hereafter made for the required coverage covenant; that provision is hereinafter made for the accumulation in the Reserve Account in the Bond Fund of the required additional reserve amount; and that Walter G. Ramsey of URS Company, an independent licensed professional engineer, or such other independent licensed professional engineer with similar qualifications has certified or will certify prior to the delivery of the Bonds that the net revenues of the Water System will be sufficient to meet the 1.35 coverage requirement in Section 9 of Ordinance No. 1178 as evidenced by his certificate to such effect to be on file with the City Clerk, such certifying engineer having taken into consideration the fact that no debt service payable out of the net revenues of the Water System will arise for the 1973 Refunding Bonds until after December 1, 1985, and that debt service payable out of such revenues for the outstanding 1970 Bonds to be refunded will continue only until December 1, 1985, at which time the outstanding 1970 Bonds will be paid and retired and debt service on the 1973 Refunding Bonds payable out of such revenues will then commence on such date.
Section 3. For the purpose of providing the funds to carry out the system or plan specified and adopted and ordered to be carried out in Ordinance No. 2329, as amended, there shall be issued and sold $4,800,000 par value of the Bonds, heretofore defined and designated as the "Water Revenue Bonds, 1982," of the City. The Bonds shall be in denomination of $5,000 each, shall be numbered from 1 to 960, inclusive, shall be dated December 1, 1982, shall bear interest at the rates hereinafter set forth, payable on December 1, 1983, and semiannually thereafter on each succeeding June 1 and December 1, interest to maturity to be evidenced by coupons to be attached to the Bonds, with full obligation on the part of the City to pay interest at the Bond rate from and after the Bond maturity or call dates until the Bonds with interest are paid in full. If any Bond is not redeemed upon proper presentment at its maturity or call date thereof, the City shall be obligated to pay interest at the coupon rate for each such Bond from and after the maturity or call date until such Bond, both principal and interest, shall have been paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such Bond has been duly called for payment by the publication by the City Treasurer of notice of such call once at least ten days prior to the call date in the official newspaper of the City or, if there is no official newspaper, in a newspaper of general circulation within the City. The Bonds shall be numbered, shall bear interest and shall mature on December 1 of each year in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Bond Numbers (Inclusive)</th>
<th>Amounts</th>
<th>Interest Rates</th>
<th>Maturity Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 22</td>
<td>$110,000</td>
<td>8.25</td>
<td>1985</td>
</tr>
<tr>
<td>23 to 46</td>
<td>120,000</td>
<td>8.75</td>
<td>1986</td>
</tr>
<tr>
<td>47 to 72</td>
<td>130,000</td>
<td>9.00</td>
<td>1987</td>
</tr>
<tr>
<td>73 to 100</td>
<td>140,000</td>
<td>9.20</td>
<td>1988</td>
</tr>
<tr>
<td>101 to 130</td>
<td>150,000</td>
<td>9.40</td>
<td>1989</td>
</tr>
<tr>
<td>131 to 163</td>
<td>165,000</td>
<td>9.60</td>
<td>1990</td>
</tr>
<tr>
<td>Bond Numbers (inclusive)</td>
<td>Amounts</td>
<td>Interest Rates</td>
<td>Maturity Years</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>164 to 199</td>
<td>180,000</td>
<td>9.80</td>
<td>1991</td>
</tr>
<tr>
<td>200 to 239</td>
<td>200,000</td>
<td>10.00</td>
<td>1992</td>
</tr>
<tr>
<td>240 to 283</td>
<td>220,000</td>
<td>10.20</td>
<td>1993</td>
</tr>
<tr>
<td>284 to 331</td>
<td>240,000</td>
<td>10.40</td>
<td>1994</td>
</tr>
<tr>
<td>332 to 384</td>
<td>265,000</td>
<td>10.50</td>
<td>1995</td>
</tr>
<tr>
<td>385 to 443</td>
<td>295,000</td>
<td>10.60</td>
<td>1996</td>
</tr>
<tr>
<td>444 to 508</td>
<td>325,000</td>
<td>10.70</td>
<td>1997</td>
</tr>
<tr>
<td>509 to 581</td>
<td>365,000</td>
<td>10.80</td>
<td>1998</td>
</tr>
<tr>
<td>582 to 662</td>
<td>405,000</td>
<td>10.90</td>
<td>1999</td>
</tr>
<tr>
<td>663 to 751</td>
<td>445,000</td>
<td>11.00</td>
<td>2000</td>
</tr>
<tr>
<td>752 to 850</td>
<td>495,000</td>
<td>11.00</td>
<td>2001</td>
</tr>
<tr>
<td>851 to 960</td>
<td>550,000</td>
<td>11.00</td>
<td>2002</td>
</tr>
</tbody>
</table>

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the City Treasurer, or, at the option of the holder, at either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York. The Bonds shall be payable solely out of the Bond Fund, and shall be a valid claim of the holder thereof only as against that fund and the fixed amount of the gross revenues of the Water System pledged to such fund, and shall not be a general obligation of the City.

Section 4. The City reserves the right to redeem the Bonds as a whole, or in part in inverse numerical order, with funds from any source on December 1, 1992, at a price of 102% of par (plus accrued interest to date of redemption), the redemption price to reduce 1% annually to par on or after December 1, 1994.

Notice of any call for redemption of any of the Bonds prior to their stated maturity dates shall be published at least once in the official newspaper of the City not less than thirty nor more than forty-five days prior to the call date. Notice of such intended redemption shall also be mailed to Foster & Marshall/American Express Inc. at its principal place of business in Seattle, Washington, or its successor, not less than thirty nor more than forty-five days prior to the call date. In addition, such redemption notice shall be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation, at
their offices in New York, New York, but the mailing of such notice to such New York firms shall not be a condition precedent to the redemption of such Bonds. Interest on any Bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The City further reserves the right to purchase any or all of the Bonds in the open market at any time at a price not in excess of the call price applicable for such Bonds on the next call date, plus accrued interest.

Section 5. The Bond Fund has, by Ordinance No. 1178, been divided into a Principal and Interest Account and a Reserve Account. So long as any of the Bonds are outstanding against the Bond Fund the City Treasurer shall set aside and pay into the Bond Fund, in addition to the amounts covenanted to be paid therein by Ordinance No. 1178 for the 1963 Bonds, Issue No. 1, by Ordinance No. 1179 for the 1963 Bonds, Issue No. 2, by Ordinance No. 1269 for the 1964 Bonds, by Ordinance No. 1691 for the 1970 Bonds (until the same are paid and retired on December 1, 1985), by Ordinance No. 1822 for the 1973 Refunding Bonds (after the payment and retirement of the 1970 Bonds on December 1, 1985), by Ordinance No. 1967 for the 1976 Bonds, and by Ordinance No. 2118 for the 1978 Bonds, out of the gross revenues of the Water System, a fixed amount, without regard to any fixed proportion, on or before the 20th day of each month beginning with the month of December, 1982, as follows:

(a) There shall be paid into the Principal and Interest Account an amount equal to at least 1/12th of the amount due on the next principal payment date and an amount equal to at least 1/12th of the amount of interest due on December 1, 1983, and thereafter at least 1/6th of the interest to become due and payable on the next interest payment date on all of the Bonds outstanding.
(b) There shall be paid into the Reserve Account, in substantially equal monthly payments and to be accumulated in full by no later than December 1, 1987, an amount which, with the money in the Reserve Account, will be at least equal to the maximum annual debt service on all then outstanding bonds payable from the Bond Fund but not less than the next year's debt service on all outstanding bonds payable out of the Bond Fund, and the City further covenants that additional payments shall be made into the Reserve Account if necessary so that there shall be on deposit therein at all times after such five-year period an amount at least equal to the next succeeding year's debt service on all bonds payable out of the Bond Fund until there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, call premium, if any, and interest on all bonds payable out of the Bond Fund outstanding, at which time the money in the Reserve Account may be used to pay such principal, call premium, if any, and interest.

In the event that there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either principal or interest, as the case may be, on any bonds payable out of the Bond Fund, such deficiency shall be made up from the Reserve Account by withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawals shall then be made up from the money from the revenues of the Water System first available after making necessary provisions for the required payments into the Principal and Interest Account.

All money in the Reserve Account may be kept on deposit in the official bank depository of the City, or may be invested in direct obligations of the United States Government, having a guaranteed redemption price prior to maturity or maturing not later than twelve years from the date of purchase, and, in no event, maturing later than the last maturity of any bonds payable out of the Bond Fund outstanding at the time of such purchase. Interest earned on any such investment or on such bank deposit shall be deposited in and become part of the Reserve Account until the total required reserve amount shall
have been accumulated therein, after which such interest shall be deposited in the Principal and Interest Account.

In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal and/or interest on the Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

Section 6. The gross revenues of the Water System of the City are pledged to the payments as are required by this ordinance, and the Bonds shall constitute a charge or lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for operation and maintenance, except that the charge or lien upon such gross revenues for the Bonds shall be on a parity with the charge or lien upon such gross revenues for the Outstanding Parity Bonds and for any Future Parity Bonds.

Section 7. In the judgment of the City Council the gross revenues and benefits to be derived from the operation and maintenance of the Water System at the rates to be charged for water furnished on the entire utility will be more than sufficient to meet all expenses of operation and maintenance thereof and the debt service on the Outstanding Parity Bonds, and to permit the setting aside into the Bond Fund out of the gross revenues of the Water System of amounts sufficient to pay the interest on the Bonds as such interest becomes payable and to pay and redeem all of the Bonds at maturity. The City Council and corporate authorities of the City further declare that in creating the Bond Fund and in fixing the amounts to be paid into the same as aforesaid they have exercised due regard for the cost of operation and maintenance of the Water System and the debt service requirements of the presently outstanding bonds above referred to, and the City has not bound and obligated itself to set aside
and pay into the Bond Fund a greater amount or proportion of the revenues of the Water System than in the judgment of the City Council will be available over and above such costs of operation and maintenance and debt service requirements of such outstanding bonds and that no portion of the gross revenues of the Water System have been previously pledged for any indebtedness other than the outstanding bond issues above referred to.

Section 8. The City covenants and agrees with the owner and holder of each bond at any time outstanding, as follows:

(a) It will establish, maintain and collect such rates and charges for water service (and for sanitary sewage disposal service should the sanitary sewerage system of the City ever be combined with the Water System) so long as any Bonds are outstanding as will make available (1) for the payment of the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds as the same shall become due an amount equal to at least 1.35 times the average annual amount required for the payment of all principal of and interest on such bonds for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, exclusive of the principal requirement in any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term Bond Maturity Year), after necessary costs of operation and maintenance of the Water System shall have been paid, but before depreciation, until the outstanding 1970 Bonds are paid and retired on December 1, 1985, and (2) thereafter for the payment of the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds an amount equivalent to at least 1.35 times the average annual amount required for the payment of all principal of and interest on such bonds for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, exclusive of the principal requirement in any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term Bond Maturity Year), after necessary costs of operation and maintenance of the Water System shall have been paid, but before depreciation.

(b) It will at all times maintain and keep the Water System and all additions thereto and betterments, replacements and extensions thereof in good repair, working order and condition and also will at all times operate the Water System and the business in connection therewith in an efficient manner and at a reasonable cost.
(c) It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Water System unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all bonds payable from the Bond Fund at that time outstanding, and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Water System unless provision is made for replacement thereof or for payment into the Bond Fund of the total amount of revenue received, which shall not be less than an amount which shall bear the same ratio to the amount of outstanding bonds payable from the Bond Fund as the revenue available for debt service for those outstanding bonds for the twelve months preceding such sale, lease, mortgage, encumbrance, or disposal from the portion of the Water System sold, leased, mortgaged, encumbered or disposed of bears to the revenue available for debt service for such bonds from the entire Water System for the same period. Any money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(d) It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to its Water System and it will furnish the original purchaser or purchasers of the Bonds or any subsequent holder or holders thereof at the written request of such holder or holders, complete operating and income statements of the Water System in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year. It will grant any holder or holders of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the Water System and all records, accounts and data of the City relating thereto. Upon the request of any holder of any of the Bonds, it will furnish such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(e) It will not furnish any water (or any sanitary sewage disposal service should the sanitary sewerage system ever be combined with the Water System) to any customer whatsoever free of charge, and it will promptly take legal action to enforce the collection of all delinquent accounts.

(f) It will carry the types of insurance on its Water System properties in the amounts normally carried by private water companies engaged in the operation of water systems, and the cost of such insurance shall be considered a part of operating and maintaining the Water System. If, as, and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of the Water System on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.
(g) It will pay all costs of operation and main-
tenance of the Water System and the debt service
requirements for the Outstanding Parity Bonds, the
Bonds and any Future Parity Bonds and otherwise meet
the obligations of the City as herein set forth.

(h) It will spend the proceeds of the Bonds with
due diligence to completion of the purposes specified
herein and will make no use of the proceeds of the
Bonds or other funds of the City at any time during
the term of the Bonds which, if such use had been
reasonably expected at the date that the Bonds are
issued, would have caused such Bonds to be arbitrage
bonds within the meaning of Section 103(c) of the
United States Internal Revenue Code of 1954, as
amended, and applicable regulations thereunder.

Section 9. The City covenants and agrees with the holder
or holder and owner of each bond payable from the Bond Fund at
that time outstanding that it will not issue any Future Parity
Bonds unless it shall first satisfy the conditions set forth in
Section 9 of Ordinance No. 1178, as amended by Section 10 of
Ordinance No. 2118, which sections are by reference incorporated
herein and made a part hereof and shall be applicable to the
Bonds so long as any of the same are outstanding.

Nothing contained in this section shall prevent the City
from issuing revenue bonds or warrants, the payment of the
principal of and interest on which is a charge upon the gross
revenues of the Water System junior and inferior to the payments
required to be made out of such gross revenues into the Bond
Fund.

Section 10. The gross revenues from the operation of the
Water System shall be allocated as follows:

(a) To pay the necessary costs of operation
and maintenance of the Water System;

(b) To make all required payments into the
Bond Fund in amounts sufficient to pay principal
and interest as the same shall become due on all
bonds payable out of the Bond Fund;

(c) To make all payments required to be made
into the Reserve Account in the Bond Fund;

(d) To make all payments required to be made
into the bond redemption funds for any junior
lien water revenue bonds hereafter issued;
(e) To make necessary additions, betterments and improvements and repairs to or extensions and replacements of the Water System, or for any other proper purposes connected with the operation of the Water System for which such money may be lawfully used; and

(f) To retire by redemption or purchase water revenue bonds of the City outstanding as authorized in various bond ordinances of the City.

Section 11. The Bonds shall be printed on lithographed forms, the Bonds and coupons shall be in a form consistent with the provisions of this ordinance, the Bonds shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the City Clerk and a facsimile reproduction of the seal of the City shall be printed thereon, and the interest coupons shall bear the facsimile signatures of the Mayor and the City Clerk.

Section 12. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, money and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account") and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons (hereinafter collectively called the "defeased Bonds") in the covenants of this ordinance, in the gross revenues of the Water System, funds and accounts obligated to the payment of such Bonds shall thereafter
cease and become void, except such owners and holders shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the residual right to receive payment of the principal of and interest on the defeased Bonds from the gross revenues of the Water System without any priority of lien or charge against such revenue or covenants with respect thereto except to be paid therefrom.

After the establishing and full funding of such trust account, the City may then apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the holders of any other bonds then outstanding.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued be secured by cash and/or direct obligations of the United States of America or other legal investments pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America or other legal investments are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 13. Foster & Marshall/American Express Inc. of Seattle, Washington, has submitted an offer to purchase the Bonds at a price of $96.75 per each $100.00 par value, plus
accrued interest from the date of issuance to the date of delivery of the Bonds, the City to furnish the printed Bonds and the unqualified approving legal opinion of Roberts & Shefelman (Roberts, Shefelman, Lawrence, Gay & Moch), municipal bond counsel of Seattle, Washington, at the City's expense. Bond counsel shall not be required to review or express any opinion concerning any official statement, offering circular or other sales material relating to the issuance of the Bonds or otherwise or used in connection with the Bonds, and bond counsel's opinion shall so state. The City Council, being of the opinion that no better price could be obtained for the Bonds and that it was in the best interests of the City that such offer be accepted, accepts the same. The Bonds shall immediately upon their execution be delivered to the purchaser upon payment for the Bonds in accordance with such offer. The City Treasurer is authorized and directed to deposit the accrued interest received from the sale of the Bonds in the Principal and Interest Account in the Bond Fund and to deposit and make use of the principal proceeds received in the manner set forth in this ordinance. Interest earned on any investment of the principal proceeds shall be deposited into the construction fund into which the principal proceeds are deposited.

Section 14. Pending the printing, execution and delivery to the purchaser of the definitive Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Bond in the principal amount of $4,800,000. Such temporary Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, and shall be issued as a fully registered bond in the name of such purchaser, and shall be in such form as acceptable to such purchaser. Such temporary Bond shall be exchanged for the
definitive Bonds as soon as the same are printed, executed and available for delivery.

Section 15. Whenever the office of the City Treasurer is referred to it shall mean that office which performs the duties normally assigned to a Treasurer, including having custody of the various funds of the City and paying the principal of and interest on the Bonds.

Section 16. This ordinance shall take effect five days after its passage, approval and publication as provided by law.

PASSED by the City Council of the City of Kent, Washington, and APPROVED by its Mayor, at a regular open public meeting held on the 6th day of December, 1982.

ATTEST:

City Clerk

FORM APPROVED:

City Attorney

Below Signature Date: The 10th day of December, 1982

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