

ORDINANCE NO. 278

AN ORDINANCE of the Town of Gig Harbor, Washington, providing for the issuance and sale of water revenue bonds of the town in the principal amount of \$220,000 to pay part of the cost of acquiring, constructing and installing certain additions and improvements to and extensions of the existing water system of the town as authorized herein; providing the date, form, terms and maturities of said bonds; providing and adopting certain covenants and protective features safeguarding the payment of the principal thereof and interest thereon; reserving the right in the town to issue additional water revenue bonds on a parity with such revenue bonds to be issued, for certain purposes and on compliance with certain conditions.

WHEREAS, the Town of Gig Harbor, Washington (hereinafter called the "Town"), by Ordinance No. 14 passed June 30, 1948, adopted a plan for the acquisition, construction and installation of a water supply and distribution system for the Town and said plan has thereafter been supplemented by additions and improvements thereto; and

WHEREAS, this Council finds that the existing water supply and distribution system of the Town should be improved by the acquisition, construction and installation of the hereinafter provided for additions and improvements to and extensions of such system and by the maintenance of such system as improved in order to properly supply the Town and its inhabitants and the users of the system with an adequate supply of water for daily use and for fire protection; and

WHEREAS, it is deemed necessary and advisable that the Town proceed with the acquisition, construction and installation of said additions, improvements, and extensions, and to pay part of the cost thereof that it now issue and sell

its water revenue bonds in the total principal amount of \$220,000;

NOW, THEREFORE, BE IT ORDAINED by the Council of the Town of Gig Harbor, Washington, as follows:

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

a. The word "Town" shall mean the Town of Gig Harbor, a municipal corporation duly organized and existing under the laws of the State of Washington.

b. The word "System" shall mean the water supply and distribution system of the Town, as such system may be added to, improved and extended for as long as any of the Bonds and any Parity Bonds are outstanding, which additions, improvements and extensions may include the sanitary sewage disposal system of the Town should the same ever be combined with the water supply and distribution system of the Town in the manner authorized by law.

c. The words "Bonds" shall mean the \$220,000 principal amount of water revenue bonds of the Town issued pursuant to this ordinance.

d. The words "Revenue Fund" shall mean the special fund of the Town designated the "Water Revenue Fund," created by Section 14 of Ordinance No. 170 of the town.

e. The words "Construction Fund" shall mean the special fund of the Town known as the "1978 Water System Construction Fund" created by Section 10 of this ordinance.

f. The words "Bond Redemption Fund" shall mean the "Gig Harbor 1961 Water Revenue Bond Redemption Fund" created by Section 8 of Ordinance No. 59 of the Town.

g. The words "Gross Revenue" shall mean all rates, charges, or other income and receipts in each case derived by or for the account of the Town arising from the operation or ownership of the

System, and shall include all assessments, including interest and any penalties thereon, levied in any utility local improvement district of the Town, and pledged to and paid into the Bond Redemption Fund.

h. The word "Government" shall mean the United States Government.

i. The words "Outstanding Bonds" shall mean the outstanding water revenue bonds of the Town issued under date of November 1, 1973.

j. The words "Term Bonds" mean the bonds of any issue or series payable out of the Bond Redemption Fund maturing in the last maturity year of such issue or series (regardless of reservation of prior redemptive rights) in an amount which is more than 1.25 times the average annual principal maturities of the bonds of such issue or series for the three calendar years immediately preceding such last maturity year.

k. The words "Parity Bonds" shall mean any revenue bonds of the Town issued after the date of the issuance of the Bonds and having a lien upon the Gross Revenue and the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien upon the Gross Revenue and the money in such fund for the payment of the principal of and interest on the Bonds and the Outstanding Bonds.

Section 2. The following plan of additions and improvements to and extensions of the existing water supply and distribution system of the Town is hereby specified and adopted:

A. The Town shall construct and install a 500,000 gallon standpipe adjacent to the Tacoma-Lake Cushman Power Line near the south end of the Town.

B. The Town shall construct and install a new 400 gpm well adjacent to said new standpipe.

C. The Town shall construct and install approximately 6,000 feet of 10" and 12" water mains to tie the aforementioned improvements into the existing water supply and distribution system of the Town.

Said improvements shall be as more fully set forth in plans and specifications therefor now on file with the Town.

The Town shall acquire and install all equipment, valves, fittings, fencing, appurtenances, and other materials necessary for the installation, use, and operation of the hereinbefore authorized improvements; and shall acquire by purchase or condemnation, gift or grant, all property, both real and personal or any interest therein, and all easements, rights-of-way, franchises and water rights which may be found necessary to carry out the hereinbefore authorized plans.

It is hereby provided that the above-described plan of improvements shall be subject to such changes as to location and as to size of water mains or in any other details of said plan not affecting the service to be rendered thereby which shall be authorized by the Town Council either prior to or during the actual course of construction and which shall be found necessary and desirable, so long as the same do not affect or change the main general features of said plans as above set forth.

Section 3. The estimated cost of acquiring, constructing and installing the above-provided for additions and improvements to and extensions of the existing water supply and distribution system of the Town is hereby declared to be, as near as may be, the sum of \$479,087, approximately \$259,087 of which will be provided from anticipated grants from the United States of America

and the State of Washington. The remaining amount of such cost shall be provided from the proceeds of sale of water revenue bonds of the Town in the principal amount of not to exceed \$220,000, or so much thereof as is determined to be necessary by the Town Council.

Section 4. As an integral part of the plan of acquiring, constructing, and installing the above-provided for additions, improvements, and extensions, the Town hereby authorizes the issuance of the Bonds in the total principal amount of \$220,000. It is hereby found and declared that the final maturity of the Bonds does not extend beyond the reasonable life expectancy of the System.

The Bonds shall be dated April 1, 1978, shall be in the denomination of \$5,000 each, shall be payable to bearer and shall be numbered and mature on April 1 in order of their number as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-2	1989	\$10,000	6.00%
3-4	1990	\$10,000	6.00%
5-6	1991	\$10,000	6.00%
7-9	1992	\$15,000	6.25%
10-12	1993	\$15,000	6.25%
13-15	1994	\$15,000	6.25%
16-18	1995	\$15,000	6.25%
19-21	1996	\$15,000	6.25%
22-24	1997	\$15,000	6.25%
25-28	1998	\$20,000	6.375%
29-32	1999	\$20,000	6.375%
33-36	2000	\$20,000	6.375%
37-40	2001	\$20,000	6.375%
41-44	2002	\$20,000	6.375%

The Bonds shall bear interest as set forth above payable semiannually on the first days of April and October of each year, commencing October 1, 1978, as evidenced by interest coupons attached to the Bonds.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America by the Town Treasurer at his office in Gig Harbor, Washington or, at the option of the holder, at either of the fiscal agencies of the State of Washington in the cities of Seattle, Washington or New York, New York, and shall be obligations only of the Bond Redemption Fund.

Section 5. The Bonds shall be signed on behalf of the Town with the facsimile or actual signature of the Mayor and shall be attested by the Town Clerk. Each of the Bonds shall have the seal of the Town impressed thereon.

Section 6. The Town reserves the right to redeem Bonds outstanding, in whole, or in part in inverse numerical order, on any interest payment date on or after April 1, 1993, at the principal amount thereof plus accrued interest to the date of redemption.

The Town further reserves the right, whenever it has any surplus money in its Revenue Fund over and above all amounts therein pledged by the Town to be used for any specific purpose, to use such surplus at any time to purchase any of the Bonds in the open market for retirement only if the same may be purchased at not more than the price at which they could be redeemed on the next succeeding redemption date.

Section 7. Notice of any such intended redemption shall be given by publication once in a financial journal of general circulation in the City of Seattle, Washington, such publication to be not more than forty-five nor less than thirty days prior to said redemption date. In addition, such redemption notice shall also be mailed to Moody's Investors Service, Inc. and to Standard & Poor's Corporation at their main offices in the City of New

York, New York, or to the business successors, if any, of said firms at their main offices. The redemption notice shall state the serial numbers of the Bonds called for redemption and that interest thereon will cease on the redemption date, and shall direct that such Bonds, together with all coupons, if any, maturing on or after the redemption date, shall be presented by the holders for payment and cancellation at the office of the Town Treasurer, Gig Harbor, Washington.

Section 8. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

No. _____

\$5,000

STATE OF WASHINGTON
TOWN OF GIG HARBOR
WATER REVENUE BOND
1978

The Town of Gig Harbor, a municipal corporation of the State of Washington (hereinafter called the "Town"), hereby acknowledges itself to owe and for value received promises to pay to bearer, on the first day of April, ____, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of ____% per annum payable on the first days of April and October of each year from the date hereof upon presentation and surrender of the attached interest coupons as they severally become due or until the principal amount hereof has been paid.

Both principal of and interest on this bond are payable in lawful money of the United States of America solely out of the special fund of the Town known as the "Gig Harbor 1961 Water Revenue Bond Redemption Fund" created by Ordinance No. 59 of the Town.

Said payments shall be made at the office of the Treasurer of the Town of Gig Harbor, Washington, or, at the option of the holder, at either of the fiscal agencies of the state of Washington, in the cities of Seattle, Washington, or New York, New York.

The Town has reserved the right to redeem any or all of the bonds of this issue outstanding, in whole, or in part in inverse numerical order, on any interest payment date on or after April 1, 1993, at the principal amount thereof plus accrued interest to the date of redemption.

Notice of such intended redemption will be given by publication once in a financial journal of general circulation in the City of Seattle, Washington, not more than forty-five nor less than thirty days prior to the redemption date. In addition, the redemption notice will also be mailed to Moody's Investors Service, Inc. and to Standard & Poor's Corporation at their main offices in the City of New York, New York, or to the business successors, if any, of those firms at their main offices.

This bond is one of an issue of water revenue bonds of the Town of like amount, date and tenor except as to number, rate of interest, and date of maturity in the aggregate principal amount of \$220,000, which bonds are issued for the purpose of providing funds to pay part of the cost of acquiring, constructing and installing certain additions and improvements to the water system of the Town, is payable solely out of the gross revenue of such system and all additions and improvements thereto and extensions thereof, and does not constitute a general obligation of the Town.

The Town hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and of Ordinance No. 228 (the "Ordinance") to be by it kept and performed.

The Town has pledged and bound itself to set aside from the gross revenue of its water system and all additions and improvements thereto and extensions thereof, and to pay into said Bond Redemption Fund and the Reserve Account therein, the various amounts required by the Ordinance to be paid into and maintained in said fund and account, all within the times provided in said Ordinance.

Said amounts so pledged to be paid into said Fund and Account are hereby declared to be a prior lien and charge upon such gross revenue superior to all other charges of any kind or nature except for necessary costs of maintenance and operation of such water system and equal in rank to the lien and charge thereon to pay and secure the payment of the outstanding water revenue bonds of the Town issued under date of November 1, 1973, and to any charge which may hereafter be made thereon to pay and secure the payment of any bonds which may later be issued on a parity with such 1973 bonds and the bonds of this issue.

The Town has further bound itself to maintain said system in good condition and repair, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for water service furnished for as long as any of the bonds of this issue are outstanding that will, together with any assessments paid into said Bond Redemption Fund, provide revenue equal to at least 1.35 times the amounts required each

calendar year hereafter to pay and secure the payment of the principal of and interest on such 1973 bonds, the bonds of this issue and any bonds later issued on a parity therewith (exclusive of the principal amount of any Term Bonds, as such term is defined in the Ordinance), after necessary costs of maintenance and operation of such system have been paid, but before depreciation.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and the laws of the State of Washington and ordinances of the Town, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the Town of Gig Harbor, Washington, has caused this bond to be executed with the facsimile or actual signature of its Mayor, to be attested to by its Clerk, and the corporate seal of the Town to be impressed hereon, this 1st day of April, 1978.

TOWN OF GIG HARBOR, WASHINGTON

By _____
Mayor

Attest:

Town Clerk

The interest coupons to be attached to the Bonds shall be in substantially the following form:

No. _____ \$ _____

On the first day of _____, 19____, the Town of Gig Harbor, Washington, will pay to bearer at the office of the

Town Treasurer in Gig Harbor, Washington, the sum shown hereon in lawful money of the United States of America, solely out of the special fund of the Town known as the "Gig Harbor 1961 Water Revenue Bond Redemption Fund," said sum being the semiannual interest due that day on its water revenue bond dated April 1, 1978, numbered _____.

TOWN OF GIG HARBOR, WASHINGTON

By _____
Mayor

Attest:

Town Clerk

Section 9. The Bonds, together with the interest thereon, shall be payable from the Gross Revenue of the System (all of which Gross Revenue must be paid into the Revenue Fund), and that portion of said Revenue which is sufficient and necessary to pay the principal of and interest on the Bonds as the same shall become due is hereby pledged and set aside out of the Revenue Fund into the Bond Redemption Fund.

Said amounts so pledged are hereby declared to be a prior lien and charge upon such Gross Revenue and the money in the Revenue Fund superior to all other charges of any kind or nature except for necessary costs of maintenance and operation of the System and equal in rank to the lien and charge thereon to pay and secure the payment of the principal of and interest on the Outstanding Bonds and to any lien and charge which may hereafter be made thereon to pay and secure the payment of any Parity Bonds.

Section 10. There is hereby created a special fund of the Town to be known as the "1978 Water System Construction Fund"

(hereinbefore defined as the "Construction Fund"). The proceeds of sale of the Bonds (except for accrued interest, if any, which shall be paid into the Bond Redemption Fund) and all moneys received from the Government and the State of Washington to pay part of the cost of the improvements authorized by Sections 2 and 3 hereof shall be deposited in the Construction Fund. Withdrawals from such Construction Fund shall be made only on warrants of the Town as authorized from time to time by the Town Council and only for the purposes for which the Bonds are issued. Interest earned on Construction Fund moneys shall be deposited in the Construction Fund.

The Town's share of any liquidated damages and any moneys paid by defaulting contractors or their sureties shall be deposited in the Construction Fund to assure completion of all of the additions and improvements to the System to be made. When the acquisition, construction and installation of the facilities for which the Bonds are issued have been completed and all construction costs and costs incidental thereto and to the issuance of the Bonds have been paid in full, and after any required refunds of grants for the improvements to the System have been made to the Government or to the State of Washington, any balance remaining in the Construction Fund shall be promptly transferred to the Bond Redemption Fund.

Section 11. A special fund of the Town known as the "Water Revenue Fund" (hereinbefore defined as the "Revenue Fund") was created by Section 14 of Ordinance No. 170 of the Town. All Gross Revenue shall be deposited to the credit of the Revenue Fund and held in the custody of the Town Treasurer separate and apart from all other funds of the Town. Moneys therein shall be expended and used by the Treasurer only in the manner and order

hereinafter specified in the following Sections 12 to 15, inclusive.

Section 12. Necessary costs of maintenance and operation of the System shall be payable as a first charge from the Revenue Fund as the same become due and payable. Such costs shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, a properly allocated share of charges for insurance, and all other expenses incident to the operation of the System, but shall exclude depreciation, all general administrative expenses of the Town not attributable to the System, and payments for debt service on obligations of the Town having a lien and charge on the Gross Revenue junior to that of the Bonds.

Section 13. There has heretofore been created by Section 8 of Ordinance No. 59 of the Town, another special fund of the Town known as the "Gig Harbor 1961 Water Revenue Bond Redemption Fund" (herein called the "Bond Redemption Fund"), which fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Outstanding Bonds, the Bonds and any Parity Bonds as the same shall become due.

The Town hereby obligates and binds itself to set aside and pay into the Bond Redemption Fund, out of the Gross Revenue the following amounts necessary to pay the principal of and interest on the Bonds as the same respectively become due and payable. Such payments shall be made into the Bond Redemption Fund on or before the 20th day of each month in the amounts hereinafter specified:

a. Beginning with the month of April 1978, and continuing as long as any of the Bonds are outstanding and unpaid, an amount equal to at least one-sixth ($1/6$) of the interest to become due

and payable on the next interest payment date on all the Bonds then outstanding.

b. Beginning with the month of April 1988, and continuing as long as any of the Bonds are outstanding and unpaid, an amount equal to at least one-twelfth (1/12) of the principal of the Bonds to become due and payable on the next principal payment date.

Said amounts so pledged to be paid out of the Gross Revenue and into the Bond Redemption Fund and the Reserve Account therein are hereby declared to be a prior lien and charge upon such Gross Revenue superior to all other charges of any kind or nature except the necessary cost of maintenance and operation of the System, and equal in rank to the lien and charge thereon to pay and secure the payment of the principal of and interest on the Outstanding Bonds and to any charges which may be later made on such Gross Revenue to pay and secure the payment of the principal of and interest on any Parity Bonds.

Section 14. A Reserve Account has heretofore been created in the Bond Redemption Fund. The Town hereby covenants and agrees that commencing with the month of April 1978, it will set aside and pay into the Reserve Account out of the Gross Revenue periodic payments at least annually in approximately equal amounts within five years from the date of the issuance of the Bonds, in an amount which, with the money already on deposit in the Reserve Account, will make a total at least equal to the maximum annual debt service on all Outstanding Bonds, Bonds and Parity Bonds payable out of the Bond Redemption Fund. The Town further covenants and agrees to make additional payments out of the Gross Revenue into the Reserve Account if necessary so that there shall be on deposit therein at all times after the said

five-year period an amount at least equal to the maximum annual debt service on all bonds payable out of the Bond Redemption Fund.

The Town further covenants and agrees that when said required amounts have been deposited in the Reserve Account, it will at all times maintain those amounts therein until there is a sufficient amount in the Bond Redemption Fund and Reserve Account to pay the principal of, premium if any, and interest on all Outstanding Bonds, Bonds, and Parity Bonds payable out of the Bond Redemption Fund, at which time the money in the Reserve Account may be used to pay such principal, premium if any, and interest, provided, however, that moneys in the Reserve Account may be withdrawn to pay the principal, premium if any, and interest on part or all of the outstanding bonds of any single issue or series payable out of the Bond Redemption Fund, so long as the moneys left remaining on deposit in the Reserve Account are at least equal to the maximum annual debt service on all of the remaining bonds payable out of the Bond Redemption Fund.

In the event there shall be a deficiency in the Bond Redemption Fund to meet maturing installments of either interest on or principal of and interest on the Outstanding Bonds, the Bonds or on any Parity Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from Gross Revenue first available therefor.

All moneys in the Reserve Account above provided for shall be kept in cash or invested in direct obligations of the United States Government, or obligations unconditionally guaranteed by the United States Government, having a guaranteed redemption price

prior to maturity or maturing not later than ten years from the date of purchase, and in no event maturing later than the last maturity of the Outstanding Bonds, the Bonds or any Parity Bonds outstanding at the time of such purchase. Interest earned on any such investments and/or any profits realized from the sale thereof shall be deposited in and become a part of the Bond Redemption Fund.

Section 15. Subject to making the foregoing deposits, the Town may use the balance of the excess funds in the Revenue Fund at the close of each fiscal year:

a. To purchase Outstanding Bonds, Bonds or Parity Bonds in accordance with Section 6 above or to redeem such outstanding bonds on the next interest payment date on which they may be called for redemption;

b. For any expenditure (including the payment of debt service on parity or junior lien bonds) in improving or restoring any System facilities, or providing additional System or related facilities; or

c. For any lawful purpose related to the System.

Section 16. The corporate authorities of the Town hereby declare in fixing the amounts to be paid into the Bond Redemption Fund and the Reserve Account as hereinbefore provided that they have exercised due regard for the necessary cost of maintenance and operation of the System and have not obligated the Town to set aside and pay into said Fund and Account a greater amount of the Gross Revenue than in their judgment will be available over and above such cost of maintenance and operation and such debt service.

Section 17. The Town hereby covenants with the owner and holder of each of the Bonds for as long as any of the same remain outstanding as follows:

a. That it will establish, maintain and collect rates and charges for water service (and for sanitary sewage disposal service in the event that the sanitary sewage system of the Town is combined with the water system) for as long as any of the Outstanding Bonds, the Bonds and any Parity Bonds are outstanding that will make available for the payment of the principal of and interest on all of such bonds as the same shall become due an amount, together with all assessment income paid into the Bond Redemption Fund, equal to at least 1.35 times the amount required each calendar year hereafter for the payment of all of such principal and interest (excluding the principal amount of any Term Bonds) after necessary costs of maintenance and operation of the System, but before depreciation.

b. That it will at all times keep and maintain the System in good repair, working order and condition and will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

c. That it will not sell or otherwise dispose of all of the properties of the System unless provision is made for payment into the Bond Redemption Fund of a sum sufficient to pay the principal of and interest to the date of such payment on the Outstanding Bonds, the Bonds and any Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any portion of the System unless provision is made for payment into the Bond Redemption Fund of an amount which shall be in at least the same proportion to the amount of the Outstanding Bonds, the Bonds and any Parity Bonds outstanding that the net revenue available for debt service on all of such bonds for the twelve months immediately preceding such sale or disposal from the portion of the System sold or disposed of bears to the net revenue available for

debt service on all of such bonds from the System for the same period. Any such moneys so paid into the Bond Redemption Fund shall be used to retire part or all of such bonds outstanding at the earliest possible date.

d. That it will not furnish water (or sanitary sewage disposal service in the event the sanitary sewage disposal system of the Town is combined with the water system) to any customer whatsoever free of charge.

e. That it will carry fire and extended coverage insurance on the System as is ordinarily carried on the properties of similar public utilities by private companies engaged in the operation of the same and will also carry adequate public liability insurance, war risk insurance if it becomes available, and other kinds of insurance as under good practice are ordinarily carried on the properties of similar public utilities by private companies engaged in the operation of the same. The premiums paid for all such insurance shall be regarded and paid as an expense of maintenance and operation of the System.

f. That it will cause to be prepared each calendar year commencing with the calendar year of 1978 an annual statement of revenue and expenditures and a balance sheet covering all of the operations of the System by April 1st of the succeeding year. A copy of such statement and balance sheet shall be furnished to the holder of any of the Bonds and any Parity Bonds upon request made to the Town Clerk therefor. Such annual report shall demonstrate the manner in which the Town has complied with Section 20(a) of Ordinance No. 170 of the Town and Section 17(a) of this ordinance.

Section 18. The Town hereby further covenants and agrees with the owner and holder of each of the Bonds for as long as any

of the same remain outstanding that it will not issue any Parity Bonds except:

a. That the Town reserves the right for:

First, the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the System, or

Second, the purpose of refunding by exchange or purchasing and retiring at or prior to their maturity any outstanding revenue bonds or revenue coupon warrants of the Town that may have a lien on the gross revenue of the System for the payment of the principal thereof and interest thereon,

to issue additional and/or refunding revenue bonds therefor (herein called "Parity Bonds" as hereinbefore defined), and to pledge that payments shall be made out of the Gross Revenue into the Bond Redemption Fund and the Reserve Account to pay and secure the payment of the principal of and interest on such Parity Bonds on a parity with the payments required in this ordinance to be made out of such Gross Revenue into such Fund and Account to pay and secure the payment of the principal of and interest on the Bonds upon compliance with the following conditions:

(1) That at the time of issuance of such Parity Bonds there is no deficiency in the Bond Redemption Fund or the Reserve Account therein, and

(2) That the Town will covenant in each ordinance authorizing the issuance of Parity 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 sewage system of the Town is combined with the water system) for as long as any of the Outstanding Bonds, the Bonds and any Parity Bonds are outstanding that will make available for the payment of the principal of and interest on all of such bonds as the same shall become due an amount, together with all assessment income paid into the Bond

Redemption Fund, equal to at least 1.35 times the amount required each calendar year thereafter for the payment of all such principal and interest after normal costs of maintenance and operation of the System have been paid, but before depreciation.

The Town will also covenant in each such ordinance authorizing the issuance of Parity Bonds that it will pay into and maintain in the Reserve Account out of the Gross Revenue within the times required by the first and second paragraphs of Section 14 of this ordinance the amounts required by said paragraphs to be paid into and maintained in said Account.

The whole or any part of the money in any other fund or account of the Town created to secure the payment of the principal of and interest on any revenue bonds or revenue coupon warrants being refunded by such Parity Bonds may be transferred to the Reserve Account at the time such outstanding bonds or warrants are redeemed to satisfy the above requirement, and

(3) That at the time of the issuance of such Parity Bonds the Town shall have on file a certificate from an independent licensed professional engineer showing that in his professional opinion the net income of the System for a period of any twelve consecutive months out of the fifteen months immediately preceding the month of delivery of such Parity Bonds, plus his estimate of income to be received each calendar year thereafter from the investment of moneys in any fund or account created to pay or secure the payment of any bonds which have a lien on the gross revenue of the System, plus his estimate of the net income (including assessments) to be received by the System each calendar year thereafter as a result of any additions and improvements to and extensions of the System acquired, constructed or installed out of the proceeds of such Parity Bonds, will equal at least 1.35 times

the amount required each such year to pay the principal of and interest on the Outstanding Bonds, the Bonds, any outstanding Parity Bonds and the Parity Bonds to be issued. The principal amount of Term Bonds may be excluded in computing such "amount required."

The words "net income" as used in subparagraph (3) immediately above shall be construed as the Gross Revenue, less normal expenses of maintenance and operation, but before depreciation and annual debt service on any outstanding revenue bonds or revenue coupon warrants may have a lien on the Gross Revenue for such annual debt service junior and inferior to the lien on such money for the payment of the principal of and interest on the Bonds. Such "net income" may include any increase in revenue estimated to be derived from the operation of the System by virtue of any increase in water rates and charges (and charges for sanitary sewage disposal service if the sanitary sewage system of the Town is combined with the water system) authorized by the Town Council to be effective not later than the time of delivery of such Parity Bonds. If there are any customers added to the System during such twelve-month period, such net revenue may be computed on the basis that such customers were customers of the System during the entire period.

b. The Town further reserves the right to issue Parity Bonds for the purpose of refunding at or prior to their maturity an equal principal amount of any part or all of the Outstanding Bonds, the Bonds and/or any Parity Bonds outstanding and to pledge that payment shall be made out of the Gross Revenue and into the Bond Redemption Fund and Reserve Account to pay and secure the payment of the principal of and interest on such refunding Parity Bonds on a parity with the payments required in this ordinance to

be made out of such Gross Revenue into such fund and account to pay and secure the payment of the principal of and interest on the Bonds, if the conditions fixed in subparagraphs (1) and (2) of subsection a of this section are met, and if the issuance of such refunding bonds does not require a greater amount to be paid out of the Gross Revenue in any calendar year thereafter for the principal of and interest on such refunding Parity Bonds than was required to be paid out of such Gross Revenue in each of the same calendar years for the payment of the principal of and interest on the bonds being refunded, and any premiums paid to effect such redemption shall not be computed in determining such annual amounts.

c. Nothing herein contained shall prevent the Town from issuing revenue bonds or warrants (coupon or otherwise), the payment of the principal of and interest on which is made a charge upon the Gross Revenue junior or inferior to the payments required herein to be made out of such Gross Revenue into the Bond Redemption Fund and Reserve Account.

Section 19. In the event that money and/or direct obligations of the United States of America and/or "Government Obligations" as defined in R.C.W. 39.53 maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any or all of the Bonds in accordance with their terms are set aside in a special account to effect such redemption and retirement, and such money and/or the principal of and interest on such obligations or Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Redemption Fund for the payment of the principal of and interest on the Bonds so provided for, and the Bonds shall cease to be entitled to any lien, benefit or security

of this ordinance except the right to receive the funds so set aside and pledged and such Bonds shall be deemed not to be outstanding hereunder.

Section 20. The Bonds shall be sold to McLean & Company, Inc., all on the terms set forth in this ordinance and in the proposal of said company dated MARCH 13, 1978. In the event the Town has accepted said proposal prior to the final passage of this ordinance, the action of the Town in accepting such proposal is hereby ratified and confirmed and the conditions set forth in said offer have been or upon delivery of the Bonds will be fully complied with.

The proper Town officials are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the purchaser and for the proper use and application of the proceeds of such sale.

PASSED by the Council of the Town of Gig Harbor, Washington, at a regular meeting of said council held this 13 day of MARCH, 1978, and approved by the Mayor on said date.

TOWN OF GIG HARBOR, WASHINGTON


By

Jack D. Bayacich
Mayor

Attest:

Donald J. Bury
Town Clerk

I, DONALD J. AVERY, the duly chosen, qualified and acting Clerk of the Town of Gig Harbor, Washington, DO HEREBY CERTIFY that the foregoing ordinance is a true and correct copy of Ordinance No. 28 of said Town duly passed by its Council and approved by its Mayor at a regular council meeting held on the 13 day of March, 1978.


Town Clerk