

CITY OF GIG HARBOR, WASHINGTON

SEWER REVENUE BONDS, 1982

\$93,000

ORDINANCE NO. 409

AN ORDINANCE OF THE CITY OF GIG HARBOR, WASHINGTON, SPECIFYING AND ADOPTING A PLAN OF ADDITIONS AND BETTERMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY; FIXING THE ESTIMATED COST THEREOF; PROVIDING FOR THE ISSUANCE OF SEWER REVENUE BONDS OF THE CITY TO PAY THE COSTS THEREOF; FIXING THE DATE, FORM, TERMS, MATURITIES AND COVENANTS OF SAID BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS FROM THE BOND REDEMPTION FUND OF THE CITY; PROVIDING FOR PAYMENTS INTO THE RESERVE ACCOUNT OF SAID BOND REDEMPTION FUND; PROVIDING CERTAIN COVENANTS AND PROTECTIVE FEATURES SAFEGUARDING THE PAYMENT OF SUCH PRINCIPAL AND INTEREST; RESERVING THE RIGHT IN THE CITY TO ISSUE REVENUE BONDS ON A PARITY WITH SUCH BONDS TO BE ISSUED IN COMPLIANCE WITH CERTAIN CONDITIONS; AND CONFIRMING THE SALE OF SUCH BONDS TO H. JACKSON SHIRLEY & CO., INC.

INTRODUCED _____

PASSED 12-13-82

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CITY OF GIG HARBOR

ORDINANCE NO. _____

TABLE OF CONTENTS**

	Page
Section 1. Recitals	1
Section 2. Definitions	2
Section 3. Plan of Additions to the System	4
Section 4. Compliance with Parity Conditions	4
Section 5. Authorization of Bonds	5
Section 6. Redemption of Bonds	6
Section 7. Construction Fund	7
Section 8. Revenue Fund	7
Section 9. Bond Redemption Fund	8
Section 10. Defeasance	9
Section 11. Reserve Account	9
Section 12. Application of Revenues	12
Section 13. Covenants	12
Section 14. Future Parity Bonds	15
Section 15. Junior Lien Bonds	20
Section 16. Bond Form	20
Section 17. Execution of Bond	23
Section 18. Sale of Bonds	23
Section 18. Effective Date	23

**This Table of Contents along with the Cover Page is included for convenience of reference only and is not part of the ordinance.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF GIG HARBOR, WASHINGTON, SPECIFYING AND ADOPTING A PLAN OF ADDITIONS AND BETTERMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY; FIXING THE ESTIMATED COST THEREOF; PROVIDING FOR THE ISSUANCE OF SEWER REVENUE BONDS OF THE CITY TO PAY THE COSTS THEREOF; FIXING THE DATE, FORM, TERMS, MATURITIES AND COVENANTS OF SAID BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS FROM THE BOND REDEMPTION FUND OF THE CITY; PROVIDING FOR PAYMENTS INTO THE RESERVE ACCOUNT OF SAID BOND REDEMPTION FUND; PROVIDING CERTAIN COVENANTS AND PROTECTIVE FEATURES SAFEGUARDING THE PAYMENT OF SUCH PRINCIPAL AND INTEREST; RESERVING THE RIGHT IN THE CITY TO ISSUE REVENUE BONDS ON A PARITY WITH SUCH BONDS TO BE ISSUED IN COMPLIANCE WITH CERTAIN CONDITIONS; AND CONFIRMING THE SALE OF SUCH BONDS TO H. JACKSON SHIRLEY & CO., INC.

WHEREAS, the City of Gig Harbor, Washington, operates and maintains a system of sewerage (the "System"), which System is in need of certain additions, betterments and improvements; and

WHEREAS, in order to pay part of the cost of acquiring, constructing and installing such additions, betterments and improvements to said sanitary sewerage system it is deemed necessary that the City issue and sell \$93,000 of its sewer revenue bonds (hereinafter defined as the "Bonds") on a parity with the Outstanding Bonds; and

WHEREAS, the City has received the offer of H. Jackson Shirley & Co., Inc. of Bellevue, Washington to sell said revenue bonds, which offer has been received and found acceptable to said Company under the terms and covenants therefor as provided herein.

WHEREAS, pursuant to Ordinance No. 173 the City has issued its Sewer Revenue Bonds, 1973 dated December 1, 1973 and outstanding in the principal amount of \$815,000 (the "Outstanding Bonds"); and

WHEREAS, the City reserved the right under Ordinance No. 173 to issue additional bonds on a parity of lien with the Outstanding Bonds upon compliance with certain conditions; and

WHEREAS, the City has been assured that such parity conditions have been or will be complied with prior to the issuance of the Bonds;

THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, DO ORDAIN as follows:

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

a. "Assessments" shall mean assessments levied in any utility local improvement district of the City created for the acquisition and construction of additions and betterments to or extensions of the System of the City now or hereafter required by law and ordinances of the City to be paid into the Bond Redemption Fund and shall include installments thereof and any interest and penalties due or which may come due thereon.

b. "Bonds" means the \$93,000 of sewer revenue bonds of the City issued pursuant to and for the purposes authorized in this ordinance.

c. "Bond Redemption Fund" means the special fund of the City created by Ordinance No. 173 for the purpose of paying the principal of, premium if any, and interest on the Bonds and any Parity Bonds and designated "Gig Harbor Sewer Revenue Bond Redemption Fund".

d. "City" means the City of Gig Harbor, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

e. "Construction Fund" means the special fund of the City designated as the "Gig Harbor Sewer Construction Fund" for the purpose of holding money to pay the costs of the Project and the costs of Bond issuance.

f. "Future Parity Bonds" means any sewer revenue bonds of the City issued after the date of the issuance of the Bonds and

having a lien upon the money in the Revenue Fund for the payment of the principal thereof, premium if any, and interest thereon equal to the lien upon the money in such Fund for the payment of the principal of, premium if any, and interest on the Bonds and the Outstanding Bonds.

g. "Outstanding Bonds" means the Sewer Revenue Bonds, 1973 of the City issued pursuant to Ordinance No. 173 under date of December 1, 1973 and presently outstanding in the principal amount of \$815,000.

h. "Parity Bonds" means the Outstanding Bonds, the Bonds and any Future Parity Bonds.

i. "Project" means the plan of additions, betterments and improvements to the System specified and adopted by Section 2 of this ordinance.

j. "Reserve Account" means the account of that name created in the Bond Redemption Fund by Ordinance No. 173 for the purpose of securing the payment of the principal of and interest on all Parity Bonds.

k. "Revenue Fund" means the special fund of the City created by Ordinance No. 173 and designated as the "Gig Harbor Sewer Revenue Fund".

l. "System" means the sanitary sewerage system of the City as authorized by Ordinance No. 147 and Ordinance No. 158 of the City and as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding. In the event that the City shall determine at any time hereafter to operate a combined water and sewer system, the term "System" as defined herein shall be deemed to include all facilities of the water system of the City.

m. "Term Bond Maturity Year" means any last calendar year in which the bonds of any one issue or series are scheduled to

mature (without regard to any reservation of prior redemption rights) in which the amount of such bonds scheduled to mature is more than 1.25 times the average annual principal maturity of the bonds of such issue or series for the three years preceding such term bond maturity year.

Section 2. Plan of Additions to the System. The following plan for the acquisition, construction and installation of additions and betterments to the sewerage system (the "System") of the City is hereby specified and adopted:

The City shall acquire, construct and install _____

(the "Project"). The Project is more fully described in plans and specifications therefor prepared by _____, engineer for the City and not on file with the City.

The estimated costs of the Project and all costs incidental thereto is hereby declared to be as near as may be the sum of \$_____, of which \$_____ is to be provided out of the proceeds of the sale of the Bonds.

Section 3. Compliance with Parity Conditions. The City has reserved the right in Ordinance No. 173, passed on November 26, 1973, to issue additional parity sewer revenue bonds upon compliance with certain conditions set forth in Section 10 of said Ordinance No. 173 (the "Parity Conditions").

The City hereby finds and determines, as required by Section 10 of Ordinance 173 as follows:

- a. The Bonds are being issued for the purpose of acquiring, constructing and installing additions and betterments and improvements to and extensions of the System;
- b. At the time of issuance of the Bonds there will be no deficiency in the Bond Redemption Fund or in the Reserve Account.

c. By Section 10 of this ordinance, the City has covenanted and provided that it will pay into and maintain in the Reserve Account the amounts required by Section 7 of Ordinance No. 173 to be paid into and maintained in said Account and has covenanted and provided in Section 12 of this ordinance that it will establish, maintain and collect rates and charges for water supplied and/or sanitary sewerage collection and disposal service furnished sufficient to meet the same requirements contained in Section 9, subsection a. and b. of Ordinance No. 173.

d. Section 9 of this ordinance provides for the payment of the principal of and interest on the Bonds to be paid from the Bond Redemption Fund.

e. The City Council has been assured that at the time of the delivery of the Bonds, the City will have on file a certificate issued by _____, independent licensed professional engineers experienced in the design, construction and operation of municipal utilities, showing compliance with the requirements of Section 10e. of Ordinance No. 173.

The Parity Conditions being complied with or assured, the Bonds shall have a lien and charge upon the revenue of the System for the payment of the principal thereof and interest thereon equal to the lien and charge upon the revenues of the System of the Outstanding Bonds.

The City hereby further covenants and agrees that the Bonds will not be issued and delivered to the purchaser thereof as bonds on a parity with the Outstanding Bonds until the certificate required herein, in form and content satisfactory to the City and its counsel, has been filed with the City.

Section 4. Authorization of Bonds. For the purpose of paying part of the costs of acquiring, constructing and installing improvements to the sanitary sewerage system for the City, the

City shall issue its sewer revenue bonds (the "Bonds") in the principal amount of \$93,000.

The Bonds shall be dated December 1, 1982, shall be in the denomination of \$5,000 each, except for Bond Nos. 1, 2 and 3 which shall be in the denomination of \$1,000 each, shall bear interest at the following rates payable semiannually on the first days of June and December of each year, commencing with June 1, 1983, shall be numbered from 1 upward and mature on December 1 of each year in order of their number as follows:

<u>Bond Nos.</u>	<u>Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>
1-4	1984	\$ 8,000	9.75%
5	1985	5,000	9.75
6	1986	5,000	10.00
7	1987	5,000	10.00
8	1988	5,000	10.25
9	1989	5,000	10.25
10	1990	5,000	10.50
11	1991	5,000	10.75
12	1992	5,000	10.75
13	1993	5,000	10.75
14-21	1994	40,000	10.75

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

Section 5. Redemption of Bonds. The City hereby reserves the right to redeem all of the outstanding Bonds on December 1, 1989 or on any interest payment date thereafter, in inverse numerical order at a price of 100% of the principal amount of the Bonds being redeemed plus accrued interest thereon to date of redemption.

Notice of any such intended redemption shall be given by one publication thereof in the official City newspaper not more than forty nor less than thirty days prior to said redemption date and

by mailing a like notice at the same time to H. Jackson Shirley & Co., Inc., Bellevue, Washington, at its main place of business, or to the successor in business, if any, of said firm at its main place of business. Interest on any Bond or Bonds so called for redemption shall cease on such redemption date unless the same are not redeemed upon presentation made pursuant to such call.

Section 6. Construction Fund There is hereby created a special fund of the City to be known as the "Gig Harbor Sewer Construction Fund" (herein called the "Construction Fund"). All of the proceeds of sale of the Bonds (except for accrued interest, which shall be paid into the Bond Redemption Fund) shall be paid into such Construction Fund. Any other money which the City may hereafter receive or now has on hand which are to be used for the same purposes for which the Bonds are issued shall also be paid into the Construction Fund. The money in such Fund shall be used for the sole purpose of paying the costs of acquiring, constructing and installing the Project, redeeming any warrants issued to pay such costs and for paying all expenses incidental thereto and to the issuance of the Bonds.

Interest or profits received from the interim investment of such money shall not exceed the applicable limits provided by federal statutes and regulations respecting arbitrage.

Section 7. Revenue Fund A special fund of the City has heretofore been created by Ordinance No. 173 known as the "Gig Harbor Sewer Revenue Fund" (the "Revenue Fund"). All of the gross earnings and revenue of the System shall be paid into the Revenue Fund as collected, and money in such Fund shall be kept segregated from any and all other money of the City.

All costs of maintaining and operating the System, all costs of future additions, betterments, improvements and repairs to and replacements and extensions of the System (except when the same

are financed by the issuance of bonds or coupon warrants), all payments required to be made into the Bond Redemption Fund and the Reserve Account therein, all payments which may be required by subsequent ordinances of the City to be made into any other fund or account created to pay and/or secure the payment of the principal of and interest on any subsequently issued sewer revenue bonds or sewer revenue coupon warrants of the City, shall be paid out of the Revenue Fund.

Section 8. Bond Redemption Fund. Another special fund of the City known as the "Gig Harbor Sewer Revenue Bond Redemption Fund" (the "Bond Redemption Fund") has been created by the City under authority of Ordinance No. 173, which Fund is drawn upon for the sole purpose of paying the principal of, premium, if any, and interest on all Parity Bonds outstanding as the same shall become due and payable.

The City hereby obligates and binds itself to set aside and pay into the Bond Redemption Fund out of the money in the Revenue Fund the following fixed 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 twentieth day of each month in the following amounts:

a. Beginning with the month of December, 1982, and continuing for as long as any of the Bonds are outstanding and unpaid, an amount which, together with the money on hand in such Fund and available for such purposes, is equal to at least one-sixth of the interest to become due and payable on the next interest payment date on all of the Bonds then outstanding.

b. Beginning with the month of December, 1983, and continuing for so long as any of the Bonds are outstanding and unpaid, an

amount with, together with the money on hand in such Fund and available for such purposes, is equal to at least one-twelfth of the principal of the Bonds to be come due and payable on the next principal payment date.

Said amounts so pledged to be paid out of the Revenue Fund into the Bond Redemption Fund and hereinafter pledged to be paid into the Reserve Account are hereby declared to be a prior lien and charge upon the money in the Revenue Fund 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 charge thereon for the payment of the interest on and principal of the Outstanding Bonds and to any charges which may later be made upon the money in the Revenue Fund to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

Section 9. Defeasance. In the event that money and/or government obligations as that term is defined in Chapter 39.53 RCW as now or hereafter amended, maturing at such time or times bearing interest to be earned thereon, in amounts sufficient to redeem and retire the Bonds in accordance with their terms, are set aside for such purpose in a special account in the Bond Redemption Fund and such money and the principal of and interest on such 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 principal of and interest on the Bonds, and the Bonds and appurtenant coupons 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 the Bonds and/or such coupons shall be deemed not to be outstanding hereunder.

Section 10. Reserve Account. A Reserve Account (herein-before defined as the "Reserve Account") has heretofore been

created in the Bond Redemption Fund by Ordinance No. 173. The City hereby covenants and agrees that it will, if necessary, deposit a sum at least once annually from the Revenue Fund into the Reserve Account so that there will be on hand in the Reserve Account on or before December, 1987 an amount at least equal to the maximum annual amount required in any year other than a Term Bond Maturity Year to pay the principal of and interest on all outstanding Bonds and the Outstanding Bonds.

The City hereby covenants and agrees in the event it issues any Future Parity Bonds, that it will require in each ordinance authorizing the issuance of the same that periodic payments be made out of the Revenue Fund into the Reserve Account or out of Assessments so that by five years from the date of the issuance of such Parity Bonds there will have been paid into the Reserve Account an amount which, with the money already on deposit or pledged to be paid therein, will be at least equal to the maximum annual amount required to pay the principal of and interest on all outstanding bonds then payable out of the Bond Redemption Fund in any year other than a Term Bond Maturity Year.

The City further covenants and agrees, when said required amounts have been paid into the Reserve Account, that it will be at all times maintain those amounts therein until there is a sufficient amount in the Bond Redemption Fund and the Reserve Account to pay the principal of, premium if any, and interest on all outstanding bonds payable out of such Fund, at which time the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. It is hereby provided, however, that money in the Reserve Account may be withdrawn to pay the principal, premium if any, and interest on any or all of the outstanding bonds of any single issue or series of bonds payable out of the Bond Redemption Fund so long as the money left remain-

ing on deposit in the Reserve Account is at least equal to the maximum annual debt service (exclusive of any Term Bond Maturity Year) due thereafter on all of the remaining outstanding bonds payable out of the Bond Redemption Fund.

In the event the Bonds outstanding are ever refunded, the money set aside in the Reserve Account to secure the payment of the Bonds may be used to retire the Bonds or may be retained in the Reserve Account or may be transferred to any reserve account which may be created to secure the payment of the bonds issued to refund the Bonds outstanding.

In the event the money in the Bond Redemption Fund over and above the amount therein set aside and credited to the Reserve Account is insufficient to meet maturing installments of either interest on or principal of the outstanding bonds payable out of such Fund, such deficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the money in the Revenue Fund first available or out of Assessments available after making necessary provision for the payments required to be made into the Bond Redemption Fund to pay the principal of and interest on all outstanding bonds payable out of such Fund and the next coming due.

The money in the Reserve Account above provided for may be kept in cash or invested in government obligations as that term is defined in Chapter 39.53 RCW as now or hereafter amended having a guaranteed redemption price or maturing not later than the last maturity of any outstanding bonds that are payable out of the Bond Redemption Fund. Interest earned on or any profits made from the sale of any such investment may be retained in the Reserve Account or be deposited in and become a part of the Bond Redemption Fund.

Section 11. Application of Revenue. The money in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

First, to pay necessary costs of maintenance and operation of the System;

Second, to make the payments required to be made into the Bond Redemption Fund to pay the principal of and interest on all outstanding Parity Bonds;

Third, to make payments required to be made into the Reserve Account;

Fourth, to retire by redemption before their fixed maturities or by purchase any outstanding revenue bonds issued to acquire, construct, install, improve or extend the System or for any other lawful purpose in the operation, development, improvement or extension of the System.

The corporate authorities of the City 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 to the cost of maintenance and operation of the System and have not obligated the City to set aside and pay into said Fund and Account a greater amount of the revenue of the System than in their judgment will be available over and above such cost of maintenance and operation.

Section 12. Covenants The City hereby covenants and agrees with the owner and holder of each of the Bonds for as long as any of the same remain outstanding as follows:

a. It will establish, maintain and collect rates and charges for sanitary sewerage collection and disposal service furnished (and for water supplied if a combined water and sewer system shall be operated) for as long as the Bonds and any Parity

Bonds are outstanding that will in each calendar year hereafter during which installments of Assessments shall be payable into the Bond Redemption Fund without being delinquent (herein called the "Assessment Payment Period") make available for the payment of the principal of and interest on all of such bonds as the same shall become due an amount which, together with all other earnings, income and revenue of the System, Assessments paid into the Bond Redemption Fund and the Reserve Account, is equal to at least 1.2 times the average amount required in each such calendar year to pay the principal of and interest on all outstanding Parity Bonds after normal and necessary costs of maintenance and operation of the System have been paid but before depreciation.

b. It will establish, maintain and collect rates and charges for sanitary sewerage collection and disposal service furnished (and for water supplied if a combined water and sewer system shall be operated) for as long as the Bonds and any Parity Bonds are outstanding that will in each calendar year after the expiration of the Assessment Payment Period make available for the payment of the principal of and interest on all of such bonds as the same shall become due an amount which, together with all other earnings, income and revenue of the System, Assessments paid into the Bond Redemption Fund and interest and profits earned on investments made of money paid into the Bond Redemption Fund and the Reserve Account, is equal to at least 1.35 times the average amount required in each such calendar year to pay the principal of and interest on all of the outstanding Bonds and Parity Bonds after normal and necessary costs of maintenance and operation of the System have been paid but before depreciation.

Any Term Bond Maturity Year shall be excepted from the determination of "the average amount required in each such calendar year" pursuant to subsections a. and b. of this Section 12.

c. It will at all times keep and maintain the System in good repair, working order and condition, will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost, will cause proper books of record and accounts of operation of such System and business to be kept and within ninety days following the end of each calendar year will furnish to H. Jackson Shirley & Co., Inc., and to the holder of any Bond upon written request, a financial and operating statement for such preceding year's business and operation of the System.

d. It will not sell or dispose of any of the properties of the System (unless the same are no longer used, useful or necessary in the operation thereof) unless provision is made for payment into the Bond Redemption Fund of either a sum at least equal to the cost of such properties to the City or a sum which will be at least in the same proportion to the amount of the outstanding sewer revenue bonds of the City that the estimated amount of any resulting reduction in the revenue of the System for the twelve months following such sale or disposition bears to the estimated revenue of the System which would have been realized during such period if such sale or disposition had not been made. Such determination of cost or such estimate of revenue shall be made by a licensed professional engineer experienced in the design, construction and operation of municipal utilities.

e. It will not furnish sanitary sewerage collection and disposal service (or water services if a combined water and sewer system shall be operated) to any customer whatsoever free of charge, and will promptly take all legal action or actions necessary to enforce collection of any and all delinquent accounts and Assessments.

Section 13. Future Parity Bonds. The City 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 as follows:

That it will not issue any Future Parity Bonds except that it reserves the right, for

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

Second, the purpose of refunding or funding any outstanding revenue bonds or revenue warrants (coupon or otherwise) of the City payable out of the earnings and revenue of the System,

to issue Future Parity Bonds and to pledge that payments shall be made out of the Revenue Fund into the Bond Redemption Fund and the Reserve Account therein to pay and secure the payment of the principal of and interest on such Future Parity Bonds on a parity with the payments required herein to be made out of the Revenue Fund into such Fund and Account to pay and secure the payment of the principal of and interest on the Bonds and Outstanding Bonds upon compliance with the following conditions:

a. That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Redemption Fund or in the Reserve Account.

b. That the City will covenant and provide in each ordinance authorizing the issuance of Future Parity Bonds that it will pay into and maintain in the Reserve Account the amounts required by Section 10 of this ordinance to be paid into and maintained in said Account when Future Parity Bonds are issued and that the

City will also covenant and provide in each such ordinance that it will establish, maintain and collect rates and charges for water supplied and/or sanitary sewerage collection and disposal service furnished sufficient to meet the same requirements contained in Section 12, subsection a. and b. of this ordinance.

c. That each ordinance providing for the issuance of such additional Future Parity Bonds shall require that any assessments levied in any utility local improvement district or districts created to construct additions, improvements or extensions of the System which will be paid in whole or in part from the proceeds of sale of such additional Future Parity Bonds, will be deposited in the Bond Redemption Fund.

d. That each ordinance providing for the issuance of such additional or refunding Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Redemption Fund.

e. That at the time of the issuance of such additional or refunding Future Parity Bonds the City shall have on file a certificate from an independent licensed professional engineer experienced in in the design, construction and operation of municipal utilities (which certificate may not be dated more than ninety days prior to the month of delivery of such additional or refunding Future Parity Bonds) showing that in his professional opinion: (i) the adjusted net revenue of the System which will be available for the payment of the principal of and interest on the Bonds and Parity Bonds in each succeeding year during the Assessment Payment Period will equal at least 1.2 times the average amount required to pay the principal and interest due in each such year of and on all outstanding bonds payable out of the Bond Redemption Fund and the Future Parity Bonds to be issued (exclusive of the principal due in any Term Bond Maturity Year), and

(ii) the adjusted net revenue of the System which will be so available in each succeeding year after the expiration of the Assessment Payment Period will equal at least 1.35 times the average amount required to pay the principal and interest due in each such year of and on all outstanding bonds payable out of the Bond Redemption Fund and the Future Parity Bonds to be issued (exclusive of the principal due in any Term Bond Maturity Year).

1. The words "adjusted net revenue of the System" as used in the paragraph immediately above shall mean the gross earnings, income and revenue of the System after deducting therefrom all normal and necessary expenses of maintenance and operation, but before depreciation and annual debt service on any outstanding revenue bonds that may have a lien on the money in the Revenue Fund for such annual debt service junior and inferior to the lien or the payment of the principal of and interest on the Bonds. Such net revenue shall be determined from an audit of the Division of Municipal Corporations of the State Auditor's office, if available, or from a financial statement of the City authenticated by a certified public accountant for a period of any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Future Parity Bonds. Such net revenue shall then be adjusted to reflect (i) any rate changes becoming effective subsequent to the commencement of such twelve-month period and prior to the date of delivery of such Parity Bonds, (ii) revenue reasonably expected to be derived from customers to be served by improvements being constructed out of the proceeds of the bonds to be issued, (iii) actual or reasonably anticipated changes in normal and necessary expenses of maintenance and operation occurring subsequent to such twelve-month period and (iv) the amount of Assessments previously confirmed and

estimated to be paid into the Bond Redemption Fund subsequent to the date of the certificate.

2. The "amount of Assessments previously confirmed and estimated to be paid into the Bond Redemption Fund subsequent to the date of the certificate" shall be determined as follows:

(a) The amount of the unpaid balance of each assessment roll of any utility local improvement district or districts of the City, where such assessments have been pledged to be paid into the Bond Redemption Fund and where the 30-day period for the payment of such assessments or any part thereof without penalty, interest or costs has elapsed, shall be obtained from the records of the City Treasurer. The balance then remaining on each such assessment roll shall be divided by the number of remaining years in which the installments of such assessments on each such roll may be paid without becoming delinquent, and there shall be added to the amount found for each year the interest due and payable on such installments. The amount so due each year shall be added to the "adjusted net revenue of the System" for the particular year in which it is computed to become due.

(b) The amount of each assessment roll of any utility local improvement district or districts of the City, where such assessments have been pledged to be paid into the Bond Redemption Fund and where the 30-day period for the payment of such assessments or any part thereof without penalty, interest or costs has not elapsed, shall be obtained from the records of the City Treasurer. Fifteen percent of each such roll shall be deducted therefrom as the estimated amount of the assessments that would be paid during said 30-day period (hereinafter called "Estimated Prepayments"), and such 15%

shall be treated as having been paid into the Bond Redemption Fund.

The balance then remaining on each such assessment roll shall then be divided by the number of years in which the installments of such assessments on each such roll may be paid without becoming delinquent, and there shall be added to the amount found for each year the interest due and payable on such installments. The amount so due each year shall be added to the "adjusted net revenue of the System" for the particular year in which it is computed to become due.

2. In the computation of the amounts of principal and interest coming due in each succeeding year, it may be assumed for the purposes of such certificate, the money paid into the Bond Redemption Fund on the date of such certificate which are in excess of the sums required to be on deposit in said Fund (including the Reserve Account) as of the date, and Estimated Prepayments, will, together with earnings thereon at the assumed rate of 3% per annum, to be applied to the redemption and retirement (plus call premium) of any bonds payable out of the Bond Redemption Fund on the earliest dates on which such bonds may be called and redeemed.

f. In the event that any refunding Future Parity Bonds provided for in this Section 13 are issued for the sole purpose of exchanging or providing funds to purchase or redeem and retire prior to their maturity any or all bonds payable out of the Bond Redemption Fund and the issuance of such refunding Future Parity Bonds and retirement of outstanding bonds results in a monetary saving to the City and such refunding Future Parity Bonds will not require a greater amount (exclusive of costs incidental to such refunding, any call premium or premiums, and except as necessary to round out maturities to the nearest \$5,000) to be paid in any

calendar year thereafter than would have been required to be paid in the same calendar year for the principal of and interest on the bonds being refunded, then the certificate required in subsection (e) of this Section 13 need not be obtained to permit such refunding Future Parity Bonds to be issued on a parity with any Bonds and/or Parity Bonds then outstanding, although the provisions of subsections (a), (b), and (c) of this Section 13 must still be complied with.

Section 14. Junior Lien Bonds. Nothing herein contained shall prevent the City from issuing revenue bonds which are a charge upon the earnings, income and revenue of the System and money in the Revenue Fund junior or inferior to the payments required to be made herein into the Bond Redemption Fund and the Reserve Account, or from pledging the payment of assessments into a fund or account created to pay and secure the payment of the principal of and interest on such junior lien bonds as long as such assessments are levied for improvements constructed from the proceeds of sale of such junior lien bonds, nor shall anything herein contained prevent the City from issuing revenue bonds to refund maturing sewer revenue bonds (or water and sewer revenue bonds if such systems are combined) of the City for the payment of which money is not otherwise available.

Section 15. Bond Form. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
TOWN OF GIG HARBOR

SEWER REVENUE BOND, 1982

The City of Gig Harbor, a municipal corporation of the State of Washington (the "City"), hereby acknowledges itself to owe and

for value received promises to pay to bearer on the first day of December, 19__, the principal sum of

THOUSAND DOLLARS

together with interest thereon at the rate of ___% per annum payable semiannually on the first days of June and December of each year commencing with June 1, 1983 as evidenced by and upon presentation and surrender of the attached interest coupons as they severally become due or until the payment of such principal sum shall be made or duly provided for.

Both principal of and interest on this bond are payable in lawful money of the United States of America at the offices of the City Treasurer in Gig Harbor, Washington, solely out of the special fund of the City known as "Gig Harbor Sewer Revenue Bond Redemption Fund" created by Ordinance No. 173 of the City.

The City of Gig Harbor has reserved the right to redeem all of the outstanding bonds of this issue in inverse numerical order on December 1, 1989 or on any interest payment date thereafter at a price of 100% of the principal amount of the bonds plus accrued interest to date of redemption.

Notice of any such intended redemption shall be given by one publication thereof in the official City newspaper not more than forty nor less than thirty days prior to said redemption date and by mailing a like notice at the same time to H. Jackson Shirley & Co., Inc., Bellevue, Washington, or to the successor in business of said firm, if any, at its main place of business.

This bond is one of an issue of twenty-one bonds of the City of Gig Harbor, Washington, of like date and tenor except as to number, amount, interest rate and maturity date, aggregating the total principal amount of \$93,000 which bonds are issued pursuant to the laws of the State of Washington and ordinances and resolutions of the City duly and regularly passed, for the purpose of providing funds to acquire, construct and install the certain additions, betterments and improvements to sanitary sewerage system of the City. All of the bonds of this issue are payable solely out of the gross earning and revenue of such system and all additions and improvements thereto and extensions thereof.

The City of Gig Harbor 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. ___ (the "Bond Ordinance") to be by it kept and performed.

The City of Gig Harbor does hereby pledge and bind itself to set aside from the money in its Revenue Fund, and to pay into and maintain in said Bond Redemption Fund and Reserve Account created therein the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Account, all within the times provided by said ordinance. The City has further pledged and bound itself to set aside and pay into said Revenue Fund as collected all of the gross earnings and revenue of its sewerage system and all additions and improvements thereto and extensions thereof.

The amounts pledged to be paid into and maintained in said Fund and Account are hereby declared to be a prior lien and charge

upon the money in said Revenue Fund superior to all other charges of any kind or nature, except the necessary cost of maintenance and operation of said sewerage system and equal in rank to the lien thereof of the outstanding Sewer Revenue Bonds, 1973 issued under date of December 1, 1973, and to any charge that may be made thereafter upon the money in said Revenue Fund to pay and secure the payment of the principal of and interest on any revenue bonds which may be issued in the future on a parity of lien with the bonds of this issue.

The City of Gig Harbor has further bound itself to maintain said sewerage 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 sanitary sewerage collection and disposal service furnished for as long as the bonds of this issue and any bonds issued on a parity therewith are outstanding that will, together with all other revenue of said system pledged to be paid into said Bond Redemption Fund, make available for the payment of the principal of and interest on all of such bonds after necessary costs of maintenance and operation of the system have been paid, but before depreciation.

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City of Gig Harbor, 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 City of Gig Harbor, Washington, has caused this bond to be signed with the manual signature of its Mayor, to be attested by the manual signature of its Clerk, the corporate seal of the City to be impressed hereon, and the interest coupons attached hereto to be signed with the facsimile signatures of said officials this first day of December, 1982.

CITY OF GIG HARBOR, WASHINGTON

By /s/ manual signature
Mayor

ATTEST:

/s/ manual signature
Director of Administration/Clerk

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

NO. _____ \$ _____

(unless the bond to which this coupon is appurtenant shall previously have been called for redemption) ON THE FIRST DAY OF , 19 , the City of Gig Harbor, Washington, will pay to bearer at the office of the City Treasurer in Gig Harbor or, at the option of the holder at either of the fiscal agencies of the State of Washington in Seattle, Washington and New York, New York, the amount shown hereon in lawful money of the United States of

America out of a special fund of the City known as the "Gig Harbor Sewer Revenue Bond Redemption Fund," said amount being the semi-annual interest due that day on its Sewer Revenue Bond dated December 1, 1982, and numbered _____.

CITY OF GIG HARBOR, WASHINGTON

By /s/ facsimile signature
Mayor

ATTEST:

/s/ facsimile signature
Director of Administration/Clerk

Section 16. Execution of Bonds. The Bonds shall be signed on behalf of the City with the manual signature of its Mayor, shall be attested by the manual signature of its Clerk, and shall have the corporate seal of the City impressed thereon. The interest coupons attached thereto shall be executed with the facsimile signatures of said officials.

Section 17. Sale of Bonds. The Bonds shall be sold to H. Jackson Shirley & Co., Inc. on the terms set forth in this ordinance and the action of the Council in accepting the offer of said purchaser dated November 8, 1982, to purchase the Bonds with the interest rates and at the price set forth therein is hereby ratified and confirmed.

The proper City officials are hereby authorized and directed to do everything necessary for the prompt printing, issuance and execution of the Bonds and their delivery to the purchaser thereof and for the proper use and application of the funds derived from such sale.

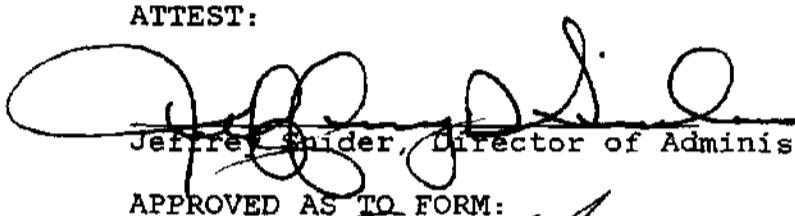
Section 18. Effective Date. This ordinance shall become effective five days from and after its passage, approval and publication as provided by law.

Finally passed by the Council of the City of Gig Harbor,
Washington, and approved by its Mayor at a regular meeting of said
Council on the 13 day of DECEMBER 1982.

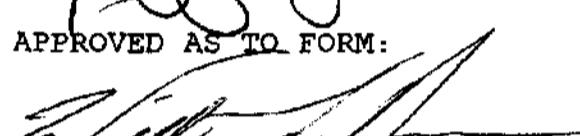
CITY OF GIG HARBOR, WASHINGTON

By Rich M. Dague
Mayor

ATTEST:


Jeffrey Snider, Director of Administration/Clerk

APPROVED AS TO FORM:


William L. Hess, City Attorney

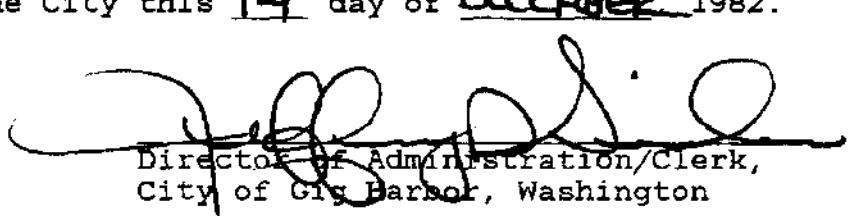
CLERK'S CERTIFICATE

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

1. That the attached Ordinance No. 409 (herein called the "Ordinance") is a true and correct copy of an ordinance of the City, as finally passed at a meeting of the Council held on the 13 day of DECEMBER, 1982, and duly recorded in my office.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City this 14 day of DECEMBER, 1982.


Director of Administration/Clerk,
City of Gig Harbor, Washington