

ORDINANCE NO. 102

AN ORDINANCE of the City of Lacey, Washington, confirming the result of a special election held within the city on November 7, 1967; providing for the issuance and sale of water revenue bonds of the city in the principal amount of \$1,720,000 for the purpose of providing funds to acquire, construct and install a water supply and distribution system for the city as provided in Ordinance No. 64 of the city and authorized by the qualified voters of the city at such special election, and to acquire, construct and install certain additions, betterments and extensions to said system; creating a Water Revenue Fund, a Revenue Bond Redemption Fund, a Reserve Account and a Construction Account; fixing the date, form, terms, maturities and covenants of said bonds to be issued; providing certain covenants and protective features safeguarding the payment of the principal of and interest on said bonds and reserving the right in the city to issue revenue bonds on a parity with such bonds to be issued upon compliance with certain conditions.

WHEREAS, at a special election held in the City of Lacey, Washington (hereinafter called the "City") on November 7, 1967, a majority of the qualified voters of the City voted in favor of a proposition authorizing the issuance of water revenue bonds in the aggregate principal amount of \$920,000 for the purpose of providing funds to acquire, construct and install a water supply and distribution system for the City as more particularly provided in Ordinance No. 64 of the City passed and approved September 21, 1967; and

WHEREAS, since the date of said election the City Council (hereinafter called the "Council") has determined that it is necessary to construct certain additions, betterments and extensions to said system, and that the estimated cost of said additions, betterments and extensions to said water system is \$800,000, which cost should be provided by the issuance and sale of water revenue bonds of the City in a like principal amount; and

WHEREAS, it is deemed necessary and in the best interest of the City and its inhabitants that such water system be acquired and such additions, betterments and extensions be acquired, constructed

and installed and to provide the funds therefor that the City should issue the \$920,000 in water revenue bonds authorized at said election, and that the City should also issue its water revenue bonds in the principal amount of \$800,000 to construct such additions, betterments and extensions and that all of said water revenue bonds should be combined and sold in a single issue;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. The result of the special election held within the City on November 7, 1967 at which a majority of the qualified voters of the City voted in favor of a proposition authorizing the issuance of water revenue bonds in the principal sum of \$920,000 for the purpose of providing funds to acquire a water supply and distribution system and to acquire, construct and install certain additions and improvements thereto is hereby in all respects ratified and confirmed.

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

a. The word "Bonds" shall mean the \$1,720,000 principal amount of City of Lacey, Washington, Water Revenue Bonds, 1968, issued pursuant to this ordinance.

b. The words "Revenue Fund" shall mean the Water Revenue Fund of the City created by Section 11 of this ordinance for the uses and purposes herein provided.

c. The words "Bond Redemption Fund" shall mean the Water Revenue Bond Redemption Fund created by Section 13 this ordinance for the uses and purposes herein provided.

d. The words "Reserve Account" shall mean the Water Revenue Bond Reserve Account created by Section 14 of this ordinance for the uses and purposes herein provided.

e. The word "Assessments" shall mean assessments levied in any utility local improvement districts of the City created for the acquisition or construction of additions and betterments to or extensions of the System, which assessments are 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 become due thereon.

f. The words "Parity Bonds" shall mean any 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 and interest thereon equal to the lien upon the money in such fund for the payment of the principal of and interest on the Bonds.

g. The word "System" shall mean the City of Lacey Water System hereinafter created by Section 5 of this ordinance.

h. The words "Term Bonds" shall mean the bonds of any Parity Bond issue or series 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.

Section 3. The City shall acquire, construct and install a water supply and distribution system together with additions, betterments and extensions, all as specified in Ordinance No. 64 of the City adopted September 21, 1967.

Section 4. The plan for the acquisition, construction and installation of a water supply and distribution system adopted by said Ordinance No. 64 is hereby amended to provide for the following additions, betterments and improvements to such system, which additions, betterments and improvements are found to be necessary in order

to provide the City with a complete and efficient water supply and distribution system, to wit:

A.

Water transmission lines as follows:

<u>On</u>	<u>From</u>	<u>To</u>
Pacific Avenue	Lacey Boulevard & Northern Pacific Railroad Intersection	Union Mill Hill Tank Site
Apple St. S.W.	S.E. 46th Street	Golf Club Road
Golf Club Road	Apple St. S.E.	Griffith
Robbins Road	College Way	Shaw Road

B.

A 2,000,000 gallon ground storage tank on a site to be acquired in the Union Mill Hill area, together with additional wells, pumphouses, automatic controls, recording equipment and all necessary appurtenances together with the acquisition of all lands and interest therein, including easements, rights of way and franchises necessary for said facilities.

C.

Modification and improvement of existing well sites.

The City shall acquire, construct and install the additions, betterments and extensions set forth above in this section.

The estimated cost of the water supply and distribution system and the additions and betterments thereto and extensions thereof is hereby declared to be, as near as may be, the sum of \$920,000. The estimated cost of the additions, betterments and extensions set forth in detail above is hereby declared to be, as near as may be, the sum of \$800,000.

Section 5. The City of Lacey Water System (hereinafter called the "System") is hereby created, which shall consist of the water supply and distribution system of the City to be acquired, constructed and installed as set forth in Sections 3 and 4 of this ordinance and as set forth in Ordinance No. 64 of the City as such System may be added to, improved and extended for as long as any

of the Bonds and any Parity Bonds are outstanding. The System shall include any system for the collection and disposal of sanitary sewage hereafter owned and operated by the City as such sanitary sewer system may be added to, improved and extended, if the City shall ever combine such sanitary sewer system with the System.

Section 6. For the purpose of providing funds necessary to acquire, construct and install the facilities set forth in Sections 3 and 4 hereof, the City shall issue the Bonds.

The Bonds shall be dated November 1, 1968, shall be in the denomination of \$5,000 each, and shall be designated "City of Lacey Water Revenue Bonds, 1968." The Bonds shall be numbered from 1 upwards consecutively, shall bear interest payable semiannually on the first days of May and November of each year from date of issue at the following rates of interest as evidenced by coupons to be attached to the Bonds, and shall mature on November 1 of each year, as follows:

<u>Bond Nos.</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1-6	1974	\$ 30,000	5.50%
7-12	1975	30,000	5.50%
13-19	1976	35,000	5.50%
20-26	1977	35,000	5.50%
27-34	1978	40,000	5.50%
35-42	1979	40,000	5.50%
43-51	1980	45,000	5.50%
52-60	1981	45,000	5.50%
61-70	1982	50,000	5.50%
71-80	1983	50,000	5.50%
81-91	1984	55,000	5.75%
92-103	1985	60,000	5.75%
104-115	1986	60,000	5.75%
116-130	1987	75,000	5.75%
131-145	1988	75,000	5.75%
146-160	1989	75,000	5.75%
161-175	1990	75,000	5.75%
176-195	1991	100,000	5.75%
196-215	1992	100,000	5.75%
216-235	1993	100,000	5.75%
236-255	1994	100,000	5.75%
256-276	1995	105,000	5.75%
277-298	1996	110,000	5.75%
299-321	1997	115,000	5.75%
322-344	1998	115,000	5.75%

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 Treasurer of the City in Lacey, Washington. The Bonds shall be obligations only of the Bond Redemption Fund.

Section 7. The City hereby reserves the right to redeem the Bonds outstanding on November 1, 1983 or on any interest payment date thereafter, in whole, or in part in inverse numerical order, at par plus accrued interest to the 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 Foster & Marshall, Inc. at its main office in Seattle, Washington, or to its successor in business, if any, 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 paid in full upon presentation made pursuant to such call.

The City further reserves the right whenever it has any surplus money in its Revenue Fund over and above all amounts therein pledged by the City 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 par plus accrued interest.

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

UNITED STATES OF AMERICA

No. _____

\$5,000

STATE OF WASHINGTON
CITY OF LACEY

WATER REVENUE BOND, 1968

The City of Lacey, Washington, for value received,
hereby promises to pay to bearer on the first day of
November, 19____, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of ____% per
annum payable semiannually on the first days of May and
November of each year from date hereof as evidenced by
and upon presentation and surrender of the attached interest
coupons as they severally become due, or until such
principal sum shall have been paid or duly provided for.

Both principal of and interest on this bond are payable
in any coin or currency which is legally acceptable on the
respective dates of payments for debts due the United States
of America at the office of the Treasurer of the City in Lacey,
Washington. Both principal and interest are payable in accordance
with the provisions of Ordinance No. ____ (hereinafter called
the "Ordinance") adopted by the Council of the City of Lacey
(herein called the "City") on the ____ day of November, 1968,
solely out of the Water Revenue Bond Redemption Fund of the
City (herein called the "Bond Redemption Fund") created by
the Ordinance.

The City has reserved the right to redeem the outstanding
bonds of this issue on November 1, 1983 or on any interest
payment date thereafter, in whole, or in part in inverse
numerical order, at par plus accrued interest to the 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 Foster & Marshall, Inc. at its main office in Seattle, Washington, or to its business successor, if any, at its main place of business.

This bond is one of an issue of water revenue bonds of the City of like amount, date and tenor except as to number, rate of interest and date of maturity in the aggregate principal amount of \$1,720,000 and is issued pursuant to the laws of the State of Washington and to ordinances of the City. All of the bonds of this issue are payable solely out of all earnings, income and revenue arising from the operation or ownership of the water system of the City and all additions and improvements thereto and extensions thereof, and out of any utility local improvement district assessments that may be hereafter required by law and ordinances of the City Council to be paid into the Bond Redemption Fund.

The City hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all of the covenants of this bond and of the Ordinance to be by it kept and performed.

The City does hereby pledge and bind itself to set aside and pay into said Bond Redemption Fund and the Reserve Account created therein all assessments or installments thereof plus interest and penalties thereon that may hereafter be levied in any utility local improvement district of the City and required by law and by ordinances of the City to be paid therein when collected. The City further pledges and binds itself to set aside from the money in its Water Revenue Fund and to pay

into and maintain in the Bond Redemption Fund and the Reserve Account created therein the various amounts required by the Ordinance to be paid into and maintained in said fund and account, all within the times provided by the Ordinance.

The City has further pledged and bound itself to set aside and pay into said Water Revenue Fund all earnings, income and revenues arising from its operation or ownership of its water supply and distribution system and all additions and improvements thereto and extensions thereof.

The amounts pledged to be paid out of such earnings, income and revenue into and maintained in the Bond Redemption Fund are hereby declared to be a prior lien and charge upon the money in said Water Revenue Fund superior to all other charges of any kind or nature, except the charges for current expenses of the operation of the water system as such current expenses are defined in the Ordinance, and equal in rank to any charges that may be made later on the money in said Water Revenue Fund to pay and secure the payment of the principal of and interest on any revenue bonds which the City may issue later on a parity with the bonds of this issue.

The City has further bound itself to maintain said water system in good repair, working order and condition, to operate the same and the business in connection therewith in an efficient manner and at a reasonable cost and to establish, maintain and collect rates and charges for water which, together with all utility local improvement district assessments or installments thereof, including any interest and penalties thereon required to be paid into the Bond Redemption Fund and interest and profits earned on investments made of district moneys that are paid into the Bond Redemption Fund and/or Reserve Account will at

all times provide revenue sufficient to meet the Coverage Requirement (as defined in the Ordinance) after Current Expenses (as defined in the Ordinance) of the system have been paid, but before depreciation.

It is hereby certified and declared that all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in regular form, time and manner.

IN WITNESS WHEREOF, the City of Lacey, Washington, has caused this bond to be signed by its Mayor, to be attested by its Clerk, the official seal of the City to be impressed hereon and the interest coupons attached hereto to be signed with the facsimile signatures of said officials as of the first day of November, 1968.

CITY OF LACEY, WASHINGTON

By _____
Mayor

ATTEST:

City 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 City of Lacey, Washington, will pay to bearer at the office of the City Treasurer in Lacey, Washington, the amount shown hereon in lawful money of the United States of America, out of the Water Revenue Bond Redemption Fund of the City of Lacey, said sum being the semiannual interest due that date on

its Water Revenue Bond, Series 1968, dated November 1, 1968,
and numbered _____.

CITY OF LACEY, WASHINGTON

By _____
Mayor

ATTEST:

City Clerk

Section 9. The Bonds shall be signed on behalf of the City by the Mayor, shall be attested by the City Clerk and shall have the seal of the City impressed thereon. Interest coupons attached thereto shall be signed with the facsimile signatures of said officials.

Section 10. There is hereby created a special account of the City to be known as the "Water System Construction and Improvement Account (herein called the "Construction Account"). The proceeds of the sale of the Bonds (except for the payments required to be made into the Bond Redemption Fund as provided in Section 13 hereof) and any and all other loans, advances and moneys received or transferred for the acquisition and construction of the System shall be paid into the Construction Account and shall be expended solely for the purpose of paying the cost of the improvements to be acquired, constructed and installed out of the proceeds of the sale of the Bonds and all costs incidental thereto.

When the moneys on deposit in the Construction Account exceed the estimated necessary disbursements therefrom for the next thirty days, the City may invest such excess funds in any investments permitted by law. The earnings from any such investments shall be deposited in the Construction Account.

Any moneys remaining in the Construction Account after all of the above-mentioned costs have been paid shall be deposited in the Bond Redemption Fund for the uses and purposes herein provided; provided, however, that the City hereby reserves the right to withdraw any funds other than moneys received from the sale of the Bonds which it may have deposited in the Construction Account and which are found to be unnecessary for such purposes.

Section 11. There is hereby created a special fund of the City to be known as the "Water Revenue Fund" (herein called the "Revenue Fund"). All earnings, income and revenue arising from the operation or ownership of the System shall be deposited to the credit of the Revenue Fund and held in the custody of the Treasurer of the City separate and apart from all other funds of the City. The Revenue Fund shall be maintained for as long as the Bonds and any Parity Bonds are outstanding and shall be expended and used by the Treasurer only in the manner and order herein specified.

Section 12. Current expenses of the System (herein called "Current Expenses") shall be payable as a first charge from the Revenue Fund as the same become due and payable. Current Expenses shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs and a properly allocated share of charges for insurance and all other expenses incident to the operation of the System, including pro-rata budget charges for city administration expenses where such charges represent a reasonable distribution and share of actual costs, but shall exclude depreciation, and the payments into the Bond Redemption Fund and Reserve Account hereinafter provided for.

Section 13. There is hereby created another special fund of the City to be known as the "Water Revenue Bond Redemption Fund" (herein called the "Bond Redemption Fund") which shall be

at all times completely segregated and set apart from all other funds and accounts of the City and shall be a trust fund for the security and payment of the principal of and interest on the Bonds and any and all Parity Bonds as the same shall become due.

Immediately after the sale of the Bonds, there shall be paid into the Bond Redemption Fund out of the proceeds of the sale of the Bonds a sum which, together with all accrued interest received upon delivery of the Bonds shall aggregate \$48,950 as and for capitalized interest for the period of November 1, 1968 through April 30, 1969. All accrued interest received upon delivery of the Bonds to the purchaser shall also be paid into the Bond Redemption Fund.

The City Treasurer is hereby authorized and directed and the City hereby obligates and binds itself to set aside and pay into the Bond Redemption Fund as collected all Assessments.

The City Treasurer is hereby authorized and directed and the City hereby obligates and binds itself to set aside and pay into the Bond Redemption Fund out of the Revenue Fund those amounts necessary to pay the principal of and interest on the Bonds outstanding as the same respectively become due and payable. Said payments shall be made into the Bond Redemption Fund on or before the tenth day of each month in the following amounts:

A. Beginning with the month of May, 1969 and continuing for as long as any of the Bonds are outstanding and unpaid, one-sixth of the amount which will equal the interest to become due and payable on the Bonds outstanding on the next semiannual interest payment date.

B. Beginning with the month of November, 1973 and continuing for as long as any of the Bonds are outstanding and unpaid, one-twelfth of the amount which will equal the principal amount of the Bonds to become 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 the amounts hereinafter pledged to be paid into the Reserve Account created therein are hereby declared to be a first lien and charge upon the money in such Revenue Fund superior to all other charges of any kind or nature, (including any transfers of money to other funds of the City and taxes or payments in lieu of taxes payable to the City) except Current Expenses of the System, and equal in rank to any charges which may be made hereafter thereon to pay and secure the payment of the principal of and interest on any Parity Bonds. Money in the Bond Redemption Fund may be invested in direct obligations of, or obligations the principal of and interest on which are secured by, the United States Government having a guaranteed redemption price and maturing at least ten days prior to the time when such money is needed to pay installments of interest or principal and interest on any Bonds payable out of the Bond Redemption Fund next coming due. Interest earned on or profits made from the sale of any such investments shall be deposited in and become a part of the Bond Redemption Fund.

In the event that money and/ or direct obligations of the United States of America maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds in accordance with their terms are irrevocably set aside in a special account in the Bond Redemption Fund to effect such redemption and retirement, then no further payments need be made into the Bond Redemption Fund for the payment of the principal of and interest on the Bonds and the holders of the Bonds and the coupons appertaining thereto 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 such coupons shall be deemed not to be outstanding hereunder.

Section 14. A Water Revenue Bond Reserve Account (herein called the "Reserve Account") is hereby created in the Bond Redemption Fund and the City hereby agrees that it will set aside and pay into the Reserve Account out of the money in its Revenue Fund and out of Assessments collected the sum of not less than \$30,000 per each year ending with the month of October for a period of five years from the date of issue of the Bonds, so that there shall be paid into said Reserve Account the sum of not less than \$150,000 on or prior to November 1, 1973. The City further covenants when said sum of \$150,000 has been paid into the Reserve Account that it will maintain that amount therein so long as any of the Bonds remain outstanding until there is a sufficient amount in the Bond Redemption Fund and the Reserve Account to pay the principal of and interest on all outstanding Bonds, at which time the money in the Reserve Account may be used to pay such principal and interest; provided, however, that moneys in the Reserve Account may be withdrawn to pay the principal, premium, if any, and interest on all of the outstanding bonds of any single issue or series of bonds payable out of the Bond Redemption Fund so long as the moneys remaining on deposit in the Reserve Account are at least equal to the average annual debt service due thereafter on all of the remaining outstanding bonds payable out of the Bond Redemption Fund, excepting from such average the principal amount of any Term Bonds.

In the event the Bonds outstanding are ever refunded, the amount set aside in such Reserve Account to secure the payment of the Bonds may be used to retire Bonds, 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 Revenue Bond 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 and interest on any outstanding bonds payable out of such Fund, 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 money in the Revenue Fund, any collections of Assessments required by law and ordinances of the City to be paid into the Revenue Bond Fund and/or moneys of the City legally available therefor, which shall be first available after making necessary provision for the payments required to be made into such Fund to pay the principal of and interest on all then outstanding bonds payable out of such Fund and next coming due.

All money in the Reserve Account may be kept in cash or invested in any investments now or hereafter permitted by law, and the earnings on such investments and any profit realized on the sale thereof shall be deposited in the Bond Redemption Fund and shall be considered to be revenue of the System, notwithstanding that such income is not deposited in the Revenue Fund as required by Section 11 hereof.

Section 15. The City Council hereby declares that in fixing the amounts to be paid into the Bond Redemption Fund and Reserve Account out of the earnings, income and revenue of the System, it has exercised due regard for the operating and maintenance expenses (herein defined as Current Expenses) of the System and has not obligated the City to set aside and pay into said Fund and Account a greater amount of the earnings, income and revenue of the System than in its judgment will be available over and above Current Expenses.

Section 16. The City hereby covenants with the owner and holder of each of the Bonds and any Parity Bonds for as long

as any of the same remain outstanding as follows:

a. That it will promptly collect all Assessments levied in any utility local improvement district hereafter created to secure the payment of the principal of and interest on the Bonds and any Parity Bonds, and pay the same into the Bond Redemption Fund. Such Assessments may be used to pay the principal of and interest on any bonds payable out of such Fund without said Assessments being particularly allocated to the payment of the principal of and interest on any particular issue or series of such bonds.

b. That it will establish, maintain and collect rates and charges for service furnished by the System, which, together with other revenues of the City (except Assessments) will (in each year after completion of the improvements provided for in Ordinance No. 64 and this ordinance) provide amounts sufficient to meet the Coverage Requirement (as hereinafter defined) after providing for all Current Expenses, but before depreciation, transfers of money to other funds of the City and taxes or payments in lieu of taxes payable to the City.

For any year in which there are not outstanding Assessments except Assessments, if any, then in default, the term "Coverage Requirement" shall mean 1.30 times the amount required in such year to pay the principal of and interest on all outstanding Bonds and Parity Bonds.

For any year in which there are outstanding Assessments not then in default the term "Coverage Requirement" shall mean 1.30 times the amount computed by deducting from the total principal and interest required to be paid in each then remaining year on all outstanding Bonds and Parity Bonds, except the principal amount of Term Bonds, an amount equal to the percentage of the debt service for each year on each series or issue of outstanding Parity Bonds

equal to the percentage arrived at by dividing the original total amount of the assessments specifically pledged to the Revenue Bond Fund in the ordinance authorizing such series or issue by the original total principal amount of such series or issue.

c. 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.

d. That it will not sell or 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 and retire all of the then outstanding bonds payable out of such Fund, nor will it sell or dispose of any part of the useful operating properties of the System unless provision is made for payment into the Bond Redemption Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of outstanding bonds of the City payable out of the Bond Redemption Fund (defined as the total amount of such bonds less the amount of cash and investments in such Fund and the Reserve Account therein) that the revenue from the portion of the System sold or disposed of for the twelve preceding months bears to the total revenue of the System for such period.

(2) An amount which will be in the same proportion to the net amount of bonds payable out of the Bond Redemption Fund (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

All such sums of money so paid into the Bond Redemption Fund shall be used to retire outstanding bonds payable out of such Fund at the earliest possible date on which any of such bonds may be redeemed at par.

e. That it will cause proper books, records and accounts of the operation of the System to be kept and will cause to be prepared an annual financial and operating statement. Each of said statements shall be filed with the Council, shall be mailed to the main office of Foster & Marshall Inc., and shall be sent to the holder of any Bond or Parity Bond upon request being made in writing therefor.

f. That it will at all times carry fire and extended coverage and such other forms of insurance on the buildings, equipment, facilities and properties of the System, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Council shall deem necessary for the protection of the System and the holders of all outstanding bonds payable out of the Bond Redemption Fund.

That it will at all times keep and arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the City against anyone claiming damages of any kind or nature arising out of the operation of the System, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Council shall deem necessary for the protection of the City and the holders of all outstanding bonds payable out of the Bond Redemption Fund.

g. That it will not furnish any service of the System to any customer or user of the System free of charge.

h. That it will, on or before March 1 of each calendar year commencing with the year 1969, determine all accounts that are delinquent and will take all necessary action to enforce payment of any such delinquencies.

That it will, on or before March 1 of each calendar

year determine all Assessments or installments thereof that have become delinquent during the preceding calendar year, and will bring the necessary actions of foreclosure upon the property against which Assessments were levied by June 1 of each such calendar year.

Section 17. 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 that it will not issue any Parity Bonds, except that it reserves the right,

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

Second, to issue refunding Parity Bonds for the purpose of refunding by exchange or calling or purchasing and retiring at or prior to their maturity any outstanding revenue bonds of the City payable out of the Bond Redemption Fund,

and to pledge and bind itself to make payments into the Bond Redemption Fund out of the money in its Revenue Fund and the earnings, income and revenue of the System which, together with Assessments collected and paid into the Bond Redemption Fund, will be sufficient to pay the principal of and interest on such additional or refunding Parity Bonds and to maintain the reserves required therefor, which such payments shall rank equally with the payments required by this ordinance to be made into the Bond Redemption Fund and the Reserve Account therein to pay and secure the payment of the principal of and interest on the Bonds, upon compliance with the following conditions:

A. That at the time of the issuance of such additional or refunding Parity Bonds there shall not be any deficiency in the Bond Redemption Fund or the Reserve Account therein.

B. That each ordinance providing for the issuance of such additional Parity Bonds shall require that any and all assessments levied in any utility local improvement district or districts in which additions and improvements to and extensions of the System will be constructed from the proceeds of sale of such additional Parity Bonds will be paid directly into the Bond Redemption Fund.

That each ordinance providing for the issuance of such refunding Parity Bonds shall require that all uncollected Assessments which may have been levied to secure the payment of the principal of and interest on the bonds being refunded will be paid directly into the Bond Redemption Fund.

C. That each ordinance providing for the issuance of such additional or refunding Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Redemption Fund. That each such ordinance shall further provide that the City will pay into the Reserve Account created in the Bond Redemption Fund, out of the Assessments required to be paid into such Fund and, if necessary, out of moneys in the Revenue Fund and any other moneys legally available therefor, approximately equal annual amounts which, together with the balance then in such Reserve Account, will equal within five years after the date of issuance of such Parity Bonds the average annual amount (excluding from such average annual amount the principal payments required to be made on any Term Bonds) required to pay the principal of and interest on all outstanding bonds payable out of the Bond Redemption Fund, including such additional or refunding Parity Bonds. In the event no assessments are levied to secure the payment of such

additional Parity Bonds or there are no outstanding assessments levied to secure the payment of the principal of and interest on the bonds being refunded by such refunding Parity Bonds, then the City shall make the payments necessary to establish the required balance in such Reserve Account within five years from the date of the issuance of such additional or refunding Parity Bonds in approximately equal monthly amounts.

D. That at the time of the issuance of such additional or refunding Parity Bonds the City shall have on file a certificate from an independent licensed professional engineer experienced 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 Parity Bonds) showing that in his professional opinion the net revenue of the System which will be available in each succeeding year for the payment of the principal of and interest on all outstanding bonds payable out of the Bond Redemption Fund, and the Parity Bonds to be issued, as all of the same shall become due, will equal the Coverage Requirement as hereinbefore defined. Such certificate must show that any outstanding Term Bonds may be retired prior to their maturity out of one-half of the amount by which the net revenue of the System each year exceeds the amount required to pay the principal of and interest on the Bonds and any Parity Bonds, other than the principal amount of Term Bonds, during such year.

The words "net revenue of the System" as used in the subsection immediately above shall mean the gross earnings, income and revenue of the System (except assessments) after deducting therefrom all Current Expenses, but before depreciation, any transfers of money to other funds of the City, taxes or payments in lieu of taxes to the City, 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 for 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 the City Treasurer for a period of any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Parity Bonds. Washington Utilities and Transportation Commission annual financial reports for Huntamer Water System, Inc. may be used in determining such net revenue for any Parity Bonds issued before the City has operated the System for at least one year. Such net revenue shall then be adjusted to reflect (a) any rate changes that have taken place or have been approved, (b) revenue reasonably expected to be derived from customers actually added to the System subsequent to such twelve months period and from customers to be served by improvements being constructed out of the proceeds of the bonds to be issued, (c) a full year's revenue for any customers being served but who have not been receiving service for the full period of operation used as a basis for the certificate and (d) actual or reasonably anticipated changes in Current Expenses subsequent to such twelve-month period, (e) the annual income to be derived from service to residences and buildings which may possibly be constructed on vacant land located within the City and where water service is available, provided, the total aggregate of such possible construction may not exceed the total number of eligible building sites where water service is available within the City, and the estimate of such annual income to be so derived shall not exceed the average of the actual increase in income derived from such source for the three years immediately

preceeding the date of such certificate, and further provided that the annual income thus determined shall only be included as adjustment for a period of time no longer than the eight successive calendar years following the year of issuance of such Parity Bonds.

E. In the event that any refunding Parity Bonds provided for in this Section 17 are issued for the sole purpose of exchanging with 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 Parity Bonds and retirement of outstanding bonds results in a monetary saving to the District and such refunding 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 D of this Section 17 need not be obtained to permit such refunding 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 17 must still be complied with.

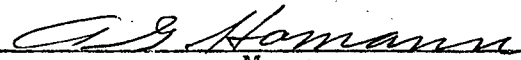
Section 18. Nothing herein contained shall prevent the City from issuing revenue bonds which are a charge upon the earnings, income and revenue of the System and moneys in the Revenue Fund junior or inferior to the payments required to be made therefor into the Bond Redemption Fund and the Reserve Account, 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 revenue bonds of the City for the payment of which moneys are not otherwise available.

Section 19. The action of the Council in accepting the written offer of Foster & Marshall Inc., dated October 17, 1968, to purchase the Bonds at the price set forth in said offer and under the terms, conditions and covenants of the Bonds as set forth herein is hereby ratified and confirmed.

The City Treasurer and other City officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds and for the proper use and application of the proceeds of the sale thereof.

PASSED by the City Council of the City of Lacey, Washington, at a regular meeting thereof held this 21 day of November, 1968.




Mayor

ATTEST:



City Clerk

APPROVED AS TO FORM:



City Attorney

I, WALTER H. JANSSEN, the duly chosen, qualified and acting City Clerk of the City of Lacey, Washington, DO HEREBY CERTIFY that the foregoing is a true and complete copy of Ordinance No. 102 of the Council of said city duly adopted at a regular meeting thereof held on the 21st day of November, 1968.

Walter H. Janssen
City Clerk