

CITY OF KIRKLAND, WASHINGTON

ORDINANCE NO. 2156

AN ORDINANCE of the City of Kirkland, Washington, providing for the issuance of \$1,000,000.00 par value of "Water and Sewer Revenue Bonds, 1971," of the City for the purpose of providing the funds with which (a) to pay the cost of acquiring certain facilities from Water District No. 81, King County, Washington, and to pay the City's share of the cost of constructing by Water District No. 81, King County, Washington, a water storage reservoir and related supply and transmission mains pursuant to Ordinance No. 2131, passed by the City Council and approved by the Mayor on December 12, 1970, and agreements entered into pursuant to such ordinance, (b) to pay the remaining cost of completing the portions of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the sewerage system as a part thereof, as specified and adopted by Ordinance No. 1124, as amended and supplemented by Ordinances Nos. 1151, 2112 and 2118, applicable to Utility Local Improvement Districts Nos. 106 and 107, and ordered to be carried out by Ordinance No. 2116, (c) to repay various City funds of amounts heretofore temporarily loaned to carry out portions of such system or plan not heretofore repaid out of the proceeds of the sale of "Water and Sewer Revenue Bonds, 1970," of the City heretofore issued pursuant to Ordinance No. 2118, and (d) to pay the cost of carrying out the remaining portions of such system or plan not heretofore undertaken; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; creating a special bond redemption fund; and confirming the sale of such bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

WHEREAS, the City of Kirkland heretofore combined its municipal water system and system of sewerage, including all

additions thereto and betterments and extensions thereof at any time made, pursuant to RCW 35.67.320, by Ordinance No. 576 of the City, passed and approved July 18, 1949, and such combined systems, including the separate waterworks system and separate system of sewerage of the former City of Houghton, Washington, which has now been consolidated with the City of Kirkland, if the same shall hereafter be combined with and made a part of the waterworks utility of the City, shall hereinafter be referred to as the "waterworks utility of the City"; and . . .

WHEREAS, pursuant to the provisions of Ordinance No. 630, passed September 2, 1952, the City of Kirkland heretofore issued its "Water and Sewer Revenue Bonds, 1952," dated September 1, 1952, to carry out a system or plan of additions to and betterments and extensions of the waterworks utility of the City, and by Section 7 of said Ordinance No. 630, the City reserved the right for the purpose of.

"(1) Redeeming or purchasing and retiring prior to their maturity any outstanding water and sewer revenue bonds of the City, or

"(2) Acquiring, constructing and installing additions and improvements to and extensions of or making necessary replacements or other capital improvements to said combined system

to issue refunding or additional revenue bonds for such purposes and to create a special fund or funds for the payment thereof into which fund or funds payments may be made out of the gross revenue of said combined system sufficient to pay the principal of and interest on such refunding or additional bonds and to maintain an adequate reserve therefor if the same is required,

which such payments may rank equally with the payments to be made out of such gross revenue into the bond redemption fund and the reserve account created therein in this ordinance upon compliance with the following conditions:

"(1) That at the time of the issuance of such refunding or additional revenue bonds there is no deficiency in the bond redemption fund and the reserve account created herein or in any bond redemption fund and reserve account which may have been created for the payment of the principal and interest of any parity revenue bonds issued subsequent to the issuance of the bonds authorized herein and prior to the issuance of such refunding or additional revenue bonds;

"(2) That at the time of the delivery of such refunding or additional revenue bonds the City shall have on file a certificate from an independent licensed professional engineer or engineering firm showing that in his or its opinion he or it is reasonably certain that the income of the combined water and sewerage system as added to, improved, extended, after expenses of maintenance and operation of said combined system, will equal at least 1.4 times the average annual amount required to be paid for interest and principal due and payable on the heretofore issued and outstanding water and sewer revenue bonds of the City, on the bonds authorized herein, on any revenue bonds which may later be issued on a parity therewith, and upon such refunding or additional revenue bonds.";

and

WHEREAS, the City thereafter issued on a parity of lien with said "Water and Sewer Revenue Bonds, 1952," pursuant to the provisions of Section 7 of said Ordinance No. 630, its "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953, its "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955, and its "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960,

the charge or lien upon the gross revenues of the waterworks utility of the City for said bonds being junior and inferior to the prior charge or lien upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, Series A," dated September 1, 1949, and the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950; and

WHEREAS, said "Water and Sewer Revenue Bonds, 1952," and "Water and Sewer Revenue Bonds, Series A," have now been paid and redeemed; and

WHEREAS, the City by Ordinance No. 1124, passed by the City Council and approved by the Mayor on the 17th day of January, 1968, as amended and supplemented by Ordinance No. 1151, passed by the City Council and approved by the Mayor on the 17th day of June, 1968, and by Ordinance No. 2112, passed by the City Council and approved by the Mayor on the 6th day of July, 1970, as further amended by Ordinance No. 2118, passed by the City Council and approved by the Mayor on the 8th day of September, 1970, specified and adopted a system or plan of additions to and betterments and extensions of the waterworks utility of the City and authorized the issuance and sale of not to exceed \$2,000,000.00 par value of water and sewer revenue bonds to provide the funds necessary to pay the cost of carrying out the acquisition, construction and installation of such additions to and betterments and extensions of the waterworks utility of the City; and

WHEREAS, pursuant to Ordinance No. 1159, passed by the City Council and approved by the Mayor on the 17th day of June, 1968, the City heretofore issued and sold \$800,000.00 par value

of "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968, for the purpose of providing the funds with which to carry out portions of the system or plan of additions to and betterments and extensions of the waterworks utility of the City as adopted by Ordinance No. 1124, as amended and supplemented, and ordered to be carried out by said Ordinance No. 1159, which "Water and Sewer Revenue Bonds, 1968," were issued on a parity of lien with the outstanding "Water and Sewer Revenue Bonds, 1952," "Water and Sewer Revenue Bonds, 1953," "Water and Sewer Revenue Bonds, 1955," and "Water and Sewer Revenue Bonds, 1960," pursuant to the provisions of Section 7 of Ordinance No. 630; and

WHEREAS, pursuant to Ordinance No. 2118, passed by the City Council and approved by the Mayor on the 8th day of September, 1970, the City heretofore issued and sold \$400,000.00 par value of "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970, for the purpose of providing the funds with which to repay various City funds of amounts heretofore temporarily loaned to carry out portions of the said system or plan, as further amended and supplemented by said Ordinance No. 2118, and to provide the funds with which to carry out portions of such system or plan applicable to Utility Local Improvement Districts Nos. 106 and 107 ordered to be carried out by Ordinance No. 2116, which "Water and Sewer Revenue Bonds, 1970," were issued on a parity of lien with the said outstanding bonds referred to above pursuant to the provisions of Section 7 of Ordinance No. 630; and

WHEREAS, the proceeds from the issuance and sale of said "Water and Sewer Revenue Bonds, 1970," were insufficient to repay all of the amounts due the various City funds by the amount of \$105,000.00 and were also insufficient to pay the total costs of carrying out the portions of such system or plan applicable to Utility Local Improvement Districts Nos. 106 and 107 by the amount of \$75,000.00; and

WHEREAS, by Ordinance No. 2131, passed by the City Council and approved by the Mayor on the 12th day of December, 1970, the City approved the entering into of agreements with Water District No. 81, King County, Washington, and Water District No. 99, King County, Washington, for the joint construction of a water storage reservoir and related supply and transmission mains and for the exchange of certain existing facilities between the City and Water District No. 81, King County, Washington, whereunder the City's share of the cost of constructing such water storage reservoir and related supply and transmission mains by Water District No. 81, King County, Washington, would be \$350,000.00, a grant having been received from the United States of America, Department of Housing and Urban Development, in the sum of \$500,000.00 to pay part of the cost of constructing such water storage reservoir and related supply and transmission mains, and under the agreement for the exchange of water utility facilities the City is obligated to pay Water District No. 81, King County, Washington, the sum of \$112,000.00, which agreement for exchange of water utility facilities was approved by a Judgment Approving Transfer of Public Facilities entered on

January 21, 1971, by the Superior Court of the State of Washington in and for King County under Cause No. 732464; and

WHEREAS, in order (a) to pay the cost of acquiring certain facilities from Water District No. 81, King County, Washington, and to pay the City's share of the cost of constructing by Water District No. 81, King County, Washington, a water storage reservoir and related supply and transmission mains pursuant to Ordinance No. 2131, passed by the City Council and approved by the Mayor on the 12th day of December, 1970, and agreements entered into pursuant to such ordinance, (b) to pay the remaining cost of completing the portions of the system or plan of additions to and betterments and extensions of the waterworks utility of the City as specified and adopted by Ordinance No. 1124, as amended and supplemented by Ordinances Nos. 1151, 2112 and 2118, applicable to Utility Local Improvement Districts Nos. 106 and 107, and ordered to be carried out by Ordinance No. 2116, (c) to repay various City funds of amounts heretofore temporarily loaned to carry out portions of such system or plan not heretofore repaid out of the proceeds of the sale of "Water and Sewer Revenue Bonds, 1970," of the City heretofore issued pursuant to Ordinance No. 2118, and (d) to pay the cost of carrying out the remaining portions of such system or plan not heretofore undertaken, it is necessary to issue and sell an additional \$1,000,000.00 par value of water and sewer revenue bonds of the City, and Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase such bonds on the terms and conditions hereinafter set forth; and

WHEREAS, the City Council hereby finds and declares that there is no deficiency in the bond redemption funds and reserve accounts created for the payment of the outstanding "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953, the outstanding "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955, the outstanding "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960, the outstanding "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968, and the outstanding "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970, issued on a parity with each other and that Stevens, Thompson, Runyan & Ries, Inc., Consulting Engineers, have certified that said revenues are sufficient to meet the 1.4 coverage requirement above set forth, as evidenced by their certificate to such effect on file with the City Clerk; NOW, THEREFORE,

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

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

(a) "City" shall mean the City of Kirkland, Washington, a duly organized city of the first class, together with the former City of Houghton, Washington, which has been consolidated into the City of Kirkland, Washington.

(b) "Bonds" shall mean the "Water and Sewer Revenue Bonds, 1971," authorized to be issued by this ordinance.

(c) "Bond Fund" shall mean the "Kirkland Water and Sewer Revenue Bond Fund, 1971," created by this ordinance in the office of the City Treasurer.



(d) "1950 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950.

(e) "1953 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953.

(f) "1955 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955.

(g) "1960 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960.

(h) "1968 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968.

(i) "1970 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970.

(j) "Waterworks Utility of the City" shall mean the systems of water supply and distribution and sanitary sewage disposal, as combined pursuant to RCW 35.67.320, by Ordinance No. 576 of the City, passed and approved July 18, 1949, including all additions to and betterments and extensions of such waterworks utility of the City and also including the separate waterworks system and separate system of sewerage of the former City of Houghton, Washington, if the same shall hereafter be combined with and made a part of the Waterworks Utility of the City.

(k) "Houghton Sewer Revenue Bonds" shall mean the outstanding "Sewer Revenue Bonds, 1967," dated August 1, 1967, issued by the City of Houghton, Washington, pursuant to Ordinances Nos. 213 and 218 of the City of Houghton, Washington.

(l) "Revenue of the Waterworks Utility of the City" shall mean all the earnings and revenue received by the Waterworks Utility of the City from any source whatsoever, except general ad valorem taxes, proceeds from the sale of City property and bond proceeds.

(m) "Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition.

(n) "Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Bonds, the payment of the principal of and interest on which constitutes a lien and charge upon Revenue of the Waterworks Utility of the City on a parity of lien with the Bonds, including the outstanding 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds and 1970 Bonds.

Section 2. For the purpose of providing the funds with which (a) to pay the cost of acquiring certain facilities from Water District No. 81, King County, Washington, and to pay the City's share of the cost of constructing by Water District No. 81, King County, Washington, a water storage reservoir and related supply and transmission mains pursuant to Ordinance No. 2131, passed by the City Council and approved by the Mayor on December 12, 1970, and agreements entered into pursuant to such ordinance, (b) to pay the remaining cost of completing the portions of the system or plan of additions to and betterments and extensions of the Waterworks Utility of the City as specified

and adopted by Ordinance No. 1124, as amended and supplemented by Ordinances Nos. 1151, 2112 and 2118, applicable to Utility Local Improvement Districts Nos. 106 and 107, and ordered to be carried out by Ordinance No. 2116, (c) to repay various City funds of amounts heretofore temporarily loaned to carry out portions of such system or plan not heretofore repaid out of the proceeds of the sale of "Water and Sewer Revenue Bonds, 1970," of the City heretofore issued pursuant to Ordinance No. 2118, and (d) to pay the cost of carrying out the remaining portions of such system or plan not heretofore undertaken and hereby ordered to be carried out, there shall be issued and sold \$1,000,000.00 par value of the Bonds (herein designated as "Water and Sewer Revenue Bonds, 1971"). The Bonds shall be dated July 1, 1971; shall bear interest at the rates hereinafter set forth, payable semiannually on January 1 and July 1 of each year, interest to maturity to be evidenced by coupons to be attached to the Bonds with full obligation on the part of the City to pay interest at the bond rates from and after the maturity dates until the Bonds with interest are paid in full; shall be in denominations of \$5,000.00 each; and shall be numbered from 1 to 200, inclusive. 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 solely out of the Bond Fund hereinafter created. The Bonds shall be a valid obligation of the holder thereof only as against the Bond Fund and the amount of the Revenue of the Waterworks Utility

of the City pledged to such fund, and shall not be a general obligation of the City. The Bonds shall mature and shall bear interest in accordance with the following schedule, to-wit:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturities</u>
1 to 3	\$ 15,000	6.00%	July 1, 1972
4 to 6	15,000	6.00%	July 1, 1973
7 to 9	15,000	6.00%	July 1, 1974
10 to 12	15,000	6.00%	July 1, 1975
13 to 15	15,000	6.00%	July 1, 1976
16 to 19	20,000	6.00%	July 1, 1977
20 to 23	20,000	6.00%	July 1, 1978
24 to 27	20,000	6.00%	July 1, 1979
28 to 32	25,000	6.75%	July 1, 1980
33 to 37	25,000	6.75%	July 1, 1981
38 to 41	20,000	6.75%	July 1, 1982
42 to 47	30,000	6.75%	July 1, 1983
48 to 53	30,000	6.75%	July 1, 1984
54 to 65	60,000	6.75%	July 1, 1985
66 to 78	65,000	7.00%	July 1, 1986
79 to 93	75,000	7.00%	July 1, 1987
94 to 113	100,000	7.00%	July 1, 1988
114 to 133	100,000	7.00%	July 1, 1989
134 to 153	100,000	7.00%	July 1, 1990
154 to 175	110,000	7.00%	July 1, 1991
176 to 200	125,000	7.00%	July 1, 1992

Section 3. Bonds numbered 1 to 78, inclusive, maturing from July 1, 1972, to July 1, 1986, inclusive, shall be issued without the right or option of the City to call the same for redemption prior to their stated maturity dates.

The City reserves the right to redeem outstanding Bonds numbered 79 to 200, inclusive, maturing July 1, 1987, to July 1, 1992, inclusive, as a whole, or in part in inverse numerical order, on July 1, 1986, or on any subsequent interest payment date at the following redemption prices plus accrued interest to date of redemption if redeemed at the following times:

On July 1, 1986, through January 1, 1988	101%
On July 1, 1988, through January 1, 1990	100-1/2%
On July 1, 1990, or thereafter	100% (Par)

Notice of any call for redemption of the Bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal office in Seattle, Washington, or its successor, within the same period. In addition, such redemption notice shall be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such Bonds. Interest on any Bonds so-called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

Section 4. There is hereby created and established in the office of the Treasurer of the City a special fund to be known and designated as the "Kirkland Water and Sewer Revenue Bond Fund, 1971" (herein defined as the "Bond Fund"), which fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds as the same shall become due. The Bond Fund is hereby divided into a "Principal and Interest Account" and a "Reserve Account." So long as Bonds are outstanding against the Bond Fund, the Treasurer of the City shall set aside and pay into the Bond Fund out of the Revenue of the Waterworks Utility of the City a fixed amount without regard to any fixed proportion, namely:

(a) Into the "Principal and Interest Account," on or before the 20th day of each month, beginning with the month of July, 1971, and continuing thereafter, 1/6th of the next ensuing six months' requirements for interest on the Bonds and 1/12th of the next ensuing twelve months' requirements for principal on the Bonds; and

(b) Into the "Reserve Account," not less than the sum of \$18,736.00 annually until a total reserve amount of \$93,679.00 has been accumulated therein by no later than July 1, 1976.

The "Reserve Account" may be accumulated from any other moneys which the City may have available for such purpose, in addition to using the Revenue of the Waterworks Utility of the City therefor. The "Reserve Account" shall, except for withdrawals therefrom as authorized herein, after the total reserve amount has been accumulated therein be maintained in such amount at all times so long as any of the Bonds is outstanding, PROVIDED, HOWEVER, that when the total amount in the Bond Fund shall equal the total amount of the principal and interest on all outstanding Bonds to the last maturity thereof, no further payments need be made into the Bond Fund.

In the event that there shall be a deficiency in the "Principal and Interest Account" in the Bond Fund to meet maturing installments of either principal or interest as the case may be, such deficiency shall be made up from the "Reserve Account" by the withdrawal of cash therefrom for that purpose. Any deficiency created in the "Reserve Account" by reason of any such withdrawal shall then be made up from the Revenue of the Waterworks Utility of the City first available after making necessary provisions for the required payment into the "Principal and Interest Account." The moneys in the "Reserve Account" shall

otherwise be held intact, and may be applied against the last outstanding Bonds.

All moneys in the "Reserve Account" above provided for, may be kept on deposit in the official bank depository of the City or in any national bank or may be invested in United States obligations maturing not later than twelve years from date of issue and in no event later than June 1, 1992. Interest on any such investment or on such bank account shall be deposited in and become a part of the "Reserve Account" until the total reserve amount shall have been accumulated therein.

The Revenue of the Waterworks Utility of the City is hereby pledged to such payments, and the Bonds shall constitute a charge and lien upon such revenue prior and superior to all other charges and liens whatsoever, excluding charges for maintenance and operation of such utility, except that the charge and lien upon such revenue for the Bonds shall be on a parity with the charge and lien upon the same for the outstanding 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and any Parity Bonds hereafter issued in accordance with the provisions of Section 10 hereof, and except further that the charge and lien upon such revenue for the Bonds shall be junior and inferior to the prior charge and lien upon such revenue for the outstanding 1950 Bonds, and except further that in the event that the system of sewerage of the former City of Houghton, Washington, shall hereafter be combined with the Waterworks Utility of the City, the charge and lien upon the revenue from such City of Houghton system of sewerage alone for the Bonds shall be junior and inferior to the prior charge and lien upon the same for the outstanding Houghton Sewer Revenue Bonds.

Section 5. The City Council and corporate authorities of the City hereby declare that in creating the Bond Fund and in fixing the amounts to be paid into it as aforesaid they have considered and had due regard for the cost of operation and maintenance of the Waterworks Utility of the City and have not set aside into the Bond Fund a greater amount or proportion of the Revenue of the Waterworks Utility of the City than in their judgment will be available over and above the cost of maintenance and operation of the Waterworks Utility of the City and the debt service requirements for the presently outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds and 1970 Bonds.

Section 6. The Bonds shall be in substantially the following form:

No. \_\_\_\_\_ \$5,000.00

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF KIRKLAND

WATER AND SEWER REVENUE BOND, 1971

\_\_\_\_\_ %

KNOW ALL MEN BY THESE PRESENTS: That the City of Kirkland, State of Washington, for value received, promises to pay to bearer on the 1ST DAY OF JULY, 19\_\_\_, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of \_\_\_\_\_ PERCENT ( \_\_\_\_\_ %) per annum, payable semiannually on the 1st days of January and July of each year, upon presentation and surrender of the attached interest coupons as they severally mature up to the bond maturity date and with full obligation



on the part of the City to pay interest at the same rate from and after the bond maturity date until this bond with interest is paid in full, or funds are available in the "Kirkland Water and Sewer Revenue Bond Fund, 1971" (hereinafter called the "Bond Fund"), for payment in full and this bond has been called for redemption. Both principal of and interest on this bond are payable in lawful money of the United States of America at the office of the Treasurer of the City of Kirkland, Washington, solely out of the special fund created by Ordinance No. \_\_\_\_\_ and referred to herein as the Bond Fund, into which fund the City of Kirkland hereby irrevocably binds itself to pay certain fixed amounts out of the gross revenues of the waterworks utility of the City, including the sewerage system as a part thereof, now belonging to or which may hereafter belong to the City, including all additions, extensions and betterments thereof now or at any time made or constructed, as the same is defined in Ordinance No. \_\_\_\_\_, without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on this issue of bonds as they respectively become due and to accumulate a reserve, all at the times and in the manner set forth in Ordinance No. \_\_\_\_\_.

The gross revenues from the combined water and sewerage systems comprising the waterworks utility of the City are hereby pledged to such payment, and the bonds of this issue constitute a charge and lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for maintenance and operation, except that the charge and lien upon said revenues for this issue of bonds shall be on a parity with the charge and lien upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953, the outstanding "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955, the outstanding "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960, the outstanding "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968, the outstanding "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970, and any additional water and sewer revenue bonds which may be hereafter issued on a parity with said bonds, in accordance with the provisions of Section 10 of Ordinance No. \_\_\_\_\_, except further that the charge and lien upon such gross revenues for the bonds of this issue and such parity bonds shall be junior and inferior to the prior charge and lien

upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950, and except further that in the event that the system of sewerage of the former City of Houghton, Washington, shall hereafter be combined with the waterworks utility of the City, the charge and lien upon the revenues from such City of Houghton system of sewerage alone for the bonds of this issue and such parity bonds shall be junior and inferior to the prior charge and lien upon the same for the outstanding "Sewer Revenue Bonds, 1967," issued by the City of Houghton, Washington, under date of August 1, 1967.

This bond is one of a total issue of \$1,000,000.00 par value of bonds, all of like date, tenor and effect, except as to maturities, options of redemption and interest rates, all payable from the Bond Fund and all issued by the City under and in pursuance of the laws of the State of Washington and Ordinance No. 1124, as amended and supplemented by Ordinances Nos. 1151, 2112 and 2118, and Ordinance No. \_\_\_\_\_ of the City, for the purpose of providing funds (a) to pay the cost of acquiring certain facilities from Water District No. 81, King County, Washington, and to pay the City's share of the cost of constructing by Water District No. 81, King County, Washington, a water storage reservoir and related supply and transmission mains pursuant to Ordinance No. 2131, passed by the City Council and approved by the Mayor on December 12, 1970, and agreements entered into pursuant to such ordinance, (b) to pay the remaining cost of completing the portions of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the sewerage system as a part thereof, as specified and adopted by Ordinance No. 1124, as amended and supplemented by Ordinances Nos. 1151, 2112 and 2118, applicable to Utility Local Improvement Districts Nos. 106 and 107, and ordered to be carried out by Ordinance No. 2116, (c) to repay various City funds of amounts heretofore temporarily loaned to carry out portions of such system or plan not heretofore repaid out of the proceeds of the sale of "Water and Sewer Revenue Bonds, 1970," of the City heretofore issued pursuant to Ordinance No. 2118, and (d) to pay the cost of carrying out the remaining portions of such system or plan not heretofore undertaken.

Bonds numbered 1 to 78, inclusive, maturing from July 1, 1972, to July 1, 1986, inclusive, are issued without the right or option of the City to call the same for redemption prior to their stated maturity dates.

The City reserves the right to redeem outstanding bonds numbered 79 to 200, inclusive, maturing July 1, 1987, to July 1, 1992, inclusive, as a whole, or in part in inverse numerical order, on July 1, 1986, or on any subsequent interest payment date at the following redemption prices plus accrued interest to date of redemption if redeemed at the following times:

On July 1, 1986, through January 1, 1988	101%
On July 1, 1988, through January 1, 1990	100-1/2%
On July 1, 1990, or thereafter	100% (Par)

Notice of any call for redemption of the bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal office in Seattle, Washington, or its successor, within the same period. In addition, such redemption notice shall be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such bonds. Interest on any bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The City of Kirkland hereby covenants and agrees with the holders of each and every one of the bonds of this issue to fully carry out all covenants and meet all obligations of the City, as set forth in Ordinance No. \_\_\_\_\_, to which ordinance reference is hereby made as more fully describing the covenants with and rights of holders of bonds of this issue.

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 the ordinances of the City of Kirkland, and that all acts, conditions and things required to be done precedent

to and in the issuance of this bond have happened, have been done and have been performed as required by law.

IN WITNESS WHEREOF, the City of Kirkland, Washington, has caused this bond to be signed by the facsimile signature of its Mayor and attested by the manual signature of its Director of Administration and Finance, ex officio City Clerk, and its corporate seal to be hereto affixed and the interest coupons to be signed with the facsimile signatures of said officials this 1st day of July, 1971.

CITY OF KIRKLAND, WASHINGTON

By (facsimile signature)  
Mayor

ATTEST:

Director of Administration  
and Finance, ex officio  
City Clerk

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

Coupon No. \_\_\_\_

\$ \_\_\_\_\_

On the 1ST DAY OF (JANUARY) (JULY), 19\_\_, the CITY OF KIRKLAND, WASHINGTON, upon presentation and surrender of this coupon, will pay to bearer at the office of the City Treasurer the sum shown hereon in lawful money of the United States of America from the special fund of said City, known as the "Kirkland Water and Sewer Revenue Bond Fund, 1971," said sum being six months' interest then due on its "Water and Sewer Revenue Bond, 1971," dated July 1, 1971, and numbered \_\_\_\_\_.

CITY OF KIRKLAND, WASHINGTON

By (facsimile signature)  
Mayor

ATTEST:

(facsimile signature)  
Director of Administration  
and Finance, ex officio  
City Clerk

Section 7. The Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the Director of Administration and Finance, ex officio City Clerk, and shall have the seal of the City of Kirkland affixed thereto, and the coupons shall bear the facsimile signatures of the Mayor and the Director of Administration and Finance, ex officio City Clerk.

Section 8. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or direct obligations of the United States of America sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the Revenue of the Waterworks Utility of the City, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and the City may then apply

any moneys in any fund or account established for the payment or redemption of such Bonds or coupons to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the refunding bonds be secured by cash and/or direct obligations of the United States of America pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from Revenue of the Waterworks Utility of the City shall be included in the computation of coverage for determining compliance with the rate covenants.

Section 9. The City hereby covenants and agrees with the owner and holder of each Bond at any time outstanding, as follows:

(a) That it will establish, maintain and collect such rates and charges for water and sanitary sewage disposal service so long as any Bonds are outstanding as will make available for the payment of the principal of and interest on such Bonds an amount equivalent to at least 1.4 times the average annual debt service requirements, both principal and interest, of the Bonds and the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and any Parity Bonds hereafter issued after operating and maintenance expenses have been paid, but before depreciation.

(b) That it will at all times maintain and keep the Waterworks Utility of the City in good repair, working order and condition, and

also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) That it will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Waterworks Utility of the City unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all Bonds at any time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of said Waterworks Utility of the City that is used, useful and material to the operation thereof, unless provision is made for replacement thereof, or for payment into the Bond Fund of the total amount of revenue received which shall not be less than an amount which shall bear the same ratio to the amount of outstanding Bonds as the revenue available for debt service for such outstanding Bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the utility sold, leased, encumbered or disposed of bears to the revenue available for debt service for such Bonds from the entire utility for the same period. Any such moneys so paid into the Bond Fund shall be used to retire such outstanding Bonds at the earliest possible date.

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

(e) That it will not furnish water or sanitary sewage disposal service to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts.

(f) That it will carry the types of insurance on its waterworks utility properties in the amounts normally carried by private water and sewer companies engaged in the operation of water and sewerage systems, and the cost of such insurance shall be considered a part of operating and maintaining said utility. If, as, and when, the United States of America or some agency thereof shall provide for War Risk Insurance, the City further agrees to take out and maintain such insurance on all or such portions of said utility on which such War Risk Insurance may be written in an amount or amounts to cover adequately the value thereof.

(g) That it will pay all costs of maintenance and operation of the Waterworks Utility of the City and the debt service requirements for the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and the Bonds and otherwise meet the obligations of the City as herein set forth.

Section 10. 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 is outstanding that it will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will rank on a parity with the Bonds, except that it reserves the right to issue additional Parity Bonds if compliance with the following conditions is met at the time of the issuance of such Parity Bonds:

(1) That at the time of the issuance of such Parity Bonds there is no deficiency in the Bond Fund and the "Reserve Account" created herein or in any bond redemption fund and reserve account which may have been created for the payment of the principal and interest on any Parity Bonds issued prior to or subsequent to the issuance of the Bonds.



(2) That at the time of the delivery of such Parity Bonds the City shall have on file a certificate from an independent licensed professional engineer or engineering firm experienced in the design, construction and operation of municipal utilities (which certificate may not be dated more than ninety days prior to the date of delivery of such Parity Bonds) showing:

(a) That in his or its opinion he or it is reasonably certain that the income of the Waterworks Utility of the City after payment of the expenses of maintenance and operation of said utility will equal at least 1.4 times the average annual amount required to be paid for interest and principal due and payable on the heretofore issued and outstanding water and sewer revenue bonds of the City, on the Bonds, on any Parity Bonds which may later be issued, and upon such refunding or additional Parity Bonds.

(b) That in his professional opinion the "annual income available for revenue bond debt service" for each year after the date of issuance of such Parity Bonds shall be at least 1.25 times the average annual amount (computed as of the delivery date of the Parity Bonds) required to be paid into the Bond Fund for the payment of the principal of and interest on the Bonds and Parity Bonds; provided, however, that this certificate shall not be required if the proposed Parity Bonds are refunding bonds and the average annual debt service requirements on the refunding bonds are not increased over the average annual debt service requirements on the bonds being refunded.

Such "annual income available for revenue bond debt service" shall be determined by adding the "annual adjusted net income derived from revenues," computed as provided in subparagraph 1 and the "annual installments of utility local improvement district assessments that will be collected each year" computed as provided in subparagraph 2.

1. Such "annual adjusted net income derived from revenues" shall be determined as follows:

a. The net income of the Waterworks Utility of the City for any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Parity Bonds 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 Waterworks Utility of the City prepared by an independent Certified Public Accountant, or a financial statement of the Waterworks Utility of the City authenticated by the City Clerk.

The words "net income" as used in the preceding subparagraph "a" shall mean "the revenue of the Waterworks Utility of the City less operating and maintenance expenses but excluding depreciation and City imposed taxes.

b. Such historical net income shall be adjusted to reflect a full twelve months' income from the rates and charges effective on the date of such certificate if there has been any change in such effective rates and charges during or after such twelve-consecutive-month period.

c. The following amounts may be added to such adjusted net income:

(1) The net income derived from those customers of the Waterworks Utility of the City that have become customers during such twelve-consecutive-month period or thereafter and prior to the date of such certificate, adjusted to reflect a year's net income from each such customer.

(2) The annual net income to be derived from the potential customers, wherever located on the Waterworks Utility of the City who have paid the required connection charge or permit.

(3) The annual net income to be derived by the Waterworks Utility of the City from any person, firm, association, corporation or municipal corporation under any executed service contract which income is not included in any of the sources of net income heretofore described in this subparagraph 1.

(4) The annual net income to be derived by the Waterworks Utility of the City as a result of any facilities of the Waterworks Utility of the City under construction but not completed at the time of such certificate, which income is not included in any of the sources of income heretofore described in this subparagraph 1.

(5) The annual net income to be received each year by the Waterworks Utility of the City as a result of any facilities of the Waterworks Utility of the City to be acquired, constructed or installed out of the proceeds of the sale of such Parity Bonds.

The amount of the "annual adjusted net income derived from revenues" determined as provided immediately above shall be computed as part of the "annual income available for revenue bond debt service" for each succeeding year to and including the last year that any Bonds and any Parity Bonds then outstanding mature.

2. Such annual installments of utility local improvement district assessments that will be collected each year 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 which has been or will have been levied to secure the payment of any Parity Bonds then outstanding shall be obtained from the records of the City Treasurer.

b. The balance then remaining on each such assessment roll shall 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 computed as part of the annual income available for revenue bond debt service for the particular year in which it is computed to become due.


This Section shall supersede the provisions of Section 12 of Ordinance No. 630 pertaining to the conditions under which Parity Bonds may be issued.

Section 11. Nothing herein contained shall prevent the City from issuing revenue bonds which are a charge upon the Revenue of the Waterworks Utility of the City junior or inferior to the payments required to be made therefrom into the Bond Fund and the "Reserve Account" therein nor from pledging assessments collected in utility local improvement districts hereafter created to the payment of such junior lien revenue bonds or Parity Bonds if the conditions required for the issuance of such Parity Bonds are met. 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.

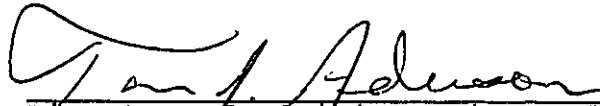
Section 12. Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the Bonds at a price of \$97.00 per each \$100.00 par value thereof, plus accrued interest from the date of issuance to the date of delivery of the Bonds, if any, the City to furnish at its expense the Bonds, together with the approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch; municipal bond counsel of Seattle, Washington. The City Council, deeming that no better offer could be received for the Bonds and that it was in the best interests of the City to accept that offer, duly accepted the same on May 24, 1971, and such acceptance is now ratified and confirmed. The Bonds shall, therefore, immediately upon their execution be delivered to Seattle-Northwest Securities Corporation upon payment therefor in accordance with that offer.

The accrued interest received, if any, shall be deposited in the "Principal and Interest Account" in the Bond Fund and the principal proceeds shall be deposited in the "Bond Construction Fund" of the City and expended for the purposes herein set forth, including all costs incidental to the issuance of the Bonds.

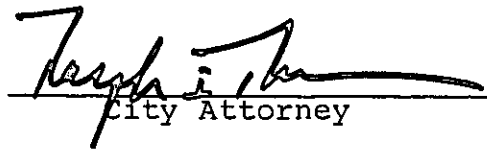
PASSED by the City Council of the City of Kirkland, Washington, at a regular meeting thereof and APPROVED by the Mayor this 7th day of June, 1971.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Director of Administration and  
Finance, ex officio City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney

Ordinance NO. 2156