



King County
Metropolitan King County Council
Budget & Fiscal Management Committee

Agenda Item No.: 4,5,6,7

Date: June 15, 2010

Proposed No.: 2010-0227, 2010-0228
2010-0229, 2010-0230

Prepared By: Patrick Hamacher

STAFF REPORT

SUBJECT:

Proposed Ordinance 2008-0227 would authorize the Executive to issue up to \$475 million in new Sewer Revenue or double-barreled bonds to fund construction of the wastewater utility's capital improvement plan. The proposed ordinance would also authorize refunding bonds of up to \$1 billion, should the right conditions materialize. Proposed Motions 2010-0228, 2010-0229 and 2010-0230 are placeholder bond sale motions.

BACKGROUND:

Revenue Bonds

As the name would imply, these bonds pledge future revenues, in this case, future sewer revenues towards the repayment of the obligation. Some prior issuances of bonds to support the Capital Improvement Program have been sold as Limited Tax General Obligation bonds. When selling LTGO bonds (see Table 1 for examples) on behalf of the enterprise fund, the County pledges not just revenues from future enterprise operations, but also pledges the limited "full faith and credit" of the County towards repayment of the bonds. This allows the enterprise fund to take advantage of the County's LTGO credit rating. These are known as "double-barrel" bonds.

In these cases, the enterprise fund is also required to provide compensation for use of the higher credit rating to the County's general fund. This compensation is referred to as a "credit enhancement payment." The County's LTGO debt is rated AAA and Aaa by Standard and Poor's and Moody's, respectively. While still highly rated, the lower ratings of sewer revenue bonds normally leads to slightly higher rates of interest than do AAA rated bonds. This is summarized in Table 1. This lower rating for revenue bonds creates a "credit-spread" that may make it financially advantageous to issue double-barrel bonds.

Table 1: County Bond Ratings

County Bond Ratings		
	Moody's	Standard & Poors
LTGO Bond	Aa1	AAA
Sewer Bonds	Aa2	AA+
Highest Possible Rating	Aaa	AAA
# of levels different between Sewer and LTGO	1	1

Limited Tax General Obligation Bonds:

LTGO bonds (also known as council manic bonds) are the other type of bonds commonly issued by the County. These bonds include a promise of the full faith and credit of the issuing agency. This means that the promise extends only to the taxing authority of the County without a vote of the people. Bonds issued with voter approval are referred to as unlimited tax general obligation bonds or simply general obligation bonds. As noted earlier, bonds issued on behalf of the sewer utility that promise first the revenues of the wastewater utility then the full faith and credit of King County are known as double-barrel bonds.

Increased Borrowing Requirements:

With the adoption of the Regional Wastewater Services Plan (RWSP) in 1999, the County embarked on the largest capital improvement program in the history of the Wastewater Utility. The major element of the RWSP was the construction of a third wastewater treatment plant, along with an outfall and the related conveyance system. In December of 2001, the project was expected to cost about \$1.4 billion. Since that time, however, the estimate has increased to more than \$1.8 billion. This very significant capital program requires a very large amount of debt to finance.

SUMMARY:

Proposed Ordinance **2010-0227** would authorize the issuance and competitive or negotiated sale of sewer revenue bonds or double-barreled LTGO bonds in an aggregate amount not to exceed \$475,000,000 to provide funds for constructing improvements to the sewer system as outlined by the Capital Improvement Plan for the department. The ordinance also sets the terms, definitions, and conditions necessary for the issuance and sale of the revenue bonds at a term of up to 40 years. Additionally, the proposed ordinance would grant authority to refund up to \$1,000,000,000 of existing debt should the right economic conditions materialize. This action would only be taken should the County be able to save a Net Present Value of 5% of the outstanding principal, consistent with County policy. Table 2 shows the existing WTD debt.

Table 2: Outstanding Sewer Fund Debt¹

Sewer Revenue Bonds	Original Principal	Outstanding Principal
2001 Bonds	\$270,060,000	\$219,845,000
2002A Bonds	\$100,000,000	\$94,960,000
2002B Bonds	\$346,130,000	\$226,670,000
2003A Bonds	\$96,470,000	\$90,905,000
2004A Bonds	\$185,000,000	\$185,000,000
2004B Bonds	\$61,760,000	\$57,015,000
2006 Bonds	\$124,070,000	\$124,070,000
2006 (2nd) Bonds	\$193,435,000	\$190,085,000
2007 Bonds	\$250,000,000	\$250,000,000
2008 Bonds	\$350,000,000	\$350,000,000
2009 Bonds	\$250,000,000	\$250,000,000
total	\$2,226,925,000	\$2,038,550,000
Double-Barreled Bonds		
Series 2005	\$200,000,000	\$200,000,000
Series 2008	\$236,950,000	\$230,515,000
Series 2009	\$300,000,000	\$300,000,000
total	\$736,950,000	\$730,515,000
Variable Rate Debt		
2001A	\$50,000,000	\$50,000,000
2001B	\$50,000,000	\$50,000,000
2010A	\$50,000,000	\$50,000,000
2010'B	\$50,000,000	\$50,000,000
Commercial Paper, Series A	\$100,000,000	\$100,000,000
total	\$300,000,000	\$300,000,000
TOTAL	\$3,263,875,000	\$3,069,065,000

* Denotes LTGO bonds sold on behalf of Sewer Fund with full faith and credit of the County to enhance the interest rate.

Proposed Motions **2010-0228**, **2010-0229** and **2010-0230**, which accompanied the proposed ordinance, are drafts of motions that will be used to accept the winning bid or approve a purchase contract for the sale of the bonds. In the case of an actual sale or sales, a revised motion would be prepared for each sale and presented at full Council on the day of the sale. **These types of motions are typically passed without recommendation as the actual terms of the sale are not yet known.**

ANALYSIS:

The proposed ordinance would provide the authority (for two years from the effective date of the ordinance) for the Finance Manager, in consultation with the County's financial advisors, to determine the timing and packaging of the sewer revenue bonds to a limit of \$475,000,000. The proposed issuance of new debt is consistent with the rate and capacity charge adopted for 2010 and proposed for 2011.

¹ This only includes the WTD's outstanding sewer revenue bonds and double-barrel bonds. In addition, there is \$300 million outstanding in variable rate debt instruments and some small State revolving fund (SRF) loans and public works trust fund loans.

It should be noted that with adoption of Ordinance 15757, May 2007, the County has returned to the issuance of 40 year bonds for Wastewater facilities. This is consistent with the policy that capital improvement projects financed with debt are financed over the expected life of the asset. While the Brightwater plant (the primary driver of the Wastewater CIP program) will likely be in service in excess of 40 years, the County's financial advisor informed the Operating Budget Committee (which is considering the 2009 wastewater rate and capacity charge) that extending a bond sale beyond the 40 year timeframe would not be financially advisable for the County.

Proposed Ordinance 2010-0227 sets all the terms, definitions, and conditions necessary for the issuance and sale of bonds. The County's bond counsel prepared the ordinance and motions. The proposed ordinance delegates authority to the Finance Manager to take the necessary steps for the public or negotiated sale of bonds.

Timing:

Currently the Executive is planning two bond sales and at least one refunding sale under the timeframe covered by this ordinance. There will be an initial sale in July 2010. In January 2012, approximately \$485 million of outstanding debt will be eligible for refunding. Based on today's market conditions these bonds would meet the thresholds necessary for refunding under the County's policies. The ordinance requests further authority should conditions continue to be favorable and additional debt becomes eligible for refunding at lower rates.

Legal Debt Limit

There is no legal limit on the amount of revenue bonds that can be issued; rather, the limits are of a practical nature. Typically, debt coverage ratios are required before investors will buy these bonds. This effectively limits how much of these types of bonds can be sold.

With limited tax general obligation bonds, there are limits other than the practical that the issuing agency must have the financial capability to repay the bonds. Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. This type of debt requires voter approval. State law requires all property to be assessed at 100 percent of its true and fair value. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value.

The County currently has (as of December 31, 2009) over \$1.5 billion of capacity for limited tax general obligation debt for metropolitan functions. For general county purposes, over \$7.2 billion of capacity remains. When it comes to the capacity available as a combination of limited tax debt for general county purposes plus metropolitan functions, over \$3.0 billion remains. So, the issuance of double-barreled bonds should not restrict other debt plans.

Structure of the Bond Sale

The ordinance seeks approval to issue either sewer revenue bonds or double-barreled bonds backed first with sewer revenues then with the full faith and credit of King County. The Executive will work with the County's financial advisor to package the bonds in the most favorable terms at the time of each sale.

While double-barreled bonds typically lead to higher ratings and therefore lower interest costs, there are additional tests applied to these sales by the financial markets. It appears that the first issue of bonds under this ordinance will be sewer revenue bonds. An additional sale in 2011 may be double-barreled depending on market conditions at the time. Structuring the ordinance in this way, with flexibility for either type of sale, allows the County to pursue the lowest interest costs at the time of the sale.

REASONABLENESS:

The adoption of the ordinance with the recommended changes would constitute a reasonable business decision that would allow for sufficient funding of the Wastewater utility capital program for 2010 and 2011.

Motions 2010-0228, 2010-0229 and 2010-0230 are placeholder motions and should be passed without recommendation. They will be held at the Council until such a time as a bond sale or sales occur. At that time they will be amended to reflect the actual terms of the sales.

INVITED:

Ken Guy, Director, Finance & Business Operations Division
Nigel Lewis, Senior Debt Analyst, Finance Division
Bob Cowan, Director, Office of Management and Budget
David Thompson, Bond Counsel, Preston Gates & Ellis
Rob Shelley, Financial Advisor, Seattle Northwest

ATTACHMENTS:

1. Proposed Ordinance 2010-0227
2. Transmittal Letter
3. Proposed Motion 2010-0228
4. Proposed Motion 2010-0229
5. Proposed Motion 2010-0230



KING COUNTY
Signature Report

Attachment 1
516 Third Avenue
Seattle, WA 98104

April 29, 2010

Ordinance

Proposed No. 2010-0227.1

Sponsors Patterson

1 AN ORDINANCE providing long-term financing for capital
2 needs of the county's sewer system by authorizing the issuance
3 of sewer revenue bonds and limited tax general obligation
4 bonds (payable from sewer revenues) of the county in the
5 aggregate principal amount of not to exceed \$475,000,000 to
6 provide funds for acquiring and constructing improvements to
7 the sewer system and not to exceed \$1,000,000,000 of such
8 bonds for refunding certain outstanding bonds of the county
9 payable from sewer revenues; providing for the form, terms
10 and covenants of such bonds; providing for the sale of the
11 bonds in one or more series and for a plan of refunding;
12 establishing funds for the receipt and expenditure of bond
13 proceeds and for the payment of the bonds; pledging sewer
14 revenues to pay the principal of and interest on any sewer
15 revenue bonds issued hereunder; and pledging the annual levy
16 of taxes and an additional pledge of sewer revenues to pay the
17 principal of and interest on any limited tax general obligation
18 bonds (payable from sewer revenues) issued hereunder.

19 PREAMBLE:

20 The county owns and operates facilities for the conveyance and treatment
21 of sewage and control of combined sewer overflows that include, but are
22 not limited to, wastewater treatment plants, interceptor and trunk sewers,
23 pumping stations, regulator stations, outfall sewers, storm sewers to divert
24 stormwater from sanitary sewers, lands for application of biosolids,
25 property rights, and buildings and other structures (collectively the "Sewer
26 System" or the "System"), all in accordance with a comprehensive plan for
27 metropolitan water pollution abatement under the authority of chapters
28 36.56 and 35.58 of the Revised Code of Washington ("RCW").

29 Long term service agreements with participating municipalities and other
30 entities (the "Participants") obligate the county to treat and dispose of
31 sewage collected by the Participants. The Participants must pay the costs
32 of such services including debt service on bonds payable from sewer
33 revenues, including the bonds authorized herein, and other indebtedness
34 payable from and secured by sewer revenues. Comparable rates and
35 charge have been established for customers who deliver sewage to the
36 System but are not subject to a contract with the county for such service.

37 In accordance with RCW 35.58.200(3), the county has declared that the
38 health, safety and welfare of people within the metropolitan area require
39 that certain Participants discharge sewage collected by such Participants
40 into facilities of the System.

41 The county has issued the following series of sewer revenue bonds with a
42 senior lien on revenues of the Sewer System (the "Parity Bonds"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (2/1/2010)
2001 Bonds	14225	11/28/2001	\$270,060,000	\$219,845,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	226,670,000
2003A Bonds	14406	4/24/2003	96,470,000	90,905,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	57,015,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	186,810,000
2007 Bonds	15758	6/26/2007	250,000,000	250,000,000
2008 Bonds	16133	8/14/2008	350,000,000	350,000,000
2009 Bonds	16133	8/12/2009	250,000,000	250,000,000

43 The county has issued the following series of limited tax general
 44 obligation bonds additionally secured by a lien on revenues of the
 45 Sewer System junior and subordinate to the lien thereon of the
 46 Parity Bonds (the "Parity Lien Obligations"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (2/1/2010)
Series 2005	15033	4/21/2005	\$ 200,000,000	\$ 200,000,000

Series 2008	15779	2/12/2008	236,950,000	230,515,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000

47 The county may have opportunities to refund all or portions of the
48 currently outstanding Parity Bonds and Parity Lien Obligations (the
49 "Refunding Candidates") and thereby realize savings to the county and
50 ratepayers of the Sewer System. It is deemed necessary and advisable that
51 the county authorize the issuance and sale of not to exceed \$1,000,000,000
52 principal amount of its bonds payable from sewer revenues (the
53 "Refunding Bonds") for such refunding opportunities, as provided herein.
54 It is deemed necessary and desirable that the county also authorize the
55 issuance and sale of its bonds payable from sewer revenues in the
56 aggregate principal amount of \$475,000,000 (the "Project Bonds") to pay
57 costs of certain capital improvements to the System, in accordance with
58 the comprehensive plan.
59 Since market conditions can change quickly, it is in the best interest of the
60 county to delegate to the county's Finance Director authority to sell the
61 Refunding Bonds and the Project Bonds in one or more series, as either
62 Parity Bonds or Parity Lien Obligations, or a combination thereof, by
63 competitive bid or negotiated sale, as provided in this ordinance; provided
64 that the aggregate principal amount of Project Bonds may not exceed
65 \$475,000,000 and the aggregate principal amount of Refunding Bonds
66 may not exceed \$1,000,000,000, and provided further that the sale of any

67 Series of the Bonds will be ratified and confirmed by motion of the
68 council, as provided herein.

69 The ordinances authorizing the issuance of the outstanding Parity Bonds
70 and Parity Lien Obligations all provide that the county may issue
71 additional Parity Bonds and additional Parity Lien Obligations if certain
72 conditions are met. By each Sale Motion the county council must find that
73 the applicable parity conditions have been or will be met for each series of
74 Bonds issued hereunder

75 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

76 SECTION 1. Definitions. The following words and terms as used in this
77 ordinance have the following meanings for all purposes of this ordinance, unless some
78 other meaning is plainly intended.

79 "Accreted Value" means with respect to any Parity Bonds that are Capital
80 Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the
81 ordinance, resolution or motion authorizing such bonds as the amounts representing the
82 initial principal amount of such bonds plus the interest accumulated, compounded and
83 unpaid thereon as of the most recent compounding date, as provided in the ordinance,
84 resolution or motion authorizing the issuance of such bonds; provided that if such
85 calculation is not made as of a compounding date, such amount shall be determined by
86 straight-line interpolation as of the immediately preceding and the immediately
87 succeeding compounding dates.

88 "Additional Subordinate Lien Obligations" means those revenue bonds or other
89 revenue obligations that may be issued by the county in the future with a lien on Revenue

90 of the System equal to the lien thereon of the Commercial Paper Notes and the Bank
91 Note.

92 "Agency Customer" means any city, town, water-sewer district or other political
93 subdivision, person, firm, private corporation or other entity that collects sewage from
94 customers and disposes of any portion of that sewage into the Metropolitan Sewerage
95 System and is not a Participant.

96 "Annual Debt Service" means, with respect to any calendar year, the sum of the
97 following:

98 (1) The interest due for all outstanding Parity Bonds and Parity Lien
99 Obligations (i) on all interest payment dates (other than January 1) in such calendar year,
100 and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments
101 due on such dates in respect of any Parity Payment Agreements and Parity Lien
102 Obligation Payment Agreements, minus any Payment Agreement Receipts due in such
103 period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment
104 Agreements.

105 (i) For purposes of calculating the amounts required to pay interest on
106 Parity Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to
107 the county upon the issuance of Parity Bonds or Parity Lien Obligations shall be
108 excluded.

109 (ii) The amount of interest deemed to be payable on any issue of
110 Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated
111 on the assumption that the interest rate on those bonds would be equal to the rate (the
112 "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or

113 comparable index during the fiscal quarter preceding the quarter in which the calculation
114 is made; provided, however, that for purposes of determining actual compliance in any
115 past calendar year with the rate covenant made in Section 18 of this ordinance, the actual
116 amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien
117 Obligations shall be taken into account.

118 (2) The principal due (at maturity or upon the mandatory redemption of Term
119 Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien
120 Obligations (i) on all principal payment dates (other than January 1) of such calendar year
121 and (ii) on January 1 of the next succeeding year.

122 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
123 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
124 Bonds shall be included in the calculation of Annual Debt Service, and references in this
125 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
126 upon the mandatory redemption of any Capital Appreciation Bonds.

127 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
128 Obligations with respect to which a Payment Agreement is in force shall be calculated by
129 the county to reflect the net economic effect on the county intended to be produced by the
130 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
131 Payment Agreement, in accordance with the requirements for Payment Agreements set
132 forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien
133 Obligations.

134 From and after the date when no Series 2005 Bonds, Series 2008 Bonds or Series
135 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section

136 18.B and the tests for the issuance of additional Parity Lien Obligations in Section 25,
-137 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service
138 Offsets.

139 "Annual Parity Debt Service" means, with respect to any calendar year, the sum
140 of the following:

141 (1) The interest due for all outstanding Parity Bonds (i) on all interest
142 payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the
143 next succeeding year, and any Payment Agreement Payments due on such dates in
144 respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in
145 such period in respect of such Parity Payment Agreements.

146 (i) For purposes of calculating the amounts required to pay interest on
147 Parity Bonds, capitalized interest and accrued interest paid to the county upon the
148 issuance of Parity Bonds shall be excluded.

149 (ii) The amount of interest deemed to be payable on any issue of
150 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on
151 those bonds would be equal to the rate (the "assumed RBI rate") that is 90% of the
152 average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
153 preceding the quarter in which the calculation is made; provided, however, that for
154 purposes of determining actual compliance in any past calendar year with the rate
155 covenant made in Section 18 of this ordinance, the actual amount of interest paid on any
156 issue of Variable Rate Parity Bonds shall be taken into account.

157 (2) The principal due (at maturity or upon the mandatory redemption of Term
158 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal

159 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the
160 next succeeding year.

161 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
162 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
163 Bonds shall be included in the calculation of Annual Debt Service, and references in this
164 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
165 upon the mandatory redemption of any Capital Appreciation Bonds.

166 Notwithstanding the foregoing, debt service on Parity Bonds with respect to
167 which a Payment Agreement is in force shall be calculated by the county to reflect the net
168 economic effect of the terms of the Parity Bonds and the applicable Payment Agreement,
169 in accordance with the requirements set forth in Section 23 of this ordinance.

170 From and after the date when no 2001 Bonds, 2002A Bonds, 2002B Bonds,
171 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007
172 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the
173 Reserve Requirement and satisfying the rate covenant in Section 18.A and the tests for
174 the issuance of Future Parity Bonds in Section 24, Annual Parity Debt Service for any
175 Fiscal Year or calendar year shall exclude any Debt Service Offsets.

176 "Bank Note" means the bank note authorized to be issued by Ordinance 12057 of
177 the county, as amended, to secure payment of the Commercial Paper Notes.

178 "Bond Register" means the registration books maintained by the Bond Registrar
179 for purposes of identifying ownership of the Bonds.

180 "Bond Registrar" means the fiscal agency of the State of Washington in either
181 Seattle, Washington, or New York, New York, for the purposes of registering and

182 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of
183 ownership of the Bonds and paying the principal of and interest and redemption
184 premium, if any, on the Bonds.

185 "Bonds" means all or a portion of the Project Bonds or the Refunding Bonds
186 issued pursuant to this ordinance.

187 "Capital Appreciation Bonds" means any Parity Bonds the interest on which is
188 compounded, accumulated and payable only upon redemption or on the maturity date of
189 such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital
190 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution
191 or motion authorizing their issuance. On the date on which Parity Bonds no longer are
192 Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount
193 equal to their Accreted Value.

194 "Certified Public Accountant" means an independent certified public accountant
195 (or firm of certified public accountants) selected by the county and having a favorable
196 national reputation.

197 "Closing" means the delivery of a series of the Bonds to, and payment of the
198 purchase price therefor by, the initial purchasers of such series of the Bonds.

199 "Code" means the Internal Revenue Code of 1986, as amended, together with
200 corresponding and applicable final, temporary or proposed regulations and revenue
201 rulings issued or amended with respect thereto by the United States Treasury Department
202 or the Internal Revenue Service, to the extent applicable to the Bonds.

203 "Commercial Paper Notes" means the King County, Washington, Sewer Revenue
204 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and
205 outstanding from time to time pursuant to Ordinance 12057 of the county, as amended.

206 "Commission" means the United States Securities and Exchange Commission.

207 "Comprehensive Plan" means the county's comprehensive water pollution
208 abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the
209 King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution
210 No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together
211 with any amendments hereafter approved by ordinance of the county.

212 "Construction Account" means the "Second Water Quality Construction
213 Account," as designated by Section 30 of Ordinance 12076 of the county.

214 "Credit Facility" means any letter of credit, standby bond purchase agreement,
215 line of credit, surety bond, insurance policy or other insurance commitment or similar
216 agreement (but not including a Payment Agreement), satisfactory to the county, that is
217 provided by a commercial bank, insurance company or other financial institution with a
218 current long term rating (or whose obligations thereunder are guaranteed by a financial
219 institution with a long term rating): (i) from Moody's and S&P not lower, when issued,
220 than the credit rating of any series of Parity Bonds, to provide support for a series of
221 Parity Bonds, and shall include any substitute therefor in accordance with the provisions
222 of the ordinance providing for the issuance of Parity Bonds supported by a Credit
223 Facility, or (ii) from Fitch, Moody's and S&P not lower, when issued, than the credit
224 rating of any series of Parity Lien Obligations, to provide support for a series of Parity
225 Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any

226 substitute therefor in accordance with the provisions of the ordinance providing for the
227 issuance of Parity Lien Obligations supported by a Credit Facility.

228 "Customers" means Residential Customers and Residential Customer Equivalents
229 as defined and determined in the existing Service Agreements.

230 "Debt Service Offset" means receipts of the county, including but not limited to
231 federal interest subsidy payments, designated as such by the county that are not included
232 in Gross Revenue and that are legally available to pay debt service on Parity Bonds,
233 Parity Lien Obligations or other obligations of the county payable from and secured by a
234 pledge of Gross Revenue.

235 "DTC" means The Depository Trust Company, New York, New York.

236 "Escrow Agent" means each corporate trustee chosen pursuant to the provisions of
237 Section 16 of this ordinance to serve as escrow agent in connection with the refunding of
238 Refunded Bonds upon the issuance of any series of Refunding Bonds.

239 "Finance Director" means the director of the finance and business operations
240 division of the county or his or her designee, or the successor to the duties of such office.

241 "Fitch" means Fitch Inc., and its successors and assigns, except that if such corporation
242 shall be dissolved or liquidated or shall no longer perform the functions of a securities
243 rating agency, then the term "Fitch" shall be deemed to refer to any other nationally
244 recognized securities rating agency selected by the county.

245 "Future Parity Bonds" means any sewer revenue bonds, warrants or other
246 obligations that may be issued in the future as Parity Bonds.

247 "Government Obligations" means those obligations now or hereafter defined as
248 such in Chapter 39.53 RCW, as now in existence or hereafter amended or restated.

249 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand
250 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,
251 2001, as authorized by Ordinances 14171 and 14172, and any other revenue bonds or
252 other revenue obligations having a lien on Revenue of the System equal to the lien
253 thereon of such bonds.

254 "Moody's" means Moody's Investors Service, a corporation duly organized and
255 existing under and by virtue of the laws of the State of Delaware, and its successors and
256 assigns, except that if such corporation is dissolved or liquidated or no longer performs
257 the functions of a securities rating agency, then the term "Moody's" will be deemed to
258 refer to any other nationally recognized securities rating agency selected by the county.

259 "MSRB" means the Municipal Securities Rulemaking Board or any successor to
260 its functions.

261 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal
262 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2009A
263 and Series 2009B Bonds, and any additional limited tax general obligation bonds of the
264 county payable from Revenue of the System and having the same lien on such revenue as
265 such bonds.

266 "Net Revenue" means Revenue of the System less Operating and Maintenance
267 Expenses.

268 "Operating and Maintenance Expenses" means all normal expenses incurred by
269 the county in causing the System to be maintained in good repair, working order and
270 condition and shall include payments to any private or governmental agency for the

271 operation or maintenance of facilities or for the disposal of sewage but shall exclude any
272 allowance for depreciation.

273 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"
274 designated pursuant to Section 30 of Ordinance 12076 of the county for the purpose of
275 paying and securing the payment of the Parity Bonds.

276 "Parity Bond Reserve Account" means the bond reserve account in the Parity
277 Bond Fund securing the payment of the Parity Bonds.

278 "Parity Bonds" means the bonds identified as such in the Preamble to this
279 ordinance, together with the Bonds and any Future Parity Bonds. "Parity Bonds" include
280 any Parity Payment Agreements and parity reimbursement agreements entered into with
281 the provider of a Credit Facility securing any Parity Bonds.

282 "Parity Lien Obligation Bond Fund" means the Water Quality Limited Tax
283 General Obligation Bond Redemption Fund, established pursuant to Section 8 of
284 Ordinance 11241 of the county, to provide for payment of Parity Lien Obligations.

285 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
286 which the county's payment obligations are expressly stated to constitute a charge and
287 lien on the Revenue of the System equal in rank with the charge and lien upon such
288 revenue securing amounts required to be paid into the Parity Lien Obligation Bond Fund
289 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

290 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
291 Term Bonds.

292 "Parity Lien Obligations" means bonds identified as such in the Preamble to this
293 ordinance and any future Parity Lien Obligations. "Parity Lien Obligations" include any

294 Parity Lien Obligation Payment Agreements and parity reimbursement agreements
295 entered into with the provider of a Credit Facility securing any Parity Lien Obligations. -

296 "Parity Payment Agreement" means a Payment Agreement under which the
297 county's payment obligations are expressly stated to constitute a charge and lien on the
298 Revenue of the System equal in rank with the charge and lien upon such revenue securing
299 amounts required to be paid into the Parity Bond Fund to pay and secure the payment of
300 principal of and interest on the Parity Bonds. -

301 "Parity Term Bonds" means Parity Bonds that are Term Bonds.

302 "Participant" means each city, town, county, water-sewer district, municipal
303 corporation, person, firm, private corporation or other entity that disposes of any portion
304 of its sanitary sewage into the Sewer System and has entered into a Service Agreement
305 with the county.

306 "Payment Agreement" means, to the extent permitted from time to time by
307 applicable law, a written agreement entered into by the county (i) in connection with or
308 incidental to the issuance, incurring or carrying of bonds or other obligations of the
309 county secured in whole or in part by a lien on Revenue of the System; (ii) for the
310 purpose of managing or reducing the county's exposure to fluctuations or levels of
311 interest rates, currencies or commodities or for other interest rate, investment, asset or
312 liability management purposes; (iii) with a Qualified Counterparty; and (iv) which
313 provides, on either a current or forward basis, for an exchange of payments determined in
314 accordance with a formula specified therein.

315 "Payment Agreement Payments" means the amounts periodically required to be
316 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The

317 term "Payment Agreement Payments" does not include any termination payment required
318 to be paid with respect to a Payment Agreement.

319 "Payment Agreement Receipts" means the amounts periodically required to be
320 paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

321 "Professional Utility Consultant" means a licensed professional engineer, a
322 Certified Public Accountant, or other independent person(s) or firm(s) selected by the
323 county having a favorable reputation for skill and experience with sewer systems of
324 comparable size and character to the System in such areas as are relevant to the purposes
325 for which they are retained.

326 "Project Bonds" means the \$475,000,000 aggregate principal amount of bonds of
327 the county authorized to be issued hereunder to pay costs of acquiring and constructing
328 improvements to the System. The Project Bonds may be issued in one or more series of
329 Parity Bonds or Parity Lien Obligations, as provided herein.

330 "Public Works Trust Fund Loans" means loans to the county by the State of
331 Washington Department of Commerce under the Public Works Trust Fund loan program
332 pursuant to loan agreements in effect as of the date of this ordinance and any loan
333 agreements hereafter entered into by the county under the Public Works Trust Fund loan
334 program, the repayment obligations of which are secured by a lien on Revenue of the
335 System equal to the lien thereon established by such loan agreements.

336 "Qualified Counterparty" means with respect to a Payment Agreement an entity
337 (i) whose senior long term debt obligations, other senior unsecured long term obligations
338 or claims paying ability or whose payment obligations under a Payment Agreement are
339 guaranteed by an entity whose senior long term debt obligations, other senior unsecured

