



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

July 20, 2010

Motion 13272

Proposed No. 2010-0230.2

Sponsors Patterson

1 A MOTION of the county council approving a bid for the
2 county's Sewer Revenue and Refunding Bonds, 2010, in
3 the aggregate principal amount of \$334,365,000 and
4 establishing certain terms of such bonds and a plan of
5 refunding, all in accordance with Ordinance 16868.

6 WHEREAS, the county council by Ordinance 16868 passed on June 28, 2010 (the
7 "Bond Ordinance"), authorized the issuance and sale of bonds of the county payable from
8 sewer revenues, as follows: (i) not to exceed \$475,000,000 principal amount of bonds to
9 pay costs of certain capital improvements to the county's sewer system (the "System") in
10 accordance with the county's comprehensive water pollution abatement plan (the "Project
11 Bonds") and (ii) not to exceed \$1,000,000,000 principal amount of bonds to refund
12 certain outstanding bonds payable from sewer revenues (the "Refunding Bonds"), and

13 WHEREAS, the Bond Ordinance authorizes such bonds to be sold in one or more
14 series, as Parity Bonds or Parity Lien Obligations (as such terms are defined in the Bond
15 Ordinance), as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and by negotiated
16 sale or competitive bid, as determined by the county's director of finance and business
17 operations division (the "Finance Director") in consultation with the county's financial
18 advisors, and

19 WHEREAS, the Finance Director has determined that \$300,000,000 principal
20 amount of Project Bonds (the "Project Portion") and \$34,365,000 principal amount of
21 Refunding Bonds (the "Refunding Portion") be sold in a series of Parity Bonds in the
22 aggregate principal amount of \$334,365,000 to be designated as the county's Sewer
23 Revenue and Refunding Bonds, 2010 (the "Bonds"), structured as Tax-Exempt Bonds,
24 and sold by competitive bid, and

25 WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement
26 dated July 8, 2010, has been prepared for the sale of the Bonds, the Official Notice of
27 Bond Sale (the "Notice") has been distributed, and bids have been received in accordance
28 with the Notice, and

29 WHEREAS, the attached bid of Banc of America Merrill Lynch (the "Purchaser")
30 to purchase the Bonds is the best bid received for the Bonds, and it is in the best interest
31 of the county that the Bonds be sold to the Purchaser on the terms set forth in the Notice,
32 the attached bid, the Bond Ordinance, and this motion, and

33 WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify
34 and confirm certain terms of the Bonds and approve a plan of refunding certain
35 outstanding sewer revenue bonds of the county from proceeds of the Refunding Portion,
36 as set forth herein;

37 NOW, THEREFORE, BE IT MOVED by the Council of King County:

38 A. Definitions. Except as expressly authorized herein, capitalized terms used
39 in this motion have the meanings set forth in the Bond Ordinance.

40 B. Ratification of Notice of Sale, Acceptance of Bid, and Authorization of
41 Bonds. The issuance of the Bonds, designated as set forth in the recitals of this motion,

42 and the terms and conditions thereof as set forth in the Official Notice of Bond Sale,
43 attached hereto as Attachment A (the "Notice"), are hereby ratified and confirmed, and
44 Purchaser's bid to purchase the Bonds, as set forth on Attachment B (the "Bid"), is hereby
45 accepted. The Bonds shall bear interest at the rates set forth in the Bid and shall conform
46 in all other respects to the terms and conditions specified in the Notice, Bid (adjusted by
47 the county's financial advisor, as shown on Attachment C, to accomplish the plan of
48 refunding set forth in Section E of this motion) and Bond Ordinance. The Bonds shall be
49 subject to redemption as set forth in the Notice and Bid.

50 C. Satisfaction of Parity Conditions. In accordance with the provisions of the
51 ordinances authorizing the issuance of the currently outstanding Parity Bonds, which
52 permit the issuance of additional Parity Bonds upon compliance with the conditions set
53 forth therein (the "Parity Conditions"), the county council hereby finds and determines, as
54 follows:

55 (i) The Project Portion of the Bonds is to be issued for the purpose of
56 acquiring, constructing and installing portions of the Comprehensive Plan and for
57 acquiring, constructing and installing necessary renewals or replacements of the System.

58 (ii) The Refunding Portion of the Bonds is to be issued for the purpose
59 of refunding and retiring prior to their maturity certain outstanding obligations of the
60 county payable from Revenue of the System.

61 (iii) There is not now, and when the Bonds are issued there will not
62 then be, any deficiency in the Parity Bond Fund or any account therein.

63 (iv) The Bond Ordinance provides for payment out of the Parity Bond
64 Fund of the principal of and interest on the Bonds and this motion provides for
65 satisfaction of the Reserve Requirement, as required by the Parity Conditions.

66 (v) The county will have on file at the Closing of the Bonds a
67 certificate of the Finance Director to satisfy the revenue test for issuance of Future Parity
68 Bonds required by the Parity Conditions.

69 The applicable Parity Conditions having been complied with in connection
70 with the issuance of the Bonds, the pledge contained in the Bond Ordinance of Revenue
71 of the System to pay and secure the payment of the Bonds shall constitute a lien and
72 charge upon such revenue equal in rank with the lien and charge upon the Revenue of the
73 System to pay and secure the payment of the outstanding Parity Bonds.

74 D. Application of Project Bond Proceeds; Satisfaction of Reserve
75 Requirement. In accordance with Section 15.A of the Bond Ordinance, there is hereby
76 established a special subaccount within the Construction Account to be designated as the
77 Series 2010 Construction Subaccount (the "Construction Subaccount"). Proceeds of the
78 Project Portion (exclusive of accrued interest, if any, which shall be deposited into the
79 Debt Service Account in the Parity Bond Fund) shall be deposited in the Construction
80 Subaccount and applied to pay costs of improvements to the System and costs of issuance
81 of the Project Portion, in accordance with Section 15.A of the Bond Ordinance.

82 In accordance with Section 9.C of the Bond Ordinance, proceeds of the Project
83 Portion shall be deposited into the Bond Reserve Account in an amount sufficient to
84 satisfy the Reserve Requirement with respect to the Bonds.

85 E. Refunding and Redemption of Refunded Bonds.

86 1. Plan of Refunding. In accordance with Sections 16 and 28 of the
 87 Bond Ordinance, the Finance Director has determined, in consultation with the county's
 88 financial advisors, that proceeds of the Refunding Portion shall be used to refund the
 89 following obligations of the county payable from sewer revenues pursuant to the plan of
 90 refunding set forth below and ratified and confirmed hereby:

91 Refunded Series 2001 Bonds

Maturity	Principal Amount	Interest Rate	Call Date
01/01/2013	\$3,775,000	5.250%	01/01/2012
01/01/2014	3,975,000	5.250	01/01/2012
01/01/2015	4,185,000	5.250	01/01/2012
01/01/2016	4,400,000	5.250	01/01/2012
01/01/2017	2,435,000	5.250	01/01/2012
01/01/2018	2,565,000	5.250	01/01/2012
01/01/2019	2,700,000	5.250	01/01/2012
01/01/2020	2,840,000	5.125	01/01/2012
01/01/2021	2,985,000	5.000	01/01/2012
01/01/2022	3,135,000	5.000	01/01/2012
01/01/2023	3,295,000	5.000	01/01/2012

92 The Refunded Series 2001 Bonds shall be referred to collectively in this motion
 93 as the Refunded Bonds. As provided in Section 16 of the Bond Ordinance, the King
 94 County Series 2010 Sewer System Bonds Refunding Account (the "Refunding Account")
 95 shall be established and maintained with the Escrow Agent (as identified below).

96 Proceeds of the Refunding Portion (exclusive of accrued interest, if any, which shall be
97 deposited into the Debt Service Account in the Bond Fund) shall be deposited in the
98 Refunding Account and used, together with other funds of the county, if necessary, to
99 purchase certain "Government Obligations" (which obligations so purchased are herein
100 called "Escrow Securities"), bearing such interest and maturing as to principal and
101 interest in such amounts and at such times that, together with any necessary beginning
102 cash balance, will provide for the payment of:

103 (a) the interest on the Refunded Bonds due and payable on and
104 prior to January 1, 2012; and

105 (b) the redemption price (100% of the principal amount)
106 payable on January 1, 2012, of the Refunded Bonds.

107 Any beginning cash balance and the Escrow Securities shall be irrevocably
108 deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds
109 in accordance with the ordinance authorizing the Refunded Bonds. Any amounts
110 described above that are not provided for in full by such beginning cash balance and the
111 purchase and deposit with the Escrow Agent of the Escrow Securities shall be provided
112 for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the
113 Refunding Portion or any other money of the county legally available therefor. The
114 proceeds of the Refunding Portion remaining in the Refunding Account after acquisition
115 of the Escrow Securities and provision for the necessary beginning cash balance shall be
116 utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and
117 the costs of issuing the Refunding Portion. The county may, from time to time, transfer,
118 or cause to be transferred, from the Refunding Account any money not thereafter required

119 for the purposes set forth in subparagraphs (a) and (b) above, subject to verification in
120 writing by an independent certified public accountant that such transfer will not result in
121 inadequate funds being available to make the required payments therefrom. The county
122 reserves the right to substitute other securities for the Escrow Securities in the event it
123 may do so pursuant to Section 148 of the Code and applicable regulations thereunder,
124 upon compliance with the conditions set forth in the Escrow Agreement.

125 The selection of U.S. Bank National Association as Escrow Trustee is hereby
126 ratified and confirmed.

127 2. Redemption of Refunded Bonds. The county hereby irrevocably sets
128 aside sufficient funds through the purchase of the Escrow Securities and an initial cash
129 deposit to make the payments, as specified in subparagraphs (a) and (b) above.

130 The county hereby irrevocably defeases and calls for redemption on January 1,
131 2012, the Refunded Bonds in accordance with the provisions of the ordinance authorizing
132 the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

133 Said defeasance and call for redemption of the Refunded Bonds shall be
134 irrevocable after the final establishment of the Refunding Account and delivery of the
135 Escrow Securities and the requisite cash deposit, if any, to the Escrow Agent, except as
136 provided herein relating to the substitution of securities. The Finance Director is
137 authorized and requested to provide whatever assistance is necessary to accomplish such
138 defeasance and redemption.

139 The Escrow Agent is hereby authorized and directed to notify the fiscal agency of
140 the State of Washington to give notice of the redemption of the Refunded Bonds in
141 accordance with the applicable provisions of the ordinance authorizing their issuance.

142 The Finance Director is authorized and requested to provide whatever assistance is
143 necessary to accomplish such redemption and the giving of notice therefor. The costs of
144 publication of such notice shall be an expense of the county.

145 The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or
146 agencies of the State of Washington sums sufficient to make, when due, the payments
147 specified in subparagraphs (a) and (b) above. All such sums shall be paid from the
148 money and the Escrow Securities deposited with the Escrow Agent pursuant to this
149 section, and the income therefrom and proceeds thereof. All such sums so paid shall be
150 credited to the Refunding Account. All money and Escrow Securities deposited with the
151 Escrow Agent and any income therefrom shall be held, invested and applied in
152 accordance with the provisions of the Bond Ordinance and with the laws of the State of
153 Washington for the benefit of the county and the owners of the Refunded Bonds.

154 3. Findings of Saving and Defeasance. This council hereby finds and
155 determines that the issuance and sale of the Refunding Portion at this time will effect a
156 savings to the county and ratepayers of the System. In making such finding and
157 determination, the council has given consideration to the interest on and the fixed
158 maturities of the Refunding Portion and the Refunded Bonds, the costs of issuance of the
159 Refunding Portion and the known earned income from the investment of the proceeds of
160 sale of the Refunding Portion pending redemption and payment of the Refunded Bonds.

161 This council hereby further finds and determines that the Escrow Securities to be
162 deposited with the Escrow Agent and the income therefrom, together with any necessary
163 beginning cash balance, are sufficient to defease and redeem the above-referenced
164 Refunded Bonds and will discharge and satisfy the obligations of the county with respect

165 to the Refunded Bonds under the ordinance authorizing their issuance and the pledges of
166 the county therein. Immediately upon the delivery of such Escrow Securities to the
167 Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded
168 Bonds shall be deemed not to be outstanding under their authorizing ordinance and shall
169 cease to be entitled to any lien, benefit or security under such ordinance except the right
170 to receive payment from the Escrow Securities and beginning cash balance so set aside
171 and pledged.

172 F. Undertaking to Provide Ongoing Disclosure.

173 1. Contract/Undertaking. In accordance with Section 31 of the Bond
174 Ordinance, this Section F constitutes the county's written undertaking for the benefit of
175 the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

176 2. Financial Statements/Operating Data. The county agrees to
177 provide or cause to be provided to the MSRB the following annual financial information
178 and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ended
179 December 31, 2010):

180 (a) Annual financial statements showing year-end fund balance for the
181 County's Water Quality Enterprise fund prepared in accordance with the Budget
182 Accounting and Reporting System prescribed by the Washington State Auditor pursuant
183 to RCW 43.09.200 (or any successor statutes) and generally of the type included in the
184 official statement for the Bonds under the heading "Appendix C: King County Water
185 Quality Enterprise 2009 Audited Financial Statements";

186 (b) Amount of outstanding Parity Bonds; and

187 (c) Information regarding customers, revenues and expenses of the
188 Sewer System generally in the form set forth in the Official Statement for the Bonds in
189 the table titled "Historical Customers, Revenues and Expenses."

190 Items (b) and (c) shall be required only to the extent that such information is not
191 included in the annual financial statements.

192 Such annual information and operating data described above shall be provided on
193 or before the end of seven months after the end of the county's fiscal year. The county's
194 fiscal year currently ends on December 31. The county may adjust such fiscal year by
195 providing written notice of the change of fiscal year to the MSRB. In lieu of providing
196 such annual financial information and operating data, the county may cross-refer to other
197 documents available to the public on the MSRB's internet website or filed with the
198 Commission.

199 If not provided as part of the annual financial information discussed above, the
200 county shall provide to the MSRB the county's audited annual financial statement
201 prepared in accordance with the Budget Accounting and Reporting System prescribed by
202 the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)
203 when and if available.

204 3. Material Events. The county agrees to provide or cause to be
205 provided, in a timely manner, to the MSRB notice of the occurrence of any of the
206 following events with respect to the Bonds, if material:

207 (a) Principal and interest payment delinquencies;

208 (b) Non-payment related defaults;

- 209 (c) Unscheduled draws on debt service reserves reflecting financial
210 difficulties;
- 211 (d) Unscheduled draws on credit enhancements reflecting financial
212 difficulties;
- 213 (e) Substitution of credit or liquidity providers, or their failure to
214 perform;
- 215 (f) Adverse tax opinions or events affecting the tax-exempt status of
216 the Bonds;
- 217 (g) Modifications to rights of Bond holders;
- 218 (h) Optional, contingent or unscheduled calls of any Bonds other than
219 scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act
220 Release 34-23856;
- 221 (i) Defeasances;
- 222 (j) Release, substitution or sale of property securing repayment of the
223 Bonds; and
- 224 (k) Rating changes.

225 Solely for purposes of disclosure, and not intending to modify this undertaking,
226 the county advises with reference to items (d), (e) and (j) above that no credit
227 enhancement, liquidity facility or property secures repayment of the Bonds.

228 4. Notification Upon Failure to Provide Financial Data. The county
229 agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its
230 failure to provide the annual financial information described in subsection 2 above on or
231 prior to the date set forth in subsection 2 above.

232 5. EMMA; Format for Filings with the MSRB. Until otherwise designated
233 by the MSRB or the Commission, any information or notices submitted to the MSRB in
234 compliance with the Rule are to be submitted through the MSRB's Electronic Municipal
235 Market Access system ("EMMA"), currently located at www.emma.msrb.org. All
236 notices, financial information and operating data required by this undertaking to be
237 provided to the MSRB must be in an electronic format as prescribed by the MSRB. All
238 documents provided to the MSRB pursuant to this undertaking must be accompanied by
239 identifying information as prescribed by the MSRB.

240 6. Termination/Modification. The county's obligations to provide annual
241 financial information and notices of material events shall terminate upon the legal
242 defeasance or payment in full of all of the Bonds. These obligations, or any provision of
243 this section, shall be null and void if the county (i) obtains an opinion of nationally
244 recognized bond counsel to the effect that those portions of the Rule that require these
245 obligations, or any such provision, are invalid, have been repealed retroactively or
246 otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the
247 cancellation of these obligations.

248 Notwithstanding any other provision of this motion, the county may amend this
249 Section F, and any provision of this Section F may be waived, with an approving opinion
250 of nationally recognized bond counsel and in accordance with the Rule.

251 In the event of any amendment or waiver of a provision of this Section F, the
252 county shall describe such amendment in the next annual report, and shall include, as
253 applicable, a narrative explanation of the reason for the amendment or waiver and its
254 impact on the type (or in the case of a change of accounting principles, on the

