



## King County

### Metropolitan King County Council Budget & Fiscal Management Committee

#### Staff Report

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Agenda item No:	5	Date:	May 15, 2012
Ordinance No:	2012-0121	Prepared by:	Patrick Hamacher

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#### **REVISED STAFF REPORT**

##### **SUBJECT:**

Proposed Ordinance 2012-0121 would delegate authority currently held by the King County Council to the Executive Finance Committee. Specifically, the Council would no longer be required to pre-approve authority for the Executive branch to issue refunding bonds to refinance existing debt issued by the County. Instead the Council would simply approve the final version of the bonds on the day of the sale.

##### **BACKGROUND:**

###### **Limited Tax General Obligation Bonds:**

LTGO bonds (also known as council manic bonds) are the type of bonds most 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 (UTGO) or simply general obligation bonds.

###### **Unlimited Tax General Obligation Bonds:**

UTGO have the full faith and credit of King County with the added security of being approved by the voters. This means that these bonds have a dedicated property tax stream to pay the debt service and are considered to be the most secure of the various debt instruments issued by municipalities. The County currently only has outstanding UTGO debt issued for the capital construction projects at Harborview Medical Center.

###### **Refunding Bonds:**

Refunding bonds are issued to “refinance” existing debt at lower interest rates. The closest analogy to the consumer banking world is refinancing a mortgage. When the county issues debt it is most often issued for a long time period at a fixed rate. Over time, the interest rate environment often changes such that the County is then paying higher rates on the outstanding debt than could be achieved with a new bond sale. In

these instances, the County can refund the existing debt and issue new debt at a lower rate. There are two typical types of refunding bond sales:

- **Advanced Refunding** – an advance refunding is done when the existing debt is not yet at its callable date (typically 10 years). In this case, the County issues new debt at the lower rate and holds the proceeds in escrow until the existing debt reaches its callable date. Under federal law, an advance refunding can only be done once per bond issue.
- **Current Refunding** – A current refunding is done when the existing debt has reached its callable date meaning the County can “call” the bonds and pay them off immediately and begin making payments on the “new” debt issued at the lower rate.

The Countywide Debt Management Policy was approved as part of Motion 12660. This policy, among other things, said that the County would not issue an advance refunding where the County did not achieve a present value savings of at least 5% of the remaining outstanding principle.

**ANALYSIS:**

Proposed Ordinance 2012-0121 would change the process for authorization and approval of refunding bonds. The current process has been in place for many years and involves the County Council approving an ordinance authorizing the refunding if conditions are right and then approving a “bond sale motion” on the day of the bond sale itself. The Executive’s proposal would replace the County Council preauthorization with a final approval by the Executive Finance Committee (EFC). In very simple turns the current process looks like following:

1. Identify a series of bonds that is likely to become eligible for refunding
2. Seek County Council approval of an ordinance (typically 60 days)
3. Market the sale
4. Sell the Bonds
5. Seek County Council approval of the final terms of the sale

The revised process would look as follows:

1. Identify a series that is likely to become eligible for refunding
2. Seek Executive Finance Committee of the sale (meets once per 30 days)
3. Market the sale
4. Sell the Bonds

The transmittal letter indicates that the new process would be more efficient than the current model that requires multiple legislative approvals. Instead, the Executive Finance Committee would be in charge of approving those sales.

It should be noted, however, that the process is likely only slightly more efficient than the current process. As noted, the Executive Finance Committee only meets once per month, as opposed to typically four monthly meetings of the County Council and two

monthly meetings of the Budget & Fiscal Management Committee. The major difference is the elimination of the requirement for final approval by the County Council.

Secondly, there is a potential conflict of delegating authority for refundings to the Director of the Finance and Business Operations Division (FBOD), and then also requiring that he seek approval from the EFC, a Committee on which the FBOD Director sits.

Finally, while the Executive Finance Committee does have a broad financial purview, historically, the EFC has not been involved to any degree in the specific instances of a particular county debt issue. The EFC has reviewed the debt management policy and recommended approval by the County Council and spends a lot of time in overseeing and managing the investment pool. This new responsibility would be a major departure from the typical work performed by the EFC.

If Councilmembers are comfortable with delegating additional authority to the Director of Finance and Business Operations, they may want to consider a more streamlined approach for approval of refunding bonds. Instead of substituting the EFC for the County Council, the authority could be fully delegated to the Director. Under this scenario, an amendment would be drafted that would delegate authority for managing the process to the Director of Finance and Business Operations.

The ordinance already references the adopted King County debt management policy goals for achieving savings targets in advanced refundings.

Additionally, there may be a desire by the County Council to continue to approve the final versions of the sale to maintain oversight authority that would most commonly be used to assure that the bond refundings have met the savings targets contained within the Debt Management Policy. If the final approval authority is not maintained by the County Council there can be no oversight assurances that bond sales meet the savings targets of the County.

If this model were approved, the new streamlined process for approval of the County's refunding bonds would look as follows:

1. Identify a series of bonds that is appropriate for refunding.
2. Market the sale
3. Sell the bonds
4. Seek County Council approval on the final terms of the sale

This scenario would eliminate the need for the intermediary legislative approval from either the Executive Finance Committee or the County Council. The primary reason for this step is to make sure that the sale would achieve the proper savings targets. The ordinance references the adopted debt management policy which contains savings targets. If, for some reason, the Executive ever sold bonds inconsistent with the debt

management policy, the Council could refuse to approve those bonds. This is a highly unlikely scenario.

Amendment 1 would amend the proposed ordinance to make the change. Specifically, it would delegate authority for refunding the county's existing debt to the Director of FBOD under the condition that for advanced refunding of bonds, at least 5% of outstanding principal be saved in the transaction. Additionally, it would require that the County Council approve the final versions of bond sales as has been the common practice.

**REASONABLENESS:**

Adoption of this ordinance, as amended, would constitute a reasonable business decision. .

**INVITED:**

Ken Guy, Director, Finance & Business Operations Division  
Nigel Lewis, Senior Debt Analyst, Finance Division  
Dwight Dively, Director, Office of Management and Budget  
Rob Shelley, Financial Advisor, Seattle Northwest

**ATTACHMENTS:**

1. Amendment 2
2. Proposed Ordinance 2012-0121
3. Transmittal Letter dated March 20, 2012

5/15/2012

phh

Sponsor: McDermott

Proposed No.: 2012-0121

1 **AMENDMENT TO PROPOSED ORDINANCE 2012-0121, VERSION 1**

2 On page 4, delete line 86

3 Beginning on page 32, line 700, delete everything through page 34, line 758 and insert:

4 **"SECTION 17. Sale of Bonds.**

5 A. Determination by Finance Director. The Finance Director shall identify, in  
6 consultation with the county's financial advisor, the Refunding Candidates eligible to be  
7 refunded by each Series of Bonds. The Finance Director may determine, in consultation  
8 with the county's financial advisor, the principal amount of each Series of the Bonds,  
9 whether the Bonds should be sold separately or in one or more combined Series, and  
10 whether each Series of Bonds should be sold by negotiated sale or by competitive bid.

11 The Finance Director, in consultation with the county's financial advisor, may  
12 determine it is in the county's best interest to provide for bond insurance or other credit  
13 enhancement, and may provide conditions or covenants relating thereto, including  
14 additional terms, conditions, and covenants relating to the Bonds that are required by the  
15 bond insurer, and are consistent with the provisions of this ordinance, including but not  
16 limited to restrictions on investments and requirements of notice to and consent of the  
17 bond insurer.

18           The county executive and the Finance Director are each separately authorized to  
19 execute and deliver, on behalf of the county, any contracts and other documents  
20 consistent with the provisions of this ordinance for which the county's approval is  
21 necessary or to which the county is a party and that are related or incidental to the  
22 issuance and sale of the Bonds or to the establishment of the interest rate or rates on the  
23 Bonds, including but not limited to agreements with bond insurers, underwriters, fiscal  
24 agencies and the Bond Registrar. The Finance Director may determine the amount, if  
25 any, from the proceeds of or accrued interest on the Bonds to be deposited into specified  
26 funds, subfunds, accounts, and subaccounts.

27           B. Procedure for Negotiated Sale. If the Finance Director determines that the any  
28 Series of Bonds should be sold by negotiated sale, the Finance Director shall, in  
29 accordance with applicable county procurement procedures, solicit one or more  
30 underwriting firms with which to negotiate the sale of those Bonds. The purchase  
31 contract for each Series of Bonds shall establish the year and Series designation,  
32 Additional Security, if applicable, date, aggregate principal amount, interest payment  
33 dates, interest rate(s), maturity schedule and principal amounts per maturity, and  
34 redemption provisions of such Series of Bonds. The county council authorizes the  
35 Finance Director to serve as its designated representative and to accept, on behalf of the  
36 county, an offer to purchase the Bonds, which offer must be consistent with the terms of  
37 this ordinance and with the Debt Management Policy.

38           C. Procedure for Sale by Competitive Bid. If the Finance Director determines  
39 that any Series of the Bonds should be sold by competitive bid, bids for the purchase of  
40 each Series of Bonds shall be received at such time or place and by such means as the

41 Finance Director shall direct. The Finance Director is authorized to prepare an official  
42 notice of bond sale for each Series of Bonds to be sold pursuant to competitive bid,  
43 establishing in such notice the year and series designation, date, estimated aggregate  
44 principal amount, interest payment dates, estimated maturity schedule and principal  
45 amount per maturity, and redemption provisions of such Bonds. After consultation with  
46 the county's financial advisor, the Finance Director may direct that the official notice of  
47 bond sale or an abridged form thereof be published in such newspapers or financial  
48 journals as may be deemed desirable or appropriate by Finance Director.

49         Upon the date and time established for the receipt of bids for a Series of Bonds,  
50 the Finance Director or his or her designee shall open the bids and shall cause the bids to  
51 be mathematically verified. The county council authorizes the Finance Director to serve  
52 as its designated representative and to accept, on behalf of the county, the winning bid to  
53 purchase the Bonds, which may be adjusted with respect to the aggregate principal  
54 amount and principal amount per maturity as reflected in the notice of acceptance of  
55 winning bid, and which must be consistent with the terms of this ordinance and with the  
56 Debt Management Policy.

57         NEW SECTION. SECTION 18. **Legislative Approval.** On the day of each  
58 refunding bond sale, the Executive shall forward a motion to the County Council  
59 approving the final version of the bonds. Until such a time as this motion has been  
60 approved, the bond sale shall not considered final."

61 **Renumber remaining sections accordingly**

62 **Delete Attachment A, Schedule of Refunding Candidates and insert Attachment A**  
63 **Schedule of Refunding Candidates dated May 15, 2012**

64

65 **EFFECT: Amends the ordinance to delegate to the Director of FBOD the**  
66 **responsibility for refunding existing county debt under certain conditions.**



## Attachment A: Schedule of Refunding Candidates May 15, 2012

LTGO REFUNDING CANDIDATES

Issue Name*	Dated Date	Original Par Amount (\$)	Outstanding Balance (\$) (5/15/2012)	Bond Legislation
LTGO Refunding Bonds, 2004, Series A	09/21/2004	57,045,000	28,210,000	ORD: 14890 Motion: 11986
LTGO Bonds, 2004, Series B	10/01/2004	82,435,000	61,985,000	ORD: 14167 as amended Motion: 12004
LTGO Refunding Bonds, 2005, Series A	06/29/2005	22,510,000	19,490,000	ORD: 14890 Motion: 12130
LTGO Refunding Bonds, 2006	12/14/2006	46,325,000	24,010,000	ORD: 15386 Motion: 12401
LTGO Bonds, 2007 Series C	11/01/2007	10,695,000	9,140,000	ORD: 14167 as amended Motion: 12607
VP LTGO Bonds, 2007, Series D	11/01/2007	34,630,000	29,725,000	ORD: 14991 Motion: 12607
VP LTGO Bonds, 2007, Series E	11/27/2007	43,705,000	37,260,000	ORD: 15925 Motion: 12630
LTGO Bonds, 2009, Series B	05/12/2009	34,810,000	31,945,000	ORD: 14167 as amended Motion: 12966
LTGO Refunding Bonds, 2009, Series C	12/10/2009	17,150,000	16,975,000	ORD: 15780 Motion: 13097
LTGO Refunding Bonds, 2010, Series A	10/28/2010	26,555,000	26,085,000	ORD: 15780 Motion: 13365
LTGO Bonds, 2010, Series B (Federally Taxable Build America Bonds)	12/01/2010	45,035,000	45,035,000	ORD: 16920 Motion: 13373
LTGO Bonds, 2010, Series C (Federally Taxable Recovery Zone Economic Development Bonds)	12/01/2010	23,165,000	23,165,000	ORD: 16920 Motion: 13374
LTGO Bonds, 2010, Series D (Federally Taxable Qualified Energy Conservation Bonds)	12/01/2010	5,825,000	5,825,000	ORD: 16920 Motion: 13375
LTGO Bonds, 2010, Series E (Federally Tax-Exempt)	12/01/2010	10,025,000	9,665,000	ORD: 16920 Motion: 13376
LTGO Refunding Bonds, 2011	08/01/2011	25,700,000	25,485,000	ORD: 15780 Motion: 13520
LTGO Bonds, 2011, Series D	12/21/2011	21,895,000	21,895,000	ORD: 17175 Motion: 13605
LTGO Bonds, 2012, Series A	3/29/2012	65,935,000	65,935,000	ORD: 16785 Motion: 13645
LTGO Bonds, 2012, Series B	5/8/2012	28,065,000	28,065,000	ORD: 16865 Motion: 13659
<b>Additional Security- Public Transportation Sales Tax</b>				
LTGO (Public Transportation Sales Tax) Refunding Bonds, 2002	11/05/2002	64,285,000	37,195,000	ORD: 14490 Motion: 11602
LTGO (Public Transportation Sales Tax) Bonds, 2004	06/08/2004	49,695,000	43,625,000	ORD: 14887 Motion: 11926

Attachment A: Schedule of Refunding Candidates May 15, 2012

\* LTGO – Limited Tax General Obligation  
 VP – Various Purpose

UTGO REFUNDING CANDIDATES

Issue Name*	Dated Date	Original Par Amount (\$)	Outstanding Balance (\$) (5/15/2012)	Bond Legislation
UTGO Refunding Bonds, 2003	04/23/2003	108,795,000	11,825,000	ORD: 14583 Motion: 11681
UTGO Bonds, 2004 (Harborview Medical Center)	05/04/2004	110,000,000	85,465,000	ORD: 14857 Motion: 11902
UTGO Bonds, Series 2004B (Harborview Medical Center)	10/01/2004	54,000,000	43,005,000	ORD: 14857 Motion: 11984
UTGO Refunding Bonds, 2009, Series A	12/10/2009	19,570,000	17,715,000	ORD: 16657 Motion: 13098

\*UTGO – Unlimited Tax General Obligation



**KING COUNTY**  
**Signature Report**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**May 15, 2012**

**Ordinance**

**Proposed No. 2012-0121.1**

**Sponsors McDermott**

1 AN ORDINANCE relating to contracting indebtedness;  
2 authorizing and providing for the issuance and sale of  
3 limited tax general obligation (LTGO) refunding bonds and  
4 unlimited tax general obligation refunding bonds, in one or  
5 more series, for the purpose of paying all or part of the cost  
6 of refunding certain of the county's outstanding limited tax  
7 general obligation bonds and unlimited tax general  
8 obligation bonds, and the costs of issuing and selling the  
9 bonds; providing for the terms, covenants and manner of  
10 sale of the bonds; and providing for agreements and  
11 activities in connection with the disposition of the proceeds  
12 of the Bonds.

13 **PREAMBLE:**

14 King County (the "county") has issued the limited tax general obligation  
15 bonds and unlimited tax general obligation bonds listed in and pursuant to  
16 the ordinances and motions set forth in Attachment A to this ordinance  
17 (the "Refunding Candidates").

18 The county has determined it to be in the best interest of the county that it  
19 authorize the issuance and sale, subject to the provisions of this ordinance,

20 of limited tax general obligation refunding bonds and unlimited tax  
21 general obligation refunding bonds (collectively, the "Bonds"), in one or  
22 more series, for the purpose of paying all or part of the cost of refunding  
23 all or a portion of the Refunding Candidates and of paying all or part of  
24 the costs of issuance and sale of the Bonds.

25 This ordinance will allow the refunding of any Refunding Candidates  
26 (including bonds later designated as Refunding Candidates consistent with  
27 this ordinance) only if the refunding provides a net present value savings  
28 which is in compliance with the county's Debt Management Policy  
29 (hereinafter defined).

30 RCW 39.53.020 authorizes the county to issue refunding bonds, and RCW  
31 39.53.100 provides that in computing indebtedness for the purpose of any  
32 constitutional or statutory debt limitation there shall be deducted from the  
33 amount of outstanding indebtedness the amounts of money and  
34 investments credited to, or on deposit for, general obligation bond  
35 retirement.

36 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

37 **SECTION 1. Definitions.** The following words and terms as used in this  
38 ordinance shall have the following meanings for all purposes of this ordinance, unless  
39 some other meaning is plainly intended.

40 "Acquired Obligations" means Government Obligations purchased to accomplish  
41 the refunding of the Refunded Bonds.

42 "Additional Security" means, with respect to any Series of Public Transportation  
43 Sales Tax (PTST) LTGO Refunding Bonds, an additional pledge of Two-tenths Sales  
44 Tax Revenues. "Additional Security" also shall mean any security pledged to the  
45 payment of Refunding Candidates in the related Refunded Bond Legislation other than  
46 and in addition to the full faith and credit pledge of the county.

47 "Authorized Denomination" means \$5,000 or any integral multiple thereof within  
48 a maturity, or such amount as may be established in the Sale Instrument.

49 "Bond Counsel" means a lawyer or a firm of lawyers, selected by the county, of  
50 nationally recognized standing in matters pertaining to bonds issued by states and their  
51 political subdivisions.

52 "Bond Fund" (collectively, the "Bond Funds") means one of the following funds  
53 as applicable: (1) for any Unlimited Tax General Obligation (UTGO) Refunding Bonds,  
54 that special fund of the county heretofore established to pay principal of and interest on  
55 all unlimited tax general obligation bonds of the county; (2) for any LTGO Refunding  
56 Bonds except PTST LTGO Refunding Bonds, that special fund of the county heretofore  
57 established to pay principal of and interest on all limited tax general obligation bonds of  
58 the county; or (3) for any PTST LTGO Refunding Bonds, the PTST Bond Fund. If any  
59 future Refunding Candidates with a pledge of Additional Security have a special bond  
60 fund created under the related Refunded Bond Legislation, "Bond Fund" also shall mean  
61 that special bond fund.

62 "Bond Redemption Account" means each account established within a Bond Fund  
63 pursuant to Section 13 of this ordinance to provide for the payment of debt service on a  
64 Series of the Bonds.

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

67 "Bond Registrar" means the fiscal agent of the State of Washington (as the same  
68 may be designated by the State of Washington from time to time) for the purposes of  
69 registering and authenticating the Bonds, maintaining the Bond Register, effecting the  
70 transfer of ownership of the Bonds and paying interest on and principal and premium, if  
71 any, of the Bonds, or an alternative designated by the Finance Director and set forth in  
72 the Sale Instrument.

73 "Bonds" means, collectively, the LTGO Refunding Bonds and the UTGO  
74 Refunding Bonds, issued in Series from time to time.

75 "Certificate of Finance Director" means a certificate of the Finance Director for  
76 each Series of Bonds making the findings and determinations set forth in Section 16 of  
77 this ordinance and, if not set forth in the Sale Instrument, shall include the Refunding  
78 Plan for that Series of Bonds.

79 "Closing Date" means the date on which a Series of Bonds is delivered to the  
80 initial purchaser or purchasers thereof upon payment in full therefor.

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

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

86 "Committee" means the Executive Finance Committee of the county.

87 "County" means King County, Washington.

88 "Council" means the Metropolitan King County Council.

89 "Debt Management Policy" means the county's debt management policy adopted  
90 by Council Motion 12660, as it may be amended from time to time.

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

92 "Escrow Agent" means for each Series of Bonds, the Finance Director, or the  
93 trustee or escrow agent, or any successor trustee or escrow agent, designated by the  
94 Finance Director.

95 "Federal Credit Payments" means amounts which the county is entitled to receive  
96 as a subsidy or tax credit payable by the United States Treasury to the county in respect  
97 of interest on any Bonds issued as Tax-Advantaged Bonds.

98 "Finance Director" means the director of the county finance and business  
99 operations division of the department of executive services of the county or any other  
100 county officer who succeeds to the duties now delegated to that office, or the designee of  
101 such officer.

102 "Future PTST Parity Bonds" means any bonds or other obligations that may be  
103 issued by the County in the future with a lien on the Two-tenths Sales Tax Revenue equal  
104 to the lien thereon of Outstanding PTST Parity Bonds and the PTST LTGO Refunding  
105 Bonds.

106 "Government Obligations" means "government obligations" as defined in chapter  
107 39.53 RCW, as now in existence or hereafter amended.

108 "Letter of Representations" means the Blanket Issuer Letter of Representations  
109 dated May 1, 1995, by and between the county and DTC, as it may be amended or  
110 replaced from time to time.

111 "LTGO Refunding Candidates" means all or a portion of the outstanding limited  
112 tax general obligation bonds of the county listed in Exhibit A hereto and all or a portion  
113 of any other county limited tax general obligation bonds that in the future are designated  
114 as LTGO Refunding Candidates in the applicable bond ordinance.

115 "LTGO Refunded Bonds" means all or that portion of the LTGO Refunding  
116 Candidates included in a Refunding Plan and refunded pursuant to this ordinance.

117 "LTGO Refunding Bonds" means the limited tax general obligation refunding  
118 bonds issued pursuant to this ordinance, including PTST LTGO Refunding Bonds.

119 "MSRB" means the Municipal Securities Rulemaking Board or any successor to  
120 its functions.

121 "Outstanding PTST Parity Bonds" means the County's outstanding Limited Tax  
122 General Obligation (Public Transportation Sales Tax) Refunding Bonds, 2002, issued  
123 pursuant to Ordinance 14490, Limited Tax General Obligation (Public Transportation  
124 Sales Tax) Bonds, 2004, issued pursuant to Ordinance 14887, Limited Tax General  
125 Obligation (Public Transportation Sales Tax) Refunding Bonds, 2009, issued pursuant to  
126 Ordinance 16231, and any other PTST Parity Bonds issued and outstanding prior to a  
127 specific Series of PTST LTGO Refunding Bonds.

128 "Public Transportation Sales Tax" or "PTST" means the sales and use tax  
129 authorized to be levied by the county pursuant to RCW 82.14.045 and which has  
130 heretofore been duly levied by the county.

131 "PTST Bond Fund" means the Limited Tax General Obligation Bond Redemption  
132 Fund" established pursuant to Ordinance 13128 with respect to all PTST Parity Bonds.



133 "PTST LTGO Refunding Bonds" means any Series of LTGO Refunding Bonds  
134 which have pledged Two-tenths Sales Tax Revenues as Additional Security.

135 "PTST Parity Bonds" means the Outstanding PTST Parity Bonds, the PTST  
136 LTGO Refunding Bonds and any Future PTST Parity Bonds.

137 "Rebate Amount" means the amount, if any, determined to be payable with  
138 respect to a Series of Bonds by the county to the United States of America in accordance  
139 with Section 148(f) of the Code.

140 "RCW" means the Revised Code of Washington.

141 "Refunded Bond Legislation" means the ordinances and motions of the county  
142 pursuant to which Refunded Bonds were issued.

143 "Refunded Bonds" means the LTGO Refunded Bonds and UTGO Refunded  
144 Bonds.

145 "Refunding Candidates" means the LTGO Refunding Candidates and the UTGO  
146 Refunding Candidates.

147 "Refunding Plan" means, with respect to the issuance of each Series of Bonds, the  
148 refunding of all or a portion of the Refunded Bonds through the issuance of such Series,  
149 as will be more particularly described in the Certificate of Finance Director or in the Sale  
150 Instrument.

151 "Refunding Escrow Agreement" means, with respect to each Series of Bonds, a  
152 refunding trust or escrow agreement between the county and an Escrow Agent (or  
153 arrangement determined by the Finance Director when the Finance Director serves as  
154 Escrow Agent), dated as of the Closing Date of such Series, providing for the safekeeping

155 of certain Bond proceeds and the refunding of all or a portion of the Refunding  
156 Candidates.

157 "Registered Owner" means any person or entity who shall be the registered owner  
158 of any Bond. For so long as the county utilizes the book-entry system for the Bonds  
159 under the Letter of Representations, Registered Owner shall mean DTC or its nominee.

160 "Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange  
161 Act of 1934, as the same may be amended from time to time.

162 "Sale Instrument" means, with respect to Bonds issued pursuant to a negotiated  
163 sale, the bond purchase contract and, with respect to Bonds issued pursuant to a  
164 competitive sale, the notice of sale, the winning bid and a notice of acceptance of bid  
165 from the Finance Director. Sale Instrument shall also include any bond sale motion with  
166 respect to a Series of Bonds combined for sale with a new money issue, or any bond sale  
167 motion when the council or the Finance Director determine that it is appropriate to use a  
168 bond sale motion with respect to a Series of Bonds.

169 "Sales Tax Revenues" means the amounts available for distribution to the county  
170 by the state treasurer pursuant to RCW 82.14.060 on account of the Public Transportation  
171 Sales Tax.

172 "Series of Bonds" or "Bonds of a Series" or "Series" means a series of Bonds  
173 issued pursuant to this ordinance.

174 "State" means the State of Washington.

175 "Tax Certificate" means a certificate with respect to certain federal tax matters  
176 executed on behalf of the county upon the issuance of each Series of Bonds.

177 "Tax-Advantaged Bonds" means any Bonds other than Tax-Exempt Bonds that  
178 are designated by the county as Bonds with respect to which the county is eligible to  
179 receive Federal Credit Payments or the holders of which are eligible to receive a federal  
180 tax credit under any federal subsidy or credit program available under the Code.

181 "Tax-Exempt Bonds" means any Bond the interest on which is excludable from  
182 gross income of the beneficial owner for the purposes of federal income tax.

183 "Term Bonds" means those outstanding Bonds or obligations of any single issue  
184 or Series maturing in any one year for the retirement of which regularly recurring annual  
185 deposits are required to be made into a Bond Fund prior to the scheduled maturity of such  
186 Bonds sufficient to pay the same at or prior to their maturity.

187 "Two-tenths Sales Tax Revenues" means that portion of the Sales Tax Revenues  
188 generated by a sales and use tax rate of 2/10 of 1%, which has been pledged to secure the  
189 payment of the PTST Parity Bonds, and the further use of which for capital and operating  
190 purposes is established by Ordinance 11661 of the county, passed on January 23, 1995.

191 "Undertaking" means an ongoing disclosure undertaking with respect to any  
192 public offer or sale of a Series of Bonds consistent with the requirements of paragraph  
193 (b)(5) of the Rule, as described in Section 21.

194 "UTGO Refunding Candidates" means all or a portion of the outstanding  
195 unlimited tax general obligation bonds of the county listed in Exhibit A hereto and all or  
196 a portion of any other county unlimited tax general obligation bonds that in the future are  
197 designated as UTGO Refunding Candidates in the applicable bond ordinance.

198 "UTGO Refunded Bonds" means all or that portion of the UTGO Refunding  
199 Candidates included in a Refunding Plan and refunded pursuant to this ordinance.

200 "UTGO Refunding Bonds" means the unlimited tax general obligation refunding  
201 bonds issued pursuant to this ordinance.

202 **SECTION 2. Purpose, Authorization and Description of Bonds; Allocation of**  
203 **Bonds to Refunded Bonds.**

204 A. Purpose and Authorization of LTGO Refunding Bonds. For the purpose of  
205 providing all or part of the funds with which to pay the cost of refunding, defeasing, or  
206 refunding and defeasing, the LTGO Refunded Bonds and to pay all or part of the costs of  
207 issuing and selling the LTGO Refunding Bonds, the county is authorized to borrow  
208 money on the credit of the county and issue LTGO Refunding Bonds evidencing that  
209 indebtedness in the maximum principal amount which, together with other limited tax  
210 general obligation bonds, is consistent with the Debt Management Policy and does not  
211 exceed the county's nonvoted debt capacity at the time of issuance of those LTGO  
212 Refunding Bonds.

213 B. Purpose and Authorization of UTGO Refunding Bonds. For the purpose of  
214 providing all or part of the funds with which to pay the cost of refunding, defeasing, or  
215 refunding and defeasing, the UTGO Refunded Bonds and to pay all or part of the costs of  
216 issuing and selling the UTGO Refunding Bonds, the county is authorized to borrow  
217 money on the credit of the county and issue UTGO Refunding Bonds evidencing that  
218 indebtedness in the maximum principal amount which, together with other unlimited tax  
219 general obligation bonds, is consistent with the Debt Management Policy and does not  
220 exceed the county's debt capacity at the time of issuance of those UTGO Refunding  
221 Bonds, so long as the annual principal and interest payments on those UTGO Refunding  
222 Bonds is consistent with RCW 39.53.090.

223 C. Description. The Bonds may be issued in one or more Series; may be  
224 combined with other general obligation bonds authorized separately; shall have such year  
225 and Series or other designation as determined by the Finance Director consistent with the  
226 provisions of this ordinance; shall be in Authorized Denominations; and shall be  
227 numbered separately, in the manner and with any additional designation as the Bond  
228 Registrar deems necessary for the purpose of identification. Each Series of Bonds shall  
229 be dated as of the date established in the Sale Instrument. All or some of any Series of  
230 Bonds may be Term Bonds, as specified in the Sale Instrument.

231 Each Series of Bonds will bear interest (computed on the basis of a 360-day year  
232 of twelve 30-day months) from their date or from the most recent interest payment date  
233 for which interest has been paid or duly provided for, whichever is later, payable  
234 semiannually on interest payment dates to be determined by the Finance Director in  
235 consultation with the county's financial advisor. The Bonds shall bear interest at the rate  
236 or rates set forth in the Sale Instrument, except that the true interest cost for each Series  
237 shall not exceed the average interest rate on the Refunded Bonds being refunded.

238 The Bonds shall mature on principal payment dates to be determined by the  
239 Finance Director in consultation with the county's financial advisor. The various  
240 maturities of Bonds issued to refund Refunded Bonds shall not extend over a longer  
241 period of time than those Refunded Bonds unless the county council extends the  
242 maturities by motion and unless otherwise permitted by RCW 39.53.090.

243 D. Allocation of the Bonds to the Refunded Bonds. The Finance Director  
244 shall, in the Sale Instrument or the Tax Certificate, allocate the Series of Bonds to the  
245 various series of the Refunded Bonds in such manner as will comply with applicable

246 requirements of the Code, meet restrictions in State law concerning the refunding of  
247 voter-approved Refunded Bonds, and effectuate any other allocation deemed necessary or  
248 appropriate for accounting and debt administration purposes.

249 **SECTION 3. Registration, Exchange and Payments.**

250 A. Bond Registrar/Bond Register. In accordance with KCC 4.84, the county  
251 hereby adopts for the Bonds the system of registration specified and approved by the  
252 Washington State Finance Committee, which utilizes the fiscal agent of the State as  
253 registrar, authenticating agent, paying agent and transfer agent (the "Bond Registrar").  
254 The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office,  
255 sufficient books for the registration and transfer of the Bonds (the "Bond Register"),  
256 which shall be open to inspection by the county at all times. The Bond Register shall  
257 contain the name and mailing address of the owner of each Bond and the principal  
258 amount and number of each of the Bonds held by each owner. The Bond Registrar is  
259 authorized, on behalf of the county, to authenticate and deliver Bonds transferred or  
260 exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as  
261 the county's paying agent for the Bonds and to carry out all of the Bond Registrar's  
262 powers and duties under this ordinance.

263 The Bond Registrar shall be responsible for its representations contained in the  
264 Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may  
265 become the Registered Owner of Bonds with the same rights it would have if it were not  
266 the Bond Registrar and, to the extent permitted by law, may act as depository for and  
267 permit any of its officers or directors to act as members of, or in any other capacity with  
268 respect to, any committee formed to protect the rights of Registered Owners.

269           B. Registered Ownership. The Bonds shall be issued only in registered form as  
270 to both principal and interest and shall be recorded on the Bond Register. The county and  
271 the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of  
272 each Bond as the absolute owner thereof for all purposes, and neither the county nor the  
273 Bond Registrar shall be affected by any notice to the contrary. Payment of any such  
274 Bond shall be made only as described in Section 3.E hereof, but such registration may be  
275 transferred as herein provided. All such payments made as described in Section 3.E shall  
276 be valid and shall satisfy and discharge the liability of the county upon such Bond to the  
277 extent of the amount or amounts so paid.

278           C. Use of Depository. The Bonds of each Series initially shall be registered in  
279 the name of Cede & Co., as the nominee of DTC; however, if DTC shall request that the  
280 Bonds be registered in the name of a different nominee, the Bond Registrar shall  
281 exchange all or any portion of the Bonds for an equal aggregate principal amount of  
282 Bonds registered in the name of such other nominee or nominees of DTC. The Bonds so  
283 registered shall be held in fully immobilized form by DTC as depository in accordance  
284 with the provisions of the Letter of Representations. Neither the county nor the Bond  
285 Registrar shall have any responsibility or obligation to DTC participants or the persons  
286 for whom they act as nominees with respect to the Bonds regarding accuracy of any  
287 records maintained by DTC or DTC participants, the payment by DTC or any DTC  
288 participants of any amount in respect of principal or redemption price of or interest on the  
289 Bonds, any notice which is permitted or required to be given to Registered Owners  
290 hereunder (except such notice as is required to be given by the Bond Registrar to DTC),  
291 the selection by DTC or any DTC participant of any person to receive payment in the

292 event of a partial redemption of such Bonds or any consent given or other action taken by  
293 DTC as owner of such Bonds.

294 For as long as any Series of Bonds are held in fully immobilized form, DTC, its  
295 nominee or its successor depository shall be deemed to be the Registered Owner for all  
296 purposes hereunder and all references to registered owners, bondowners, bondholders or  
297 the like shall mean DTC or its nominee and shall not mean the owners of any beneficial  
298 interests in such Bonds. Registered ownership of such Bonds, or any portions thereof,  
299 may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if  
300 that successor shall be qualified under any applicable laws to provide the services  
301 proposed to be provided by it; (ii) to any substitute depository appointed by the Finance  
302 Director or such substitute depository's successor; or (iii) to any person if the Bonds are  
303 no longer held in immobilized form.

304 Upon the resignation of DTC or its successor (or any substitute depository or its  
305 successor) from its functions as depository, or a determination by the Finance Director  
306 that the county no longer wishes to continue the system of book-entry transfers through  
307 DTC or its successor (or any substitute depository or its successor), the Finance Director  
308 may appoint a substitute depository. Any such substitute depository shall be qualified  
309 under any applicable laws to provide the services proposed to be provided by it.

310 If (i) DTC or its successor (or substitute depository or its successor) resigns from  
311 its functions as depository, and no substitute depository can be obtained, or (ii) the county  
312 determines that the Bonds of any Series are to be in certificated form, the ownership of  
313 those Bonds may be transferred to any person as provided herein and those Bonds no  
314 longer shall be held in fully immobilized form.



315           D. Registration Covenant. The county covenants that, until all Bonds have been  
316 surrendered and canceled, it will maintain a system for recording the ownership of each  
317 Bond that complies with the provisions of Section 149 of the Code.

318           E. Place and Medium of Payment. Principal of, premium, if any, and interest on  
319 the Bonds shall be payable in lawful money of the United States of America. For so long  
320 as the Bonds of any Series are in fully immobilized form, payments of principal and  
321 interest thereon shall be made as provided in accordance with the operational  
322 arrangements of DTC referred to in the Letter of Representations. If the Bonds of any  
323 Series are no longer in fully immobilized form, interest on those Bonds shall be paid by  
324 checks or drafts of the Bond Registrar mailed on the interest payment date to the  
325 Registered Owners at the addresses appearing on the Bond Register on the 15th day of  
326 the month preceding the interest payment date or by electronic transfer on the interest  
327 payment date. The county shall not be required to make electronic transfers except to a  
328 Registered Owner of Bonds pursuant to a request in writing received at least 10 days  
329 before an interest payment date, and any such electronic transfer shall be at the sole  
330 expense of that Registered Owner. Principal of the Bonds shall be payable upon  
331 presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar.

332           F. Transfer or Exchange of Registered Ownership; Change in Denominations.  
333 The registered ownership of any Bond may be transferred or exchanged, but no transfer  
334 of any Bond shall be valid unless it is surrendered to the Bond Registrar with the  
335 assignment form appearing on such Bond duly executed by the Registered Owner or such  
336 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar.  
337 Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall

338 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a  
339 new Bond (or Bonds at the option of the new Registered Owner) of the same Series, date,  
340 maturity and interest rate and for the same aggregate principal amount in any Authorized  
341 Denomination, naming as Registered Owner the person or persons listed as the assignee  
342 on the assignment form appearing on the surrendered Bond, in exchange for such  
343 surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar  
344 and exchanged, without charge, for an equal aggregate principal amount of Bonds of the  
345 same Series, date, maturity and interest rate, in any Authorized Denomination. The Bond  
346 Registrar shall not be obligated to exchange or transfer any Bond during the 15 days  
347 preceding any principal payment or redemption date, or, in the case of any proposed  
348 redemption of the Bonds, after the mailing of notice of the call of such Bonds for  
349 redemption.

350           **SECTION 4. Redemption Provisions; Open Market Purchase of Bonds.**           A. Optional Redem

351 comply with the Code, such optional redemption date for any Series shall be no later than  
352 10½ years from the issue date of that Series and that no redemption price shall be greater  
353 than 102% of par. Portions of the principal amount of any Bond, in any Authorized  
354 Denomination, may be redeemed.

355           B. Mandatory Redemption. The county shall redeem Term Bonds of any Series,  
356 if not previously redeemed under any optional redemption provisions or purchased and  
357 surrendered for cancellation under the provisions set forth below, by lot (or in such other  
358 manner as the Bond Registrar shall determine) at par plus accrued interest on the dates  
359 and in the years and principal amounts as set forth in the related Sale Instrument.

360           If the county redeems Term Bonds under any optional redemption provisions or  
361 purchases Term Bonds for surrender and cancellation as set forth below, the Term Bonds  
362 so redeemed or purchased (irrespective of their redemption or purchase prices) shall be  
363 credited at the par amount thereof against the remaining mandatory redemption  
364 requirements in a manner to be determined by the Finance Director or, if no such  
365 determination is made, on a pro-rata basis.

366           C. Partial Redemption. If fewer than all of the Bonds of a Series subject to  
367 optional redemption are called for redemption, the county shall choose the maturities to  
368 be redeemed. If fewer than all of the Bonds of a Series maturing on the same date are  
369 called for redemption, the Bond Registrar shall select for redemption such Bonds or  
370 portions thereof randomly, or in such other manner as the Bond Registrar shall determine,  
371 except that, for so long as the Bonds are registered in the name of DTC or its nominee,  
372 DTC shall select for redemption such Bonds or portions thereof in accordance with the  
373 Letter of Representations. In no event shall any Bond be outstanding in a principal  
374 amount that is not an Authorized Denomination.

375           If less than all of the principal amount of any Bond is redeemed, upon surrender  
376 of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without  
377 charge therefor, a new Bond (or Bonds, at the option of the Registered Owner) of the  
378 same Series, maturity and interest rate in any Authorized Denominations in the aggregate  
379 total principal amount remaining unredeemed.

380           D. Purchase of Bonds. The county further reserves the right and option to  
381 purchase any or all of the Bonds at any time at any price.

382 E. Cancellation of Bonds. All Bonds purchased or redeemed under this section  
383 shall be canceled.

384 **SECTION 5. Notice and Effect of Redemption.**

385 A. Notice of Redemption. While Bonds are held by DTC in book-entry only  
386 form, any notice of redemption shall be given at the time, to the entity and in the manner  
387 required by DTC in accordance with the Letter of Representations, and the Bond  
388 Registrar shall not be required to give any other notice of redemption. If the Bonds cease  
389 to be in book-entry only form, unless waived by any Registered Owner of the Bonds to  
390 be redeemed, the county shall cause notice of any intended redemption of Bonds to be  
391 given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed  
392 for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond  
393 to be redeemed at the address appearing on the Bond Register at the time the Bond  
394 Registrar prepares the notice. The requirements of this section shall be deemed to have  
395 been fulfilled when notice has been mailed as so provided, whether or not it is actually  
396 received by the owner of any Bond.

397 In the case of an optional redemption, the notice may state that the county retains  
398 the right to rescind the redemption notice and the related optional redemption of Bonds  
399 by giving a notice of rescission to the affected Registered Owners at any time prior to the  
400 scheduled optional redemption date. Any notice of optional redemption that is so  
401 rescinded shall be of no effect, and the Bonds for which the notice of optional redemption  
402 has been rescinded shall remain outstanding.

403 In addition, the redemption notice shall be mailed or sent electronically within the  
404 same period to the MSRB, consistent with the Undertaking, to any nationally recognized

405 rating agency which at the time maintains a rating on the Bonds at the request of the  
406 county, and to such other persons and with such additional information as the Finance  
407 Director shall determine, but these additional mailings shall not be a condition precedent  
408 to the redemption of Bonds.

409       B. Effect of Redemption. Interest on Bonds called for redemption shall cease to  
410 accrue on the date fixed for redemption, except in the case of a rescinded optional  
411 redemption as described above, or unless the Bond or Bonds called are not redeemed  
412 when presented pursuant to the call.

413       SECTION 6. Failure to Redeem Bonds. If any Bond is not redeemed when  
414 properly presented at its maturity or date set for redemption, the county shall be obligated  
415 to pay interest on that Bond at the same rate provided in the Bond from and after its  
416 maturity or date set for redemption until that Bond, both principal and interest, is paid in  
417 full or until sufficient money for its payment in full is on deposit in the applicable Bond  
418 Fund and the Bond has been called for payment by giving notice of that call to the  
419 Registered Owner.

420       SECTION 7. Form and Execution of Bonds. The Bonds shall be prepared in a  
421 form consistent with the provisions of this ordinance and State law and shall be signed by  
422 the county executive and the clerk of the council, either or both of whose signatures may  
423 be manual or in facsimile, and the seal of the county or a facsimile reproduction thereof  
424 shall be impressed or printed thereon.

425       Only Bonds bearing a Certificate of Authentication in the following form,  
426 manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or  
427 entitled to the benefits of this ordinance: "Certificate of Authentication. This Bond is

428 one of the fully registered King County, Washington, [appropriate name, year and series  
429 designation], described in the Bond Ordinance." The authorized signing of a Certificate  
430 of Authentication shall be conclusive evidence that the Bond so authenticated has been  
431 duly executed, authenticated and delivered and is entitled to the benefits of this  
432 ordinance.

433 If any officer whose facsimile signature appears on the Bonds ceases to be an  
434 officer of the county authorized to sign bonds before the Bonds bearing his or her  
435 facsimile signature are authenticated or delivered by the Bond Registrar or issued by the  
436 county, those Bonds nevertheless may be authenticated, issued and delivered and, when  
437 authenticated, issued and delivered, shall be as binding on the county as though that  
438 person had continued to be an officer of the county authorized to sign bonds. Any Bond  
439 also may be signed on behalf of the county by any person who, on the actual date of  
440 signing of the Bond, is an officer of the county authorized to sign bonds, although he or  
441 she did not hold the required office on the date of issuance of the Bonds.

442 **SECTION 8. Mutilated, Lost or Destroyed Bonds.** If any Bond shall become  
443 mutilated, the Bond Registrar shall authenticate and deliver a new Bond of like amount,  
444 date, series, interest rate and tenor in exchange and substitution for the Bond so  
445 mutilated, upon the owner's paying the expenses and charges of the county and the Bond  
446 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond  
447 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by  
448 the Bond Registrar.

449 In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond  
450 Registrar may authenticate and deliver a new Bond or Bonds of like amount, date, series,

451 interest rate and tenor to the Registered Owner thereof upon the owner's paying the  
452 expenses and charges of the county and the Bond Registrar in connection therewith and  
453 upon his/her filing with the Bond Registrar evidence satisfactory to the Bond Registrar  
454 that such Bond or Bonds were actually lost, stolen or destroyed and of his/her ownership  
455 thereof, and upon furnishing the county and the Bond Registrar with indemnity  
456 satisfactory to the Finance Director and the Bond Registrar.

457       **SECTION 9. UTGO Refunding Bonds - Pledge of Taxation and Credit.** For  
458 so long as any of the UTGO Refunding Bonds remain outstanding and unpaid, the county  
459 irrevocably pledges, that unless the principal of and interest on the UTGO Refunding  
460 Bonds are paid from other sources, it will make annual levies of taxes without limitation  
461 as to rate or amount upon all property within the county subject to taxation in amounts  
462 sufficient to pay such principal and interest as the same shall become due and will pay the  
463 same into the Bond Fund for the UTGO Refunding Bonds. All of those taxes so  
464 collected and any other money to be used for such purposes shall be paid into the Bond  
465 Fund for the UTGO Refunding Bonds no later than the date such funds are required for  
466 the payment of principal of and interest on the UTGO Refunding Bonds.

467       The full faith, credit, and resources of the county are pledged irrevocably for the  
468 annual levy and collection of those taxes and for the prompt payment of that principal  
469 and interest.

470       **SECTION 10. Security for LTGO Refunding Bonds.**

471       A. Pledge of General Taxation and Credit. For so long as any of the LTGO  
472 Refunding Bonds remain outstanding and unpaid, the county irrevocably covenants and  
473 agrees that each year it will include in its budget and levy an *ad valorem* tax upon all the

474 property within the county subject to taxation in an amount that will be sufficient,  
475 together with all other revenues and money of the county legally available for such  
476 purposes, to pay the principal of and interest on the LTGO Refunding Bonds as the same  
477 shall become due. All of such taxes so collected and any other money to be used for such  
478 purposes shall be paid into the applicable Bond Fund for the LTGO Refunding Bonds no  
479 later than the date such funds are required for the payment of principal of and interest on  
480 the LTGO Refunding Bonds.

481         The county irrevocably pledges that the annual tax provided for herein to be  
482 levied for the payment of such principal and interest shall be within and as a part of the  
483 tax levy permitted to counties without a vote of the people, and that a sufficient portion of  
484 each annual levy to be levied and collected by the county prior to the full payment of the  
485 principal of and interest on the LTGO Refunding Bonds will be and is hereby irrevocably  
486 set aside, pledged and appropriated for the payment of the principal of, premium, if any,  
487 and interest on the LTGO Refunding Bonds.

488         The full faith, credit and resources of the county are irrevocably pledged for the  
489 annual levy and collection of such taxes and for the prompt payment of such principal  
490 and interest as the same shall become due.

491         B. Additional Security Pledge. If a Series of LTGO Refunding Bonds refunds  
492 LTGO Refunding Candidates having a pledge of Additional Security under the related  
493 Refunded Bond Legislation, such Additional Security also shall be pledged to the  
494 payment of that Series of LTGO Refunding Bonds.

495         **SECTION 11. Covenants and Warranties.** The county makes the following  
496 covenants and warranties:



497           A. The county has full legal right, power and authority to enact this ordinance, to  
498 sell, issue and deliver the Bonds as provided herein, and to carry out and consummate all  
499 other transactions contemplated by this ordinance.

500           B. By all necessary official action prior to or concurrently herewith, the county  
501 has duly authorized and approved the execution and delivery of, and the performance by  
502 the county of its obligations contained in, the Bonds and in this ordinance and the  
503 consummation by it of all other transactions necessary to effectuate this ordinance in  
504 connection with the issuance of the Bonds, and such authorizations and approvals are in  
505 full force and effect and have not been amended, modified or supplemented in material  
506 respect.

507           C. This ordinance constitutes a legal, valid and binding obligation of the county.

508           D. The Bonds, when issued, sold, authenticated and delivered will constitute the  
509 legal, valid and binding general obligations of the county.

510           E. The enactment of this ordinance, and compliance on the county's part with the  
511 provisions contained herein, will not conflict with or constitute a breach of or default  
512 under any constitutional provisions, law, administrative regulation, judgment, decree,  
513 loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other  
514 instrument to which the county is a party or to which the county or any of its property or  
515 assets are otherwise subject, nor will any such adoption, execution, delivery, sale,  
516 issuance or compliance result in the creation or imposition of any lien, charge or other  
517 security interest or encumbrance of any nature whatsoever upon any of the property or  
518 assets of the county or under the terms of any such law, regulation or instrument, except  
519 as may be provided by the Bonds and this ordinance.

520 F. The county covenants that each Series of Bonds shall be issued within all  
521 statutory and constitutional debt limitations applicable to the county.

522 G. None of the proceeds of the Bonds will be used for any purpose other than as  
523 provided in this ordinance, and the county shall not suffer any amendment or supplement  
524 to this ordinance, or any departure from the due performance of the obligations of the  
525 county hereunder, which might materially adversely affect the rights of the owners from  
526 time to time of the Bonds.

527 H. The county covenants to meet any parity requirements under any Refunded  
528 Bond Legislation still in effect at the time Bonds are issued to refund the related  
529 Refunding Candidates.

530 **SECTION 12. Tax Covenants.** The county covenants that it will take all actions  
531 necessary to prevent interest on the Tax-Exempt Bonds from being included in gross  
532 income for federal income tax purposes, and it will neither take any action nor make or  
533 permit any use of proceeds of the Tax-Exempt Bonds or other funds of the county treated  
534 as proceeds of the Tax-Exempt Bonds at any time during the term of the Tax-Exempt  
535 Bonds which will cause interest on the Tax-Exempt Bonds to be included in gross income  
536 for federal income tax purposes. The county also covenants that it will, to the extent the  
537 arbitrage rebate requirement of Section 148 of the Code is applicable to the Tax-Exempt  
538 Bonds, take all actions necessary to comply (or to be treated as having complied) with  
539 that requirement in connection with the Tax-Exempt Bonds, including the calculation and  
540 payment of any penalties that the county has elected to pay as an alternative to  
541 calculating rebatable arbitrage, and the payment of any other penalties if required under

542 Section 148 of the Code to prevent interest on the Tax-Exempt Bonds from being  
543 included in gross income for federal income tax purposes.

544 The county also covenants that the county will not take or permit to be taken on  
545 its behalf any action that would adversely affect the entitlement of the county to receive  
546 from the United States Treasury the applicable Federal Credit Payments in respect of  
547 Tax-Advantaged Bonds, or the entitlement of the beneficial owners to receive tax credits  
548 in respect of Tax-Advantaged Bonds.

549 **SECTION 13. Bond Funds.**

550 A. General. There previously have been created and established the Bond Funds,  
551 which shall each at all times be completely segregated and set apart from all other funds  
552 and accounts of the county. Bond Redemption Accounts are authorized to be created  
553 within the Bond Fund for each Series, except within the PTST Bond Fund. There  
554 previously has been created in the PTST Bond Fund the Interest Account, the Serial Bond  
555 Principal Account and the Term Bond Principal Account. Accrued interest on the Bonds  
556 received from the sale and delivery of the Bonds, if any, together with any net premium  
557 received from the sale and delivery of the Bonds that is not necessary to carry out the  
558 Refunding Plan, shall be paid or allocated into the applicable Bond Fund prior to the first  
559 debt service payment date with respect to those Bonds. All taxes and Additional Security  
560 collected for and allocated to the payment of the principal of and interest on a Series of  
561 Bonds shall be deposited in the applicable Bond Fund. With respect to any PTST LTGO  
562 Refunding Bonds, payments into and out of the PTST Bond Fund and accounts therein  
563 shall be in accordance with the provisions of the related Refunded Bond Legislation. In  
564 addition, payments into or out of a special bond fund created for any future LTGO

565 Refunding Candidates shall be in accordance with the provisions of the related Refunded  
566 Bond Legislation.

567 C. Payments to the Bond Registrar; Investments. Money on deposit in the Bond  
568 Funds shall be transmitted to the Bond Registrar at such times and in such amounts as  
569 shall be necessary to pay when due the principal of and interest and premium, if any, on  
570 any related Bonds and with respect to the PTST Bond Fund, any PTST Parity Bonds.  
571 Money in the Bond Funds shall be invested in any legal investments of the county  
572 maturing in such amounts and at such times as the finance Director may determine so that  
573 payments required to be made from the Bond Funds may be made when due.

574 D. Using Bond Fund Money to Pay Rebate. Notwithstanding any provisions of  
575 this ordinance regarding the use of money deposited in a Bond Fund, such money may be  
576 withdrawn from a Bond Fund as necessary to pay the Rebate Amount.

577 **SECTION 14. Execution of Refunding Plan.**

578 A. Appointment of Escrow Agent. The Finance Director may serve as, or  
579 appoint separately, the Escrow Agent for each Series of Bonds.

580 B. Use of Bond Proceeds; Acquisition and Substitution of Acquired Obligations.  
581 There is authorized to be created a special account of the county for each Series of the  
582 Bonds to be maintained with the Escrow Agent therefor, each of which will be known as  
583 a "King County [Unlimited/Limited] Tax General Obligation Refunding Bond Refunding  
584 Account," with the same year and series designation as that corresponding to the related  
585 Series of Bonds (each hereinafter call a "Refunding Account"). Each Refunding Account  
586 shall be used for the sole purpose of providing for the payment of the principal of and  
587 redemption premium, if any, and interest on the Refunded Bonds to be refunded by the

588 related Series of Bonds as hereinafter set forth in this section, paying costs related to the  
589 refunding of such Refunded Bonds, and paying costs of issuing the related Series of  
590 Bonds. The net principal proceeds from the sale of each Series of Bonds shall be credited  
591 to the related Refunding Account.

592           For each Series of Bonds, sufficient proceeds of the sale of the Bonds, together  
593 with other money of the county, if any, required by the Refunding Plan, shall be  
594 deposited immediately upon the receipt thereof with the Escrow Agent and used to  
595 discharge the obligations of the county relating to the Refunded Bonds to be refunded  
596 therewith under the respective Refunded Bond Legislation by providing for the payment  
597 of the amounts required to be paid by the Refunding Plan. The Refunding Plan shall be  
598 carried out, and proceeds of the Bonds shall be applied, in accordance with this  
599 ordinance, the respective Refunded Bond Legislation, and the laws of the State. To the  
600 extent practicable, such obligations shall be discharged fully by the Escrow Agent's  
601 simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as  
602 to principal and interest in such amounts and at such times so as to provide, together with  
603 a beginning cash balance, if necessary, for the payment of the amounts required to be  
604 paid by the Refunding Plan. The Acquired Obligations shall be listed and more  
605 particularly described in a schedule attached to the Refunding Escrow Agreement, but are  
606 subject to substitution as set forth below.

607           Prior to the purchase of any such Acquired Obligations, the county reserves the  
608 right to substitute other Government Obligations for any of the Acquired Obligations and  
609 to use any savings created thereby for any lawful county purpose if, (i) in the opinion of  
610 Bond Counsel, such substitution shall not result in the interest on the applicable Series of

611 Bonds (if issued as Tax-Exempt Bonds) and the applicable series of Refunded Bonds (if  
612 issued as tax-exempt obligations) becoming includable in gross income for federal  
613 income tax purposes under the Code, and (ii) such substitution shall not impair the timely  
614 payment of the amounts required to be paid by the Refunding Plan, as verified by a  
615 nationally recognized firm of independent certified public accountants.

616         After the purchase of the Acquired Obligations by the Escrow Agent, the county  
617 reserves the right to substitute therefor cash or Government Obligations subject to the  
618 conditions that such money or securities held by the Escrow Agent shall be sufficient to  
619 carry out the Refunding Plan, that such substitution will not cause the Bonds or the  
620 Refunded Bonds issued as tax-exempt obligations to be arbitrage bonds within the  
621 meaning of Section 148 of the Code and regulations thereunder in effect on the date of  
622 such substitution and applicable to obligations issued on the issue date of the Bonds, and  
623 that the county obtain: (i) verification by a nationally recognized independent certified  
624 public accounting firm reasonably acceptable to the Escrow Agent confirming that the  
625 payments of principal of and interest on the Government Obligations, if paid when due,  
626 and any other money held by the Escrow Agent will be sufficient to carry out the  
627 Refunding Plan; and (ii) an opinion from Bond Counsel to the effect that the disposition  
628 and substitution or purchase of such securities, under the statutes, rules and regulations  
629 then in force and applicable to the Bonds, will not cause the interest on the Bonds or the  
630 Refunded Bonds issued as tax-exempt obligations to be included in gross income for  
631 federal income tax purposes and that such disposition and substitution or purchase is in  
632 compliance with the statutes and regulations applicable to the Bonds. Any surplus money  
633 resulting from the sale, transfer, other disposition or redemption of the Acquired

634 Obligations and the substitutions therefor shall be released from the trust estate and may  
635 be used for any lawful county purpose.

636 C. Administration of Refunding Plan. The Escrow Agent is authorized and  
637 directed to purchase the Acquired Obligations (or substitute obligations) and to make the  
638 payments required to be made by the Refunding Plan from the Acquired Obligations (or  
639 substitute obligations) and money deposited with the Escrow Agent pursuant to this  
640 ordinance. All Acquired Obligations (or substitute obligations) and the money deposited  
641 with the Escrow Agent and any income therefrom shall be held irrevocably, invested and  
642 applied in accordance with the provisions of the respective Refunded Bond Legislation,  
643 this ordinance, chapter 39.53 RCW and other applicable statutes of the State of  
644 Washington and the Refunding Escrow Agreement. All necessary and proper fees,  
645 compensation and expenses of the Escrow Agent and all other costs incidental to the  
646 setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs  
647 related to the issuance and delivery of the Bonds, including bond printing, verification  
648 fees, Bond Counsel's fees and other related expenses, may be paid out of the proceeds of  
649 the Bonds.

650 D. Authorization for Refunding Escrow Agreement. To carry out the Refunding  
651 Plan provided for by this ordinance, the Finance Director is authorized and directed to  
652 execute and deliver to an Escrow Agent that is not the Finance Director, in connection  
653 with each Series of Bonds, one or more Refunding Escrow Agreements setting forth the  
654 duties, obligations and responsibilities of the Escrow Agent in connection with the  
655 payment, redemption and retirement of the Refunded Bonds as provided herein and in the  
656 Sale Instrument and stating that the provisions for payment of the fees, compensation and

657 expenses of such Escrow Agent set forth therein are satisfactory to it. Prior to executing  
658 any such Refunding Escrow Agreement, the Finance Director is authorized to make such  
659 changes therein which do not change the substance and purpose thereof or which assure  
660 that the escrow provided therein and the Bonds are in compliance with the requirements  
661 of federal law governing the exclusion of interest on the Tax-Exempt Bonds from gross  
662 income for federal income tax purposes.

663         SECTION 15. Redemption of the Refunded Bonds. As a part of the Refunding  
664 Plan, the county may call Refunded Bonds for redemption, which call shall be  
665 determined by the Finance Director, in consultation with the county's financial advisor.  
666 Such call for redemption of the Refunded Bonds shall specify the Refunded Bonds, call  
667 dates and redemption prices (expressed as a percentage of par, plus accrued interest). If  
668 authorized under the Refunded Bond Legislation, such call for redemption of the  
669 Refunded Bonds may be subject to revocation by the county prior to and/or conditioned  
670 upon, delivery to the initial purchaser of the applicable Series of Bonds and receipt of the  
671 proceeds thereof by the county, but shall be irrevocable thereafter. The dates on which  
672 the Refunded Bonds are called for redemption shall be, in the judgment of the Finance  
673 Director, the earliest practical dates on which those bonds may be called for redemption.

674         The proper county officials are authorized and directed to give or cause to be  
675 given such notices as may be required, at the times and in the manner required pursuant  
676 to the related Refunded Bond Legislation, in order to effect the defeasance and  
677 redemption prior to maturity of the Refunded Bonds. The costs of publication of such  
678 notice shall be an expense of the county.



679            **SECTION 16. County Findings with Respect to Refunding.** Prior to the  
680 issuance of any Series of Bonds, the Finance Director must execute a Certificate of  
681 Finance Director making a finding and determination on behalf of the county that the  
682 issuance and sale of those Bonds will affect a savings to the county, consistent with the  
683 Debt Management Policy. In making such finding and determination, the Finance  
684 Director shall give consideration to the fixed maturities of the Bonds and the Refunded  
685 Bonds, the costs of issuance and sale of the Bonds, and the known earned income from  
686 the investment of the proceeds of the issuance and sale of the Bonds and other money of  
687 the county used in the Refunding Plan pending payment and redemption of the Refunded  
688 Bonds.

689            In the Certificate of Finance Director, the Finance Director must further find and  
690 determine that the money to be deposited with the Escrow Agent in accordance with this  
691 ordinance and the Sale Instrument will discharge and satisfy the obligations of the county  
692 with respect to the Refunded Bonds under the respective Refunded Bond Legislation,  
693 and, if applicable, that the pledges, charges, trusts, covenants, and agreements of the  
694 county therein made or provided for as to the Refunded Bonds shall be discharged, and, if  
695 applicable, that the Refunded Bonds shall no longer be deemed to be outstanding under  
696 the respective Refunded Bond Legislation immediately upon the irrevocable deposit of  
697 such money with the Escrow Agent. The Finance Director may rely on the advice of  
698 Bond Counsel and/or a verification report in making the determination described in this  
699 paragraph.

700            **SECTION 17. Sale of Bonds.**

701            A. Determination by Finance Director. The Finance Director shall identify, in  
702 consultation with the county's financial advisor, the Refunding Candidates eligible to be  
703 refunded by each Series of Bonds and at least 28 days prior to an expected sale date, the  
704 Finance Director shall inform the Committee of his or her intent to refund those  
705 Refunding Candidates. The Committee may determine that those identified Refunding  
706 Candidates may not be refunded. Absent such determination, the Finance Director shall  
707 continue with the proposed refunding and sale of Bonds in accordance with the terms of  
708 this ordinance. The Finance Director may determine, in consultation with the county's  
709 financial advisor, the principal amount of each Series of the Bonds, whether the Bonds  
710 should be sold separately or in one or more combined Series, and whether each Series of  
711 Bonds should be sold by negotiated sale or by competitive bid.

712            The Finance Director, in consultation with the county's financial advisor, may  
713 determine it is in the county's best interest to provide for bond insurance or other credit  
714 enhancement, and may provide conditions or covenants relating thereto, including  
715 additional terms, conditions, and covenants relating to the Bonds that are required by the  
716 bond insurer, and are consistent with the provisions of this ordinance, including but not  
717 limited to restrictions on investments and requirements of notice to and consent of the  
718 bond insurer.

719            The county executive and the Finance Director are each separately authorized to  
720 execute and deliver, on behalf of the county, any contracts and other documents  
721 consistent with the provisions of this ordinance for which the county's approval is  
722 necessary or to which the county is a party and that are related or incidental to the

723 issuance and sale of the Bonds or to the establishment of the interest rate or rates on the  
724 Bonds, including but not limited to agreements with bond insurers, underwriters, fiscal  
725 agencies and the Bond Registrar. The Finance Director may determine the amount, if  
726 any, from the proceeds of or accrued interest on the Bonds to be deposited into specified  
727 funds, subfunds, accounts, and subaccounts.

728       B. Procedure for Negotiated Sale. If the Finance Director determines that the any  
729 Series of Bonds should be sold by negotiated sale, the Finance Director shall, in  
730 accordance with applicable county procurement procedures, solicit one or more  
731 underwriting firms with which to negotiate the sale of those Bonds. The purchase  
732 contract for each Series of Bonds shall establish the year and Series designation,  
733 Additional Security, if applicable, date, aggregate principal amount, interest payment  
734 dates, interest rate(s), maturity schedule and principal amounts per maturity, and  
735 redemption provisions of such Series of Bonds. The county council authorizes the  
736 Finance Director to serve as its designated representative and upon the approval of the  
737 Committee to accept, on behalf of the county, an offer to purchase the Bonds, which offer  
738 must be consistent with the terms of this ordinance and with the Debt Management  
739 Policy.

740       C. Procedure for Sale by Competitive Bid. If the Finance Director determines  
741 that any Series of the Bonds should be sold by competitive bid, bids for the purchase of  
742 each Series of Bonds shall be received at such time or place and by such means as the  
743 Finance Director shall direct. The Finance Director is authorized to prepare an official  
744 notice of bond sale for each Series of Bonds to be sold pursuant to competitive bid,  
745 establishing in such notice the year and series designation, date, estimated aggregate

746 principal amount, interest payment dates, estimated maturity schedule and principal  
747 amount per maturity, and redemption provisions of such Bonds. After consultation with  
748 the county's financial advisor, the Finance Director may direct that the official notice of  
749 bond sale or an abridged form thereof be published in such newspapers or financial  
750 journals as may be deemed desirable or appropriate by Finance Director.

751         Upon the date and time established for the receipt of bids for a Series of Bonds,  
752 the Finance Director or his or her designee shall open the bids and shall cause the bids to  
753 be mathematically verified. The county council authorizes the Finance Director to serve  
754 as its designated representative and upon the approval of the Committee to accept, on  
755 behalf of the county, the winning bid to purchase the Bonds, which may be adjusted with  
756 respect to the aggregate principal amount and principal amount per maturity as reflected  
757 in the notice of acceptance of winning bid, and which must be consistent with the terms  
758 of this ordinance and with the Debt Management Policy.

759         SECTION 18. Delivery of Bonds. Following the sale of each Series of the  
760 Bonds, the county shall cause definitive Bonds of such Series to be prepared, executed  
761 and delivered to the purchaser thereof in accordance with the provisions of this  
762 ordinance, with the approving legal opinion of municipal bond counsel regarding the  
763 Bonds.

764         If definitive Bonds of any Series are not ready for delivery by the date established  
765 for their delivery to the initial purchaser, then the Finance Director, upon the approval of  
766 the purchaser, may cause to be issued and delivered to the purchaser one or more  
767 temporary Bonds of the same series with appropriate omissions, changes and additions.  
768 Any temporary Bond or Bonds shall be entitled and subject to the same benefits and

769 provisions of this ordinance with respect to the payment, security and obligation thereof a  
770 definitive Bonds authorized thereby. Such temporary Bond or Bonds shall be  
771 exchangeable without cost to the owners thereof for definitive Bonds of the same series  
772 when the latter are ready for delivery.

773         **SECTION 19. Preliminary Official Statement under SEC Rule 15c2-12.** The  
774 county authorizes and directs the Finance Director: (i) to review and approve the  
775 information contained in any preliminary official statement (the "Preliminary Official  
776 Statement") prepared in connection with the public offer and sale of a Series of Bonds;  
777 and (ii) for the sole purpose of the Bond purchasers' compliance with Section (b)(1) of  
778 the Rule, to "deem final" that Preliminary Official Statement as of its date, except for the  
779 omission of information on offering prices, interest rates, selling compensation, delivery  
780 dates, any other terms or provisions subject to final pricing, ratings, and other terms of  
781 the Bonds of such Series dependent on such matters and the identity of the Bond  
782 purchasers. After any such Preliminary Official Statement has been reviewed and  
783 approved in accordance with the provisions of this section, the county hereby authorizes  
784 distribution of such Preliminary Official Statement to prospective purchasers of such  
785 Series of Bonds.

786         **SECTION 20. Approval of Official Statement.** Following the public offer and  
787 sale of a Series of Bonds in accordance with the terms of this ordinance, the Finance  
788 Director is hereby authorized to review and approve on behalf of the county a final  
789 official statement with respect to such Series of Bonds. The county agrees to cooperate  
790 with the purchaser of such Series of Bonds to deliver or cause to be delivered, within  
791 such period as may be required by applicable law and in sufficient time to accompany

792 any confirmation that requests payment from any customer of the purchaser, copies of the  
793 final official statement pertaining to such Series of Bonds in sufficient quantity to comply  
794 with paragraph (b)(4) of the Rule and the rules of the MSRB.

795         **SECTION 21. Undertaking to Provide Ongoing Disclosure.** The Finance  
796 Director is hereby authorized and directed to enter into a written Undertaking for the  
797 benefit of holders of any publicly offered and sold series of Bonds to the extent required  
798 by and consistent with the requirements of paragraph (b)(5) of the Rule, as applicable to a  
799 participating underwriter for such Series of Bonds.

800         **SECTION 22. General Authorization.** The appropriate county officials, agents  
801 and representatives are hereby authorized and directed to do everything necessary for the  
802 prompt sale, issuance, execution and delivery of each Series of Bonds, and for the proper  
803 use and application of the proceeds of the sale thereof.

804         **SECTION 23. Refunding or Defeasance of the Bonds.** The county may issue  
805 refunding bonds pursuant to the laws of the State of Washington or use money available  
806 from any other lawful source to pay when due the principal of, premium, if any, and  
807 interest on the Bonds of any Series, or any portion thereof included in a refunding or  
808 defeasance plan, and to redeem and retire, refund or defease all such then-outstanding  
809 Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the  
810 refunding or defeasance. If money and/or Government Obligations maturing at a time or  
811 times and bearing interest in amounts (together with money, if necessary) sufficient to  
812 redeem and retire, refund or defease the defeased Bonds in accordance with their terms  
813 are set aside in a special trust fund or escrow account irrevocably pledged to that  
814 redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust

815 account"), then all right and interest of the owners of the defeased Bonds in the covenants  
816 of this ordinance and in the funds and accounts obligated to the payment of the defeased  
817 Bonds shall cease and become void. The owners of defeased Bonds shall have the right  
818 to receive payment of the principal of and interest on the defeased Bonds from the trust  
819 account. The county shall include in the refunding or defeasance plan such provisions as  
820 the county deems necessary for the random selection of any defeased Bonds that  
821 constitute less than all of a particular maturity of such Series of Bonds, for notice of the  
822 defeasance to be given to the owners of the defeased Bonds and to such other persons as  
823 the county shall determine, and for any required replacement of Bond certificates for  
824 defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the  
825 county may apply any money in any other fund or account established for the payment or  
826 redemption of the defeased Bonds to any lawful purposes as it shall determine.

827         If the defeased Bonds are registered in the name of DTC or its nominee, notice of  
828 any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of  
829 Representations for notices of redemption of Bonds.

830         SECTION 24. Supplemental Ordinances. The county council from time to  
831 time and at any time may adopt an ordinance or ordinances amendatory or supplemental  
832 to this ordinance for any purpose that the county council may deem necessary or  
833 desirable if such amendatory or supplemental ordinance shall not materially adversely  
834 affect the interests of the holders and owners of any outstanding Bonds, and such  
835 amendatory or supplemental ordinance or ordinances thereafter shall become a part of  
836 this ordinance.

837            **SECTION 25. Contract; Severability.** The covenants contained in this  
838 ordinance shall constitute a contract between the county and the owners of each and  
839 every Bond. If any one or more of the covenants or agreements provided in this ordinance  
840 to be performed on the part of the county are deemed by any court of competent  
841 jurisdiction to be contrary to law, then such covenant or covenants, agreement or  
842 agreements, shall be null and void and shall be deemed separable from the remaining  
843 covenants and agreements of this ordinance and shall in no way affect the validity of the  
844 other provisions of this ordinance or of the Bonds.

845            **SECTION 26. Complete Alternative.** This ordinance shall be deemed to  
846 provide a complete, additional and alternative method for the performance of those  
847 subjects authorized hereby and shall be regarded as supplemental and additional to  
848 powers conferred by other county ordinances. Whenever Bonds are issued and sold in  
849 conformance with this ordinance, such issuance and sale need not comply with contrary  
850 requirements of any other county ordinance applicable to the issuance and sale of bonds  
851 or other obligations.



852            **SECTION 27. Effective Date.** This ordinance shall be effective 10 days after its  
853 enactment, in accordance with Article II of the county charter.  
854

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

---

Larry Gossett, Chair

ATTEST:

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Anne Noris, Clerk of the Council

APPROVED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

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Dow Constantine, County Executive

**Attachments:** A. Schedule of Refunding Candidates

**Attachment A**

**SCHEDULE OF REFUNDING CANDIDATES**

LTGO REFUNDING CANDIDATES

Issue Name*	Dated Date	Original Par Amount (\$)	Outstanding Balance (\$) (8/31/2011)	Bond Legislation
LTGO Refunding Bonds, 2004, Series A	09/21/2004	57,045,000	34,480,000	ORD: 14890 Motion: 11986
LTGO Bonds, 2004, Series B	10/01/2004	82,435,000	65,405,000	ORD: 14167 as amended Motion: 12004
LTGO Refunding Bonds, 2005, Series A	06/29/2005	22,510,000	22,510,000	ORD: 14890 Motion: 12130
LTGO Refunding Bonds, 2006	12/14/2006	46,325,000	27,880,000	ORD: 15386 Motion: 12401
LTGO Bonds, 2007 Series C	11/01/2007	10,695,000	9,535,000	ORD: 14167 as amended Motion: 12607
VP LTGO Bonds, 2007, Series D	11/01/2007	34,630,000	30,980,000	ORD: 14991 Motion: 12607
VP LTGO Bonds, 2007, Series E	11/27/2007	43,705,000	38,975,000	ORD: 15925 Motion: 12630
LTGO Bonds, 2009, Series B	05/12/2009	34,810,000	31,945,000	ORD: 14167 as amended Motion: 12966
LTGO Refunding Bonds, 2009, Series C	12/10/2009	17,150,000	16,975,000	ORD: 15780 Motion: 13097
LTGO Bonds, 2010, Series B (Federally Taxable Build America Bonds)	12/01/2010	45,035,000	45,035,000	ORD: 16920 Motion: 13373
LTGO Bonds, 2010, Series C (Federally Taxable Recovery Zone Economic Development Bonds)	12/01/2010	23,165,000	23,165,000	ORD: 16920 Motion 13374
LTGO Bonds, 2010, Series D (Federally Taxable Qualified Energy Conservation Bonds)	12/01/2010	5,825,000	5,825,000	ORD: 16920 Motion 13375
LTGO Bonds, 2010, Series E (Federally Tax-Exempt)	12/01/2010	10,025,000	10,025,000	ORD: 16920 Motion 13376
LTGO Refunding Bonds, 2011	08/01/2011	25,700,000	25,700,000	ORD: 15780 Motion 13520
LTGO Bonds, 2011, Series D	12/21/2011	21,895,000	21,895,000	ORD: 17175 Motion 13605
<b>Additional Security- Public Transportation Sales Tax</b>				
LTGO (Public Transportation Sales Tax) Refunding Bonds, 2002	11/05/2002	64,285,000	40,840,000	ORD: 14490 Motion: 11602
LTGO (Public Transportation Sales Tax) Bonds, 2004	06/08/2004	49,695,000	43,625,000	ORD: 14887 Motion: 11926

\* LTGO – Limited Tax General Obligation

VP – Various Purpose

UTGO REFUNDING CANDIDATES

Issue Name*	Dated Date	Original Par Amount (\$)	Outstanding Balance (\$) (6/30/2011)	Bond Legislation
UTGO Refunding Bonds, 2003	04/23/2003	108,795,000	11,825,000	ORD: 14583 Motion: 11681
UTGO Bonds, 2004 (Harborview Medical Center)	05/04/2004	110,000,000	89,750,000	ORD: 14857 Motion: 11902
UTGO Bonds, Series 2004B (Harborview Medical Center)	10/01/2004	54,000,000	43,005,000	ORD: 14857 Motion: 11984
UTGO Refunding Bonds, 2009, Series A	12/10/2009	19,570,000	19,325,000	ORD: 16657 Motion: 13098

\*UTGO – Unlimited Tax General Obligation

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March 20, 2012

The Honorable Larry Gossett  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Gossett:

The enclosed ordinance would authorize the issuance of general obligation bonds (GO bonds) for the sole purpose of reducing future debt service costs by refinancing any of King County's outstanding general obligation bonds, including all such new bonds to be issued in the future. The proposed legislation would enhance the County's ability to take advantage of historical low interest rates and is consistent with the financial stewardship goal in King County's Strategic Plan. We would therefore like to request the council's expeditious review.

The adoption of this ordinance would mark a significant departure from the County's past practice for refinancing GO bonds (referred to as "refundings"). Historically, whenever financial market conditions would improve, selected issues of outstanding GO bonds would be identified as refunding candidates based on achieving the relevant threshold debt service saving targets, as specified in the County's adopted Debt Management Policy (Motion 12660). An ordinance would then be transmitted to permit the issuance of new bonds to refund such candidates and, once adopted, the County would proceed with the refunding.

As proposed, the King County Council would delegate authority to the Director of the Finance and Business Operations Division (Finance Director) to approve refunding bond sales. However, such proposed delegation of authority is conditioned on the Finance Director providing prior notification of planned refundings to the County's Executive Finance Committee (EFC) and further obtaining EFC approval of the sales. The EFC includes the Council's chair of the Budget and Fiscal Management Committee and three other members from the Executive Branch: the Director of the Office of Performance, Strategy and Budget; the Finance Director; and the County Administrative Officer.

The substitution of the EFC's approval for that of the King County Council's will expedite refundings so that the County is able to take full advantage of lower interest rates and

reduced borrowing costs. Since the EFC is already responsible for countywide debt management policies and oversight of the County's investment pool, this new responsibility for authorizing refunding sales is consistent with the EFC's broad financial purview.

While the historical practice of preparing separate refunding ordinances and sale motions has generally worked well, it does have drawbacks. First, it is unnecessarily cumbersome in terms of requiring repeated legislative action. Second, and much more importantly, it does not provide sufficient flexibility for the County to quickly take advantage of changes in market conditions. Often, by the time that the necessary legislation is prepared, transmitted and adopted, a process which can take a considerable amount of time, the opportunity to achieve the required savings from refunding such bonds will have passed.

The proposed legislation would instead simply authorize the refunding of any outstanding GO bonds and, with the inclusion of appropriate language in the relevant ordinances, future GO bonds as well. With the need to obtain legislative authority eliminated, the time between identifying potential refunding candidates and effecting a refunding transaction would be significantly reduced, lowering the chance that intervening adverse changes in financial market conditions will have eliminated the opportunity.

Under the proposed ordinance, the Finance Director would proceed with any refunding that is expected to meet the County's debt service savings targets subject to a requirement to provide at least 28 days prior notification of any planned sale to the EFC. Assuming EFC support for the refunding, the Finance Director would be authorized to either accept the winning bid for such bonds in the case of a competitive sale or execute a bond purchase agreement in the case of a negotiated sale. However, the Finance Director's exercise of such delegated authority is conditioned on obtaining the approval of the EFC, either at a meeting prior to or on the actual day of the sale. Such delegation of authority to the Finance Director will eliminate the current need to have a separate Sale Motion adopted by the Council on the day of a sale. This offers two advantages that may potentially be significant.

First, there are weeks during the course of the calendar year when it is currently either impossible or difficult to schedule bond sales because the Council is either in recess or occupied with other business, most notably the annual budget. The inability to sell refunding bonds during such weeks may mean that the County is unable to take advantage of unusually favorable market conditions. The requested delegation of authority to the Finance Director would permit the sale of refunding bonds to take place during such weeks, potentially resulting in lower borrowing costs for the County.

Second, the current need to have a Sale Motion adopted forces the County to hold all of its bond sales on a Monday. While it has sometimes been alleged that such timing works to the detriment of the County's pricings because of the greater risk of market-moving news events over the preceding weekend, it is highly doubtful that there has been any such systematic adverse impact on the County. However, as the municipal marketplace has evolved in recent years, it has become somewhat more common to hold retail order periods one to two days

The Honorable Larry Gossett  
March 20, 2012  
Page 3

prior to offering bonds to institutional investors. Holding such retail order periods is more difficult when the sale to institutional investors is delayed to the subsequent week, as currently must be the case for the County's Monday sales. The requested delegation of authority to the Finance Director would permit the sale of refunding bonds to take place on days of the week other than Mondays and would facilitate such retail order periods. In addition, the County would no longer be constrained by avoiding refunding bond sales on Mondays coinciding with County holidays, thereby providing more options for the County to capture favorable market conditions that may occur.

At this time, the proposed ordinance would only apply to GO bonds and would not affect the current process for refunding sewer revenue bonds or the refunding of double-barreled Limited Tax General Obligation bonds which pledge sewer revenues backed by the County's full faith and credit. The County currently has sufficient flexibility to refund bonds for the Wastewater Treatment Division based on current bond authorization ordinances. However, because the advantages described above apply to all types of refundings, we will consider developing a similar ordinance for expediting Wastewater bonds later this year.

If you have any questions in this regard, please call Ken Guy, Director of the Finance and Business Operations Division, at 206-263-9254, or Nigel Lewis, Senior Debt Analyst in the Treasury Operations Section, at 206-296-1168.

Sincerely,

Dow Constantine  
King County Executive

Enclosures

cc: King County Councilmembers  
ATTN: Cindy Domingo, Acting Chief of Staff  
Mark Melroy, Senior Principal Legislative Analyst, BFM Committee  
Anne Noris, Clerk of the Council  
Fred Jarrett, Deputy County Executive, King County Executive Office (KCEO)  
Rhonda Berry, Assistant Deputy County Executive, KCEO  
Carrie S. Cihak, Chief Advisor, Policy and Strategic Initiatives, KCEO  
Dwight Dively, Director, Office of Performance, Strategy and Budget  
Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)  
Ken Guy, Director, Finance and Business Operations Division (FBOD), DES  
Nigel Lewis, Senior Debt Analyst, Treasury Operations, FBOD, DES