

**RESOLUTION NO. 600**

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF CITY OF STAYTON, MARION COUNTY, OREGON REVENUE INSTALLMENT SEWER BOND NO. 1, IN THE PRINCIPAL SUM OF \$2,952,000, AND REVENUE INSTALLMENT SEWER BOND NO. 2, IN THE PRINCIPAL SUM OF \$3,541,000, TO THE UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT, FOR THE PURPOSE OF PROVIDING A PORTION OF THE COSTS OF ACQUISITION, CONSTRUCTION, EXTENSION AND IMPROVEMENT OF A SEWER SYSTEM WITHIN AND WITHOUT THE BOUNDARIES OF THE CITY OF STAYTON, MARION COUNTY, OREGON; PROVIDING FOR THE FORM AND TERMS OF SAID BONDS, AUTHORIZING THE PAYMENT OF SAME.

WHEREAS, the City Council of the City of Stayton, Marion County, Oregon (the "City") has been duly authorized by Resolution No. 549, dated August 1, 1994 to issue Revenue Installment Sewer Bonds in an aggregate amount not to exceed the sum of \$8,793,000 (the "Bonds"), in excess of any existing bond issue, for the acquisition, construction, extension and improvement of a Sewer system within and without the City, hereinafter called "Facility"; and,

WHEREAS, notice of revenue bond authorization was published August 2, 1994 in *The Stayton Mail*, a newspaper of general circulation in the City in the same manner as other public notices of the City; and,

WHEREAS, on or about May 16, 1995, the City Council found that no petitions were filed requesting the City to refer the matter to a vote; and

WHEREAS, the City staff has been directed to proceed in accordance with law to issue the bonds, and concurrently therewith and subsequent thereto the City has commenced negotiations with the United States of America, acting through the United States Department of Agriculture Rural Development, hereinafter called "Government," for financial assistance to construct said Facility; and,

WHEREAS, said Government has indicated a desire to consider said financial assistance and as a result, it is necessary to cause the execution and delivery of installment bonds or other evidence of indebtedness to secure any loan or loans made, or insured, by the Government and to comply with any requirements, terms, and conditions prescribed by the Government or by Government regulations and to execute contracts or enter into agreements and to take any and all other action as may be necessary, incidental or appropriate to finance, construct, complete, equip, extend or improve the Facility for and on behalf of the City; now, therefore,

The City of Stayton, Marion County, Oregon, resolves as follows:

**Section 1.** It is necessary to defray a portion of the costs of constructing and equipping the Facility by obtaining a loan made by the Government in accordance with the applicable provisions of the Rural Development Act of 1972, it being determined by the Government that the City is unable to obtain sufficient credit elsewhere to finance the Facility taking into consideration prevailing private and cooperative rates and terms concurrently available.

**Section 2.** That the City borrow, in the aggregate, amount not to exceed the sum of \$6,493,000 and issue as evidence thereof two Revenue Installment Sewer Bonds for the aggregate principal amount of the loan. The bonds shall be dated with the date of delivery thereof, and shall be in substantially the following forms:

UNITED STATES OF AMERICA  
State of Oregon  
Marion County  
City of Stayton

Revenue Installment Sewer Bond No. 1

KNOW ALL MEN BY THESE PRESENTS: The City of Stayton, Marion County, Oregon, hereinafter called the "Borrower," hereby acknowledges itself indebted and for value received, promises to pay to the order of the United States of America, hereinafter called the "Government," the principal sum of Two Million Nine Hundred Fifty-Two Thousand Dollars (\$2,952,000), plus interest on the unpaid principal balance at the rate of five percent (5.0%) per annum. The said interest shall be payable in the following installments on or before the following dates:

The sum of \$172,043 on the 28<sup>th</sup> day of May, 1998, and the sum of \$172,043 annually thereafter on the 28<sup>th</sup> day of May until the principal and said interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

All or part of the outstanding bond installments may be paid in inverse order on any interest payment date without premiums.

This bond shall be registered as to principal and interest in the name of the United States of America in an appropriate book in the Office of the Recorder of the Borrower, each registration to be noted on the Registration Certificate attached hereto by said Recorder and no transfer hereof shall be valid unless made on said book and similarly noted on the Registration Certificate.

Both the principal and interest shall be paid to the United States of America as such registered owner at the office of Rural Development serving Marion County, Oregon.

This bond is a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Default hereunder shall constitute default under any other instrument evidencing a debt of Borrower owing to or insured by the Government or securing or otherwise relating to such a debt, and default under any other such instrument shall constitute default hereunder upon default and Government in its option may declare all or any part of said indebtedness immediately due and payable.

This bond is given as evidence of a loan to Borrower made by the Government pursuant to the Rural Development Act of 1972, as amended, and shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

This bond is authorized by virtue of Resolution No. 549 adopted by the City Council on August 1, 1994 notice of which was duly published as provided by law, and by virtue of Resolution No. 600 of Borrower, duly passed by the City Council and approved by the Mayor of said Borrower on May 19, 1997, and pursuant to ORS 288.805 et seq., the Uniform Revenue Bond Act, the Constitution and Laws of the State of Oregon, the Charter of Borrower and laws amendatory thereof and supplemental thereto.

This bond and the interest thereon are payable solely from the unobligated net revenues of the Sewer utility system of Borrower on a parity with its Revenue Installment Bond No. 2 issued this same date, and neither this bond nor the payment of interest impose any general liability upon said Borrower for the payment thereof out of any moneys other than net revenues of the Sewer utility system. It is hereby covenanted by the Borrower that so long as this bond shall be outstanding and unpaid, or until there shall have been set apart solely for that purpose sums sufficient to pay when due the entire principal sum together with interest accrued, or to accrue thereon, the City Council of the Borrower shall fix and collect charges for Sewer services, such as to provide revenue sufficient to pay, as the same shall become due, the principal and interest of this bond, in addition to paying, as the same become due, the necessary expenses of operating, maintaining, renewing and replacing the Sewer utility system of said Borrower, and appropriate reserve funds for such purposes and all other obligations and indebtedness payable out of the revenues of said system.

This bond is exchangeable at the sole expense of the Borrower at any time, upon ninety (90) days' written notice, at the request of the registered owner hereof, and upon surrender of this bond to Borrower at the Office of the Recorder of the Borrower for registered bonds of the denomination of \$5,000.00 each, or integral multiples thereof, in the aggregate principal amount equal to the unpaid principal amount of this bond, and bearing interest on the unpaid principal balance at the rate of five percent (5.0%) per annum.

It is hereby certified and declared that all acts, conditions and things required to exist, happen, and be performed precedent to and in the issuance of this bond have existed, have happened, and have been performed in due time, form and manner as required by law, that the amount of this bond, together with all obligations of the Borrower does not exceed any limits prescribed by the Constitution and Statutes of the State of Oregon and the Charter and resolutions and ordinances of Borrower.

IN WITNESS WHEREOF, the City of Stayton, Marion County, Oregon, has caused this bond to be manually signed by the Mayor of said City and its corporate seal to be affixed hereto and attested by the Recorder of said City, all on the 28<sup>th</sup> day of May, 1997.

**City of Stayton**  
Marion County, Oregon

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

**[The following registration certificate to be printed a separate page.]**

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Revenue Installment Sewer Bond No. 1 Registration Certificate

Date: May 28, 1997

Registered in name of:

**United States of America, acting through the  
United States Department of Agriculture Rural Development**

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Finance Director

UNITED STATES OF AMERICA  
State of Oregon  
Marion County  
City of Stayton

Revenue Installment Sewer Bond No. 2

KNOW ALL MEN BY THESE PRESENTS: The City of Stayton, Marion County, Oregon, hereinafter called the "Borrower," hereby acknowledges itself indebted and for value received, promises to pay to the order of the United States of America, hereinafter called the "Government," the principal sum of Three Million Five Hundred Forty-One Thousand Dollars (\$3,541,000), plus interest on the unpaid principal balance at the rate of five percent (5.0%) per annum. The said interest shall be payable in the following installments on or before the following dates:

The sum of \$206,370 on the 28<sup>th</sup> day of May, 1998, and the sum of \$206,370 annually thereafter on the 28<sup>th</sup> day of May until the principal and said interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

All or part of the outstanding bond installments may be paid in inverse order on any interest payment date without premiums.

This bond shall be registered as to principal and interest in the name of the United States of America in an appropriate book in the Office of the Recorder of the Borrower, each registration to be noted on the Registration Certificate attached hereto by said Recorder and no transfer hereof shall be valid unless made on said book and similarly noted on the Registration Certificate.

Both the principal and interest shall be paid to the United States of America as such registered owner at the office of Rural Development serving Marion County, Oregon.

This bond is a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Default hereunder shall constitute default under any other instrument evidencing a debt of Borrower owing to or insured by the Government or securing or otherwise relating to such a debt, and default under any other such instrument shall constitute default hereunder upon default and Government in its option may declare all or any part of said indebtedness immediately due and payable.

This bond is given as evidence of a loan to Borrower made by the Government pursuant to the Rural Development Act of 1972, as amended, and shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

This bond is authorized by virtue of Resolution No. 549 adopted by the City Council on August 1, 1994, notice of which was duly published as provided by law, and by virtue of Resolution No. 600 of Borrower, duly passed by the City Council and approved by the Mayor of said Borrower on May 19, 1997, and pursuant to ORS 288.805 et seq., the Uniform Revenue Bond Act, the Constitution and Laws of the State of Oregon, the Charter of Borrower and laws amendatory thereof and supplemental thereto.

This bond and the interest thereon are payable solely from the unobligated net revenues of the Sewer utility system of Borrower on a parity with its Revenue Installment Bond No. 1, and neither this bond nor the payment of interest impose any general liability upon said Borrower for the payment thereof out of any moneys other than net revenues of the Sewer utility system. It is hereby covenanted by the Borrower that so long as this bond shall be outstanding and unpaid, or until there shall have been set apart solely for that purpose sums sufficient to pay when due the entire principal sum together with interest accrued, or to accrue thereon, the City Council of the Borrower shall fix and collect charges for Sewer services, such as to provide revenue sufficient to pay, as the same shall become due, the principal and interest of this bond, in addition to paying, as the same become due, the necessary expenses of operating, maintaining, renewing and replacing the Sewer utility system of said Borrower, and appropriate reserve funds for such purposes and all other obligations and indebtedness payable out of the revenues of said system.

This bond is exchangeable at the sole expense of the Borrower at any time, upon ninety (90) days' written notice, at the request of the registered owner hereof, and upon surrender of this bond to Borrower at the Office of the Recorder of the Borrower for registered bonds of the denomination of \$5,000.00 each, or integral multiples thereof, in the aggregate principal amount equal to the unpaid principal amount of this bond, and bearing interest on the unpaid principal balance at the rate of five percent (5.0%) per annum.

It is hereby certified and declared that all acts, conditions and things required to exist, happen, and be performed precedent to and in the issuance of this bond have existed, have happened, and have been performed in due time, form and manner as required by law, that the amount of this bond, together with all obligations of the Borrower does not exceed any limits prescribed by the Constitution and Statutes of the State of Oregon and the Charter and resolutions and ordinances of Borrower.

IN WITNESS WHEREOF, the City of Stayton, Marion County, Oregon, has caused this bond to be manually signed by the Mayor of said City and its corporate seal to be affixed hereto and attested by the Recorder of said City, all on the 28<sup>th</sup> day of May, 1997.

**City of Stayton**  
Marion County, Oregon

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

**[The following registration certificate to be printed a separate page.]**



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Revenue Installment Sewer Bond No. 2 Registration Certificate

Date: May 28, 1997

Registered in name of:

**United States of America, acting through the  
United States Department of Agriculture Rural Development**

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Finance Director

**Section 3.** The unobligated net revenues of the Facility, after payment of the ordinary operation and maintenance expenses thereof, hereby is pledged to the payment of the principal of and interest upon the said bonds.

The funds derived from such sources shall be carried by the Administrator of the City in a separate book account to be designated CITY OF STAYTON SEWER BOND FUND and shall be expended only in the payment of the principal of and interest on said City of Stayton, Marion County, Oregon Revenue Installment Sewer Bonds No. 1 and No. 2, until all of said obligations and any that may be issued to refund them have been fully paid and redeemed or until the provisions for payment or redemption thereof has been made.

**Section 4.** The Administrator shall be the custodian of all funds of the Facility and all funds shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation. The Recorder shall execute a Fidelity Bond in an amount not less than \$379,000 with a surety company approved by Government and the amount thereof shall not be reduced without the prior written consent of Government. The Administrator is hereby directed to establish the following accounts into which the current funds of the Facility bond proceeds, the revenues from the Facility and other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the bonds hereby authorized remain unpaid.

**a. Construction Account.** The proceeds of the bonds hereby authorized and any interim financing acquired shall be deposited in the Construction Account. Amounts in the Construction Account exceeding \$100,000.00 shall be secured by the depository bank in advance in accordance with State and Federal law or deposited in the Oregon Local Government Investment Pool. Withdrawal from the Construction Account shall be made only by check signed by the Administrator as authorized by the City Council, countersigned by the Mayor or other authorized City official and only for the purposes for which said bonds were signed as specified in the estimate of costs. The City's share of any liquidated damages and other moneys paid by defaulting contractors of their sureties will be deposited in the Construction Account to assure completion of the project. When the construction of the Facility has been completed or all construction costs have been paid for in full, any balance remaining in the Construction Account shall be used to pay outstanding installments on the bonds in inverse order without premium. The Construction Account shall then be closed.

**b. Revenue Account.** As soon as the Facility becomes revenue producing, the gross revenues shall be set aside into a separate account to be designated the Revenue Account, and moneys so deposited therein shall be expended and used only in the manner and order as follows:

**i. Operations and Maintenance Account (bookkeeping account).** There shall be set aside and deposited each month, before any other expenditures therefrom, a sufficient portion of the moneys in the Revenue Account to pay the

reasonable and necessary current expenses of operating and maintaining the Facility for the current month.

ii. **Debt Service Account (bookkeeping account).** After the transfer required in item 1 above, there shall be transferred each month from the Revenue Account, before any other expenditures or transfer therefrom, and deposited in the Debt Service Account for payment of the annual installment of the bonds, a sum equal to at least one-twelfth of the annual installment becoming due on the next succeeding 28<sup>th</sup> day of May. If the City for any reason shall fail to make such monthly deposit, then an amount equal to the deficiency shall be set apart and deposited in the Debt Service Account out of the gross revenues in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during each succeeding month or months.

Whenever there shall accumulate in the Debt Service Account amounts in excess of the requirements during the next twelve months for paying principal and interest on outstanding bond installments, and in the Operation and Maintenance Account and the Reserve Account hereinafter established, amounts in excess of the requirements thereof, such excess may be used by the City to make prepayments on the bonds.

iii. **Reserve Account (bookkeeping account).** Out of the balance of income and revenue in the Revenue Account remaining after the transfers required in item 1 and 2 above have been made, there shall be set aside and deposited in the Reserve Account the sum of \$17,205 annually until there is accumulated in that fund the sum of \$172,043 for Bond No. 1; and there shall be set aside and deposited in the Reserve Account the sum of \$20,637 annually until there is accumulated in that fund the sum of \$206,370 for Bond No. 2, after which no further deposits need be made into said account except to replace withdrawals. The Reserve Account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the Facility which may be caused by any unforeseen catastrophe and when necessary for the purpose of making payments of principal and interest on the bonds hereby authorized in the event the amount of the Debt Service Account is insufficient to meet such payments. Whenever disbursements are made from said account, said deposits shall be resumed until there is again accumulated the amount of \$172,043 for Bond No. 1, and the amount of \$206,370 for Bond No. 2, at which time deposits may be again discontinued.

**Section 5.** The City covenants and agrees that so long as the bonds hereby remain unpaid:

a. It will indemnify the Government for any payments made or losses suffered by the Government as a result of or in connection with the Facility.

b. It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

c. It will impose and collect such rates and charges for use of the Facility that gross revenues will be sufficient at all times to provide for the operation and maintenance thereof and the payments on the bonds hereby authorized and the maintenance of the various funds herein created; that all use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the City; and that no free use of the Facility will be permitted.

d. It will maintain complete books and records relating to the operation of the Facility and its financial affairs and will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish Government, without request, a copy of each annual audit report. At all reasonable times Government shall have the right to inspect the Facility and the records, account and data of the City relating thereto.

e. It will maintain such insurance coverage as may be required by Government.

f. It will not borrow money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility exclusive of normal maintenance without obtaining the prior written consent of the Government.

g. It will not dispose of or transfer its title to the Facility or any part thereof, including lands and interest in lands, by sale, mortgage, lease, or other encumbrance, without obtaining prior written consent of Government.

h. It covenants for the benefit of the owners of the bonds to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for bond interest to be excluded from gross income for federal income tax purposes, except for certain taxes on corporations, unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required for the interest paid on the bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

i. The City shall not take any action or omit any action, if it would cause the bonds to become "arbitrage bonds" under Section 148 of the Code and shall pay any rebates to the United States which are required by Section 148(f) of the Code.

ii. The City shall operate the Facility financed with the bonds so that the bonds are not a private activity bonds within the meaning of Section 141 of the Code.

**Section 6.** If at any time it shall appear to the Government that the City is able to refinance the amount of the bonds then outstanding, in whole or in part, by obtaining a loan for such purpose from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time, the City will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

**Section 7.** The City hereby designates the bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. The City covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000. The City (and all subordinate entities thereof, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

**Section 8.** The City has general taxing powers. No portion of the bond proceeds will be used to finance property which is used in the trade or business of nongovernments, or is loaned to nongovernments. The bonds are not "private activity bonds" within the meaning of Section 141 of the Code. At least ninety-five percent of the net proceeds of the bonds will be used for financing Sewer system improvements which will be owned and operated by the City. The City (and all subordinate entities thereof, if any) does not reasonably expect to issue tax-exempt obligations in calendar year 1997 which have an aggregate face amount of more than \$5,000,000. Accordingly, under Section 148(f)(4)(c) of the Code, no rebate to the United States is required to be paid in connection with the bonds.

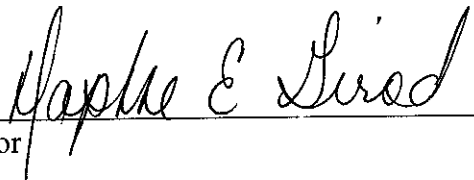
**Section 9.** The Mayor and the Administrator are hereby authorized and directed to execute for and on behalf of the City, Form FMHA 400-1, "Equal Opportunity Agreement," Form FMHA 400-4, "Assurance Agreement," as required by the provisions of Title VI of the Civil Rights Act of 1964, Form FMHA 1942-47, "Loan Resolution," Form FMHA 442-21, "Right-of-Way Certificate," Form FMHA 1942-46, "Letter of Intent to Meet Conditions," Form FMHA 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts," Form FMHA 1924-18, "Partial Payment Estimate," Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions," Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," and if an FMHA development grant is involved, Form FMHA 1942-31, "Association Water or Sewer System Grant Agreement," and Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants)."

PASSED by the City Council the 19<sup>th</sup> day of May, 1997.

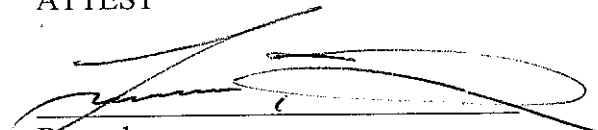
AYES: Five

NAYS: None

Submitted to and approved by the Mayor on this 19<sup>th</sup> day of May, 1997.

  
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Mayor

ATTEST

  
\_\_\_\_\_  
Recorder