AGENDA
STAYTON CITY COUNCIL MEETING
Monday, November 5, 2012
Stayton Community Center
400 W. Virginia Street
Stayton, Oregon 97383

CALL TO ORDER **7:00 PM** **Mayor Vigil**

FLAG SALUTE

ROLL CALL/STAFF INTRODUCTIONS

PRESENTATIONS/COMMENTS FROM THE PUBLIC

Request for Recognition: If you wish to address the Council, please fill out a green "Request for Recognition" form. Forms are on the table at the back of the room.
Recommended time for presentation is 10 minutes.
Recommended time for comments from the public is 3 minutes.

ANNOUNCEMENTS – PLEASE READ CAREFULLY
Items not on the agenda but relevant to City business may be discussed at this meeting. Citizens are encouraged to attend all meetings of the City Council to insure that they stay informed. Agenda items may be moved forward if a Public Hearing is scheduled.

a. Additions to the agenda
b. Declaration of Ex Parte Contacts, Conflict of Interest, Bias, etc.

CONSENT AGENDA
a. October 15, 2012 City Council Meeting Minutes

Purpose of the Consent Agenda:
In order to make more efficient use of meeting time, resolutions, minutes, bills, and other items which are routine in nature and for which no debate is anticipated, shall be placed on the Consent Agenda. Any item placed on the Consent Agenda may be removed at the request of any council member prior to the time a vote is taken. All remaining items of the Consent Agenda are then disposed of in a single motion to adopt the Consent Agenda. This motion is not debatable. The Recorder to the Council will then poll the council members individually by a roll call vote. If there are any dissenting votes, each item on the consent Agenda is then voted on individually by roll call vote. Copies of the Council packets include more detailed staff reports, letters, resolutions, and other supporting materials. A citizen wishing to review these materials may do so at Stayton City Hall, 362 N. Third Avenue, Stayton, or the Stayton Public Library, 515 N. First Avenue, Stayton.

The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours prior to the meeting. If you require special accommodations, please contact Alissa Angelo, Deputy City Recorder at (503) 769-3425.

PUBLIC HEARING – None

NEW BUSINESS

Resolution No. 894, Authorizing Full Faith and Credit Borrowing to Refinance Outstanding Debt Obligations — **Action**

a. Staff Report – Christine Shaffer
b. Council Deliberation
c. Council Decision

STAFF/COMMISSION REPORTS

Preliminary Official Statement for Refinancing of Wastewater Debt — **Informational**

a. Staff Report – Christine Shaffer

UNFINISHED BUSINESS

Ordinance No. 949, Comprehensive Plan Update — **Action**

a. Staff Report – Dan Fleishman
b. Council Deliberation
c. Council Decision

PRESENTATIONS/COMMENTS FROM THE PUBLIC

Recommended time for presentations is 10 minutes.
Recommended time for comments from the public is 3 minutes.

BUSINESS FROM THE CITY ADMINISTRATOR

BUSINESS FROM THE MAYOR

BUSINESS FROM THE COUNCIL

FUTURE AGENDA ITEMS

a. Solicitor Licenses

ADJOURN

CALENDAR OF EVENTS

NOVEMBER 2012

Monday	November 5	City Council	7:00 p.m.	Community Center (north end)
Tuesday	November 6	Parks & Recreation Board	7:00 p.m.	E.G. Siegmund Meeting Room
Friday	November 9	Community Leaders Meeting	7:30 a.m.	Covered Bridge Café
Monday	**November 12**	**CITY OFFICES CLOSED IN OBSERVANCE OF VETERANS DAY**		
Tuesday	November 13	Commissioner's Breakfast	7:30 a.m.	Covered Bridge Café
Monday	November 19	City Council	7:00 p.m.	Community Center (north end)
Wednesday	November 21	Library Board	6:00 p.m.	E.G. Siegmund Meeting Room
Thursday Friday	**November 22—23**	**CITY OFFICES CLOSED IN OBSERVANCE OF THANKSGIVING**		
Monday	November 26	Planning Commission	7:00 p.m.	Community Center (north end)
Tuesday	November 27	Police Advisory Committee	6:00 p.m.	City Hall Conference Room

DECEMBER 2012

Monday	December 3	City Council	7:00 p.m.	Community Center (north end)
Tuesday	December 4	Parks & Recreation Board	7:00 p.m.	E.G. Siegmund Meeting Room
Tuesday	December 11	Commissioner's Breakfast	7:30 a.m.	Covered Bridge Café
Friday	December 14	Community Leaders Meeting	7:30 a.m.	Covered Bridge Café
Monday	December 17	City Council	7:00 p.m.	Community Center (north end)
Wednesday	December 19	Library Board	6:00 p.m.	E.G. Siegmund Meeting Room
Tuesday	**December 25**	**CITY OFFICES CLOSED IN OBSERVANCE OF CHRISTMAS**		

JANUARY 2013

Tuesday	**January 1**	**CITY OFFICES CLOSED IN OBSERVANCE OF NEW YEARS DAY**		
Wednesday	January 2	Parks & Recreation Board	7:00 p.m.	E.G. Siegmund Meeting Room
Monday	January 7	City Council	7:00 p.m.	Community Center (north end)
Tuesday	January 8	Commissioner's Breakfast	7:30 a.m.	Covered Bridge Café
Friday	January 11	Community Leaders Meeting	7:30 a.m.	Covered Bridge Café
Wednesday	January 16	Library Board	6:00 p.m.	E.G. Siegmund Meeting Room
Monday	**January 21**	**CITY OFFICES CLOSED IN OBSERVANCE OF MARTIN LUTHER KING DAY**		
Tuesday	January 22	City Council	7:00 p.m.	Community Center (north end)
Monday	January 28	Planning Commission	7:00 p.m.	Community Center (north end)

Consent Agenda

STAYTON CITY COUNCIL
MEETING MINUTES
October 15, 2012

CALL TO ORDER **7:00 p.m.** **Mayor Vigil**

FLAG SALUTE

ROLL CALL

Mayor Scott Vigil
Councilor Henry Porter
Councilor Brian Quigley
Councilor Jennifer Niegel
Councilor James Loftus
Councilor Emily Gooch

STAFF

Don Eubank, City Administrator
Christine Shaffer, Finance Director, excused
Rich Sebens, Police Chief
Dan Fleishman, Director of Planning and Development
Louise Meyers, Library Director
David Kinney, Public Works Director, excused
David A. Rhoten, City Attorney, excused
Alissa Angelo, Deputy City Recorder

PRESENTATIONS/COMMENTS FROM THE PUBLIC – None.

ANNOUNCEMENTS

a. **Additions to the Agenda**: None.
b. **Declaration of Ex Parte Contacts, Conflict of Interest, Bias, etc**.: None.

CONSENT AGENDA

a. **October 1, 2012 City Council Meeting Minutes**

MOTION: From Councilor Gooch, seconded by Councilor Quigley, to adopt the Consent Agenda. **Motion passed 5:0.**

PUBLIC HEARING
Ordinance No. 949, Comprehensive Plan Update

a. *Commencement of Public Hearing:* Mayor Vigil opened the hearing at 7:02 p.m. and read the opening statement. Councilor Loftus stated he has had contact with citizens regarding the Comprehensive Plan but it will not cause bias.

b. *Staff Report – Dan Fleishman:* Mr. Fleishman reviewed the history of the Comprehensive Plan. The original plan was adopted in the late 1970s and while some changes have been made to the Plan, it hasn't been fully reviewed since. He spoke about the proposed changes to the Plan, including going from a "single map" system to a "two map" system. This will create a Comprehensive Plan Map which shows only general categories (commercial, residential, etc.). The second map is an official Zoning Map. He continued reviewing the staff report included in the packet and explaining other recommended changes to the Plan, zoning map, and land use code.

c. *Questions from Council:*

Councilor Quigley asked if there is a minimum acceptable buffer zone for the Natural Resource Overlay District (NROD) by Oregon Department of Environmental Quality (DEQ) standards. Mr. Fleishman is unaware of the Oregon DEQ establishing a minimum buffer zone. He spoke about the process the City Council and Planning Commission used two years ago when deliberating on changing the width of the NROD. At that time, staff researched standards from all over the country and found the width of the buffer area depends on the purpose. It was staff's recommendation that a buffer of no less than 25 feet buffer be established for water quality purposes as this will provide adequate protection for removal of sediment and nutrients and is likely to provide shade for maintaining temperature. If these were natural streams and not man-made ditches, there is a safe harbor in DLCD's rules for a 75 foot buffer. However, the City is not obligated to follow this requirement because these are not natural streams.

d. *Proponents' Testimony* – None.

e. *Opponents' Testimony* – None.

f. *General Testimony:* **Brent Stevenson of the Santiam Water Control District, 284 E. Water Street:** Mr. Stevenson offered suggestions and policies he felt should be included in the Plan. He feels the City and the Plan should recognize the Santiam Water Control District's (SWCD) operational maintenance rights in several sections of the Plan. He pointed out the SWCD does not fall under the same rules as the City, such as TMDL. He also added that the Stayton Power Canal has been removed from the Oregon Department of Fish and Wildlife's list for fish bearing waters.

g. *Questions from Public* – None.

h. *Questions from Council:* Councilor Quigley asked Mr. Stevenson for clarification on his statements regarding the SWCD maintenance activities and water quality. The Council continued discussion of the ditches, including their history and if they run through other municipalities or just Stayton.

i. *Staff Summary:* Mr. Fleishman briefly spoke regarding a statement made in Mr. Stevenson's testimony regarding the removal of Stayton Power Canal from the fish bearing list. In a recent conversation with a representative from ODFW, he was told it was still on the list.

j. *Close of Hearing at 8:03 p.m.*

UNFINISHED BUSINESS – None.

STAFF/COMMISSION REPORTS

Police Chief's Report – Rich Sebens

a. **September 2012 Statistical Report:** Chief Sebens reviewed changes to his report. Councilor Quigley asked about the difference between Reserve Volunteer hours and Citizen Volunteer hours. Chief Sebens explained the difference between these two types of volunteers at the Police Department.

Library Director's Report – Louise Meyers

a. **September 2012 Activities / Statistics:** Ms. Meyers briefly spoke about the recent Brews, Bites, and Books event organized by the Stayton Library Foundation.

NEW BUSINESS

Ordinance No. 949, Comprehensive Plan Update

a. **Council Deliberation:** Mayor Vigil did not feel the Council would complete their review of the draft Comprehensive Plan this evening. He suggested going through the Plan chapter by chapter.

The first discussion focused on the wording in chapter 1, page 1, section A, #5 under Natural and Historic Resource Goals. Mr. Fleishman explained that the first chapter is a summary of the Plan, and the section discussing Fish and Wildlife Habitat is in chapter 3, pages 35 to 36. If changes are made to the body of the plan, the introduction will be updated accordingly.

Mr. Fleishman invited anyone who wished to contribute historical information since 1924, to submit it to him.

At this time, there were no recommended changes for chapter 2.

Councilor Loftus referenced chapter 3, page 15, third paragraph under Surface Water Bodies. He felt this would be an appropriate place to acknowledgement of the historical uses of Stayton's waterways. Councilor Quigley stated he thinks Councilor Loftus has an expansion on what is stated on page 7, second paragraph where it talks about water diversion. He continued that he does not have an issue with it being added to where Councilor Loftus suggested. The Council agreed to add the information suggested by Councilor Loftus.

Mr. Fleishman stated if the Council desires, this may be an appropriate place to add a statement regarding the SWCD's operational rights and responsibilities for maintenance.

Councilor Loftus suggested if the City is going to recognize the SWCD's right to maintain, then the SWCD must recognize they are responsible for any deterioration in our water quality due to their maintenance.

Mayor Vigil stated they don't fall under the same rules as the City. Councilor Loftus continued if what they do causes the City to violate our TMDL, then whose responsibility is it. Councilor Gooch asked if Mr. Fleishman can draft this for Council review at the next meeting, where it can then be further discussed. Mr. Fleishman stated he will be providing Council with a list of all suggested revisions in a staff report.

Councilor Loftus in reference to page 22, Flood Protection Measures, asked that historical reference be included regarding use of the Stayton Ditch for flood control.

Councilor Porter spoke about Ernst Lau and the history he knew about Stayton. He stated he would contact the Lau family to gather more historical information on Stayton to be included in the Plan.

Councilor Quigley asked if it is appropriate for a Comprehensive Plan to have an Emergency Plan section. Mr. Fleishman stated it is not necessary but also not inappropriate. Some jurisdictions include a hazards mitigation section in their comprehensive plans. It can be added but would not take the place of the City's Emergency Operations Plan.

Councilor Loftus made a motion which was seconded by Councilor Niegel to continue the Comprehensive Plan discussion at the next Council meeting. After a short discussion, the motion and second were withdrawn.

b. **Council Decision:**

MOTION: From Councilor Loftus, seconded by Councilor Quigley, to leave the record open and continue deliberations at the November 5, 2012 City Council meeting. **Motion passed 5:0.**

STAFF/COMMISSION REPORTS

Finance Director's Report – Christine Shaffer

a. **September 2012 Monthly Finance Department Report:** No discussion.

b. **Refinancing Update:** No discussion.

Public Works Director's Report – David Kinney

a. **September 2012 Monthly Operating Report:** No discussion.

Pool Manager's Report – Rebekah Meeks

a. **September 2012 Monthly Operating Report:** No discussion.

PRESENTATIONS/COMMENTS FROM THE PUBLIC – None.

BUSINESS FROM THE CITY ADMINISTRATOR

a. Mr. Eubank reminded the Council that he and Councilor Quigley will be attending the Marion County Economic Summit on Wednesday, October 17 from 5:00 p.m. to 10:00 p.m. in Keizer. Councilor Loftus stated he will be attending as well.

BUSINESS FROM THE MAYOR – None.

BUSINESS FROM THE COUNCIL – None.

FUTURE AGENDA ITEMS

a. **Solicitor Licenses**

ADJOURN

There being no further business, the meeting was adjourned at 8:43 p.m.

APPROVED BY THE STAYTON CITY COUNCIL THIS 5TH DAY OF NOVEMBER 2012, BY A ____ VOTE OF THE STAYTON CITY COUNCIL.

CITY OF STAYTON

Date:_________________________ By:_________________________________
A. Scott Vigil, Mayor

Date:_________________________ Attest:_________________________________
Don Eubank, City Administrator

Date:_________________________ Transcribed by:_________________________________
Alissa Angelo, Deputy City Recorder

Unfinished Business

October 30, 2012

To Mayor Scott Vigil and the Stayton City Council

Dear Mayor Vigil and City Council;

I am writing in regards to your work on the Stayton Comprehensive Plan and the fact that you have kept open the public record for written comments.

Because of having followed the work of the committee, the Planning Commission and the work you are now doing I would like to make comments on potential changes that I believe would be harmful to the City over the long term. And because of State interference we would not be able to go back to our original codes if we found the changes in the new codes were not working.

1. Under low density residential codes we should not add the policy: "development shall not be less than 3 units per acre." If the landowner wants to provide and sell large lots to accommodate a wealthier segment of the community we should allow it because it will improve the quality of the community.
2. We should not add under medium density residential: "shall not be less than 4.5 dwelling units per acre." We should allow larger lots for nicer multi family units and not just cram in duplexes like we see around Stayton today. We can see the negative impact those rental units are having on the appearance of the town.
3. Numbers 1 and 2 above would also have a detrimental effect on existing large lots in Stayton. Some of these lots are large enough to force the creating of a subdivision (4 lots or more) and all the extra costs that are associated with a subdivision as opposed to a simple partitioning creating 2 or 3 lots. The proposed changes would in essence destroy the infill concept for larger lots as well.
4. We should not remove the "footnote #2" which would eliminate the requirement that all lots east of 10th Street have a minimum lot size of 10,000 square feet. That requirement was put in the code in the mid 1990s in order to encourage that part of town to build homes of a different level from the 7,000 to 8,000 foot lots that were being developed elsewhere in town. That has worked and continues to work. Also, the amount of traffic produced by a greater number of homes east of town would be detrimental to neighborhoods off of 10th Avenue, Jefferson Street, Fernridge Road and 3rd Avenue.

   We could never go back to 10,000 square foot lots if we wanted to do so in the future. We need to provide these large lots to effectively compete with Sublimity for higher end neighborhoods with **all** of their (Sublimity's) low density residential lots at 10,000 square feet.

   Thank you for your consideration on this issue.

   Sincerely,
   Gerry Aboud
   836 East Kathy Street
   Stayton

New Business

M E M O R A N D U M

TO: **Mayor Scott Vigil and Stayton City Council**

FROM: **Christine Shaffer, Finance Director**

DATE: **November 5, 2012**

SUBJECT: **Resolution No. 894 Authorizing full faith and credit borrowing to refinance outstanding debt obligations.**

ISSUE:

Authorizing the City Administrator and the Finance Director to refinance existing Wastewater debt, in order to reduce interest rates and shorten the term of the current obligation.

STAFF RECOMMENDATION:

Staff recommends adoption of the proposed Resolution No. 894.

BACKGROUND INFORMATION:

At the September 17th City Council Meeting staff was directed by the City Council to move forward with the refinancing of outstanding Wastewater debt, in order to take advantage of historically low bond rates.

Staff has received a Moody's rating and will release our official statement to investors on November 16th, bond pricing is scheduled for December 4, closing is scheduled for January 3rd.

OPTIONS:

1. Adopt the proposed Resolution No. 894 as presented.

2. Reject the proposed Resolution No. 894.

MOTION(S)

1. Move to approve Resolution No. 894, Authorizing full faith and credit borrowing.

2. No motion necessary.

RESOLUTION NO. 894

A RESOLUTION OF THE CITY OF STAYTON, OREGON AUTHORIZING FULL FAITH AND CREDIT BORROWINGS TO REFINANCE OUTSTANDING OBLIGATIONS OF THE CITY.

WHEREAS, the City of Stayton, Oregon (the "City") is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance or refinance real or personal property which the City Council determines is needed; and,

WHEREAS, the City previously entered into borrowings to finance real and personal property, including a borrowing with the Department of Environmental Quality in 2005 to finance the design and construction of the Mill Creek sewer project (the "DEQ Loan"), and a borrowing in 1997 with the United States Department of Agriculture to finance improvements to the wastewater system (collectively, the "Outstanding Borrowings"); and,

WHEREAS, the Outstanding Borrowings are currently paid from, and secured by, wastewater system revenues; and,

WHEREAS, current interest rates may be lower than the interest rates that are payable on all or a portion of the Outstanding Borrowings and the City may be able to reduce debt service costs or favorably restructure its Outstanding Borrowings by refunding all or a portion of the Outstanding Borrowings;

NOW, THEREFORE, BE IT RESOLVED by the Stayton City Council that:

1. Authorization of Financing Agreements.

1.1 The City is hereby authorized to enter into one or more financing agreements to refinance all or any portion of the real property and personal property that was financed with the Outstanding Borrowings pursuant to ORS 271.390 and ORS Chapter 287A. The net proceeds of the financing agreements that are executed to refinance this property shall not exceed the amount required to pay the principal amount of the Outstanding Borrowings, accrued interest through the date the Outstanding Borrowings are redeemed, any redemption premium and other estimated costs of the refinancing.

1.2 The financing agreements authorized by this Section 1 are referred to in this Resolution as the "Financing Agreements."

2. Determination of Need.

The City hereby determines that the projects financed with the Outstanding Borrowings are needed.

3. Delegation.

The City Administrator, the Finance Director or the person designated by the City Council to act on behalf of the City under this resolution (each of whom is referred to in this resolution as a "City Official") may, on behalf of the City and without further action by the Council:

3.1 Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreements") that provide for the issuance of one or more series of "certificates of participation" or "full faith and credit obligations" (the "Obligations") that represent ownership interests in the loan payments due from the City under the Financing Agreements. Subject to the limitations of this resolution, the Escrow Agreements and each series of Obligations may be in such form and contain such terms as the City Official may approve.

3.2 Select one or more commercial banks with which to negotiate and execute each Financing Agreement, solicit competitive bids for the purchase of each series of the Obligations and award their sale to the bidder offering the most favorable terms to the City, or negotiate the terms of the sale of each series of Obligations to D.A. Davidson & Co., as underwriter, and sell that series to the underwriter.

3.3 Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations, and enter into agreements to provide continuing disclosure for owners of each series of Obligations.

3.4 Apply for ratings for each series of Obligations, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements for each series of Obligations, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.

3.5 Take actions to call, defease and redeem the Outstanding Borrowings.

3.6 Engage the services of escrow agents or trustees and any other professionals whose services are desirable for the financing.

3.7 Determine the final principal amount, interest rates, payment dates, prepayment rights and all other terms of each Financing Agreement. Subject to the limitations of this resolution, each Financing Agreement may be in such form and contain such terms as the City Official may approve.

3.8 Negotiate, execute and deliver notes to evidence amounts due under the Financing Agreements.

3.9 Covenant for the benefit of the banks providing the Financing Agreements or the owners of Obligations to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for the interest paid under the Financing Agreements to be excluded from gross income for federal income tax purposes or issue the Financing Agreements as taxable borrowings.

3.10 Determine that interest on any Financing Agreement will be includable in gross income under the Code.

3.11 If the United States Congress authorizes federal interest rate subsidies, such as the subsidies that were authorized for "Build America Bonds," and those subsidies reduce the cost of any of the borrowings that would otherwise be completed under this resolution, issue any Financing Agreements under these provisions, apply for and receive federal interest rate subsidies and covenant to take any actions necessary to maintain those subsidies.

3.12 Designate each Financing Agreement as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code, if applicable.

3.13 Execute and deliver any other certificates or documents and take any other actions which the City Official determines are desirable to carry out this resolution.

4. Security.

Each Financing Agreement shall constitute an unconditional obligation of the City, which is payable from all legally available funds of the City. The City Official may pledge the City's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution.

5. Rate Covenant.

Although the Financing Agreements authorized under this resolution shall not be secured by the wastewater system revenues, the City shall hereby continue to maintain wastewater rates and charge fees in connection with the operation of the wastewater system that are adequate to generate Net Operating Revenues, as that term is defined in the DEQ Loan, in each fiscal year equal to 105% multiplied by the annual debt service payments due under each Financing Agreement, the City's Wastewater Revenue Bond No. 1 dated as of September 6, 2012, and future obligations secured by a lien on the Net Operating Revenues of the City's wastewater system..

6. Effective Date.

This resolution shall take effect on the date of its approval by the City Council.

Introduced and passed this 5th day of November, 2012.

CITY OF STAYTON

Signed ________, 2012 By:___________________________________

A. Scott Vigil, Mayor

Signed ________, 2012 ATTEST: _______________________________________

Don Eubank, City Administrator

Staff / Commission Reports

MEMORANDUM

TO: **Mayor Scott Vigil and Stayton City Council**

FROM: **Christine Shaffer, Finance Director**

DATE: **November 5, 2012**

SUBJECT: Informational: Preliminary Official Statement (POS)

As we move forward with the refinancing of old Wastewater debt, a draft of the City of Stayton's Preliminary Official Statement (POS) has been prepared. Please review the statement and let me know if there are any questions, concerns, or input you may have.

The POS will be distributed by D.A. Davidson to potential investors on November 16th; we will receive pricing for the obligation on December 4th. If there are any questions regarding the refinancing process please feel free to contact me.

PRELIMINARY OFFICIAL STATEMENT dated January 3, 2013

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE
BOOK-ENTRY **Moody's Rating: ___ (See "Ratings" herein)**

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designated as and constituting interest received by the holders of the Obligations ("Interest") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Obligations is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Special Counsel, Interest is exempt from State of Oregon personal income tax under existing law. (See "Tax Matters" herein.)

$6,120,000 [1]

CITY OF STAYTON

MARION COUNTY, OREGON

FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2013

DATED: Date of Delivery **Due: June 1, as shown on inside cover**

City of Stayton in Marion County, Oregon (the "City") provides this Preliminary Official Statement in connection with the issuance of the City's Full Faith and Credit Refunding Obligations, Series 2013 (the "Obligations") pursuant to a Financing Agreement between the City and U.S. Bank National Association (the "Financing Agreement"). The Obligations will be issued in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for the Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Obligations. Individual purchases of the Obligations will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Obligations purchased.

The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof (as hereinafter defined) in the Financing Payments (as hereinafter defined) to be made by the City pursuant to the Financing Agreement. The interest component of the Financing Payments evidenced and represented by the Obligations is payable June 1, 2013 and semi-annually thereafter on December 1 and June 1 of each year to the maturity of the Obligations. The principal and interest components of the Obligations will be payable to the persons in whose names such Obligations are registered (the "Owners"), at the addresses appearing upon the registration books on the 15th day of the month preceding a payment date. Such principal and interest components will be payable by the City's escrow agent, registrar and paying agent, currently U.S. Bank National Association (the "Paying Agent"), to DTC which, in turn, is required to remit such principal and interest components to DTC participants for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Obligations. For so long as the Obligations are held by DTC in book-entry format, principal and interest payments will be made as described herein. (See "Description of the Obligations - Book-Entry System" and "Appendix E" hereto.)

The principal component of the Obligations mature on June 1 in each of the years and amounts set forth on the inside cover and will bear interest from the Date of Delivery to the dates of maturity at the rates per annum as shown on the inside cover. The City has designated the Financing Agreement as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Pursuant to the terms of the Financing Agreement the City's payment obligations (the "Financing Payments") are secured by and payable from legally available funds of the City including any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Oregon Constitution. The obligation of the City to make payments is a full faith and credit obligation of the City and is not subject to appropriation. The Beneficial Owners of the Obligations do not have a lien or security interest on the Project financed with the proceeds of the Obligations. The Financing Agreement does not constitute a debt or indebtedness of Marion County, the State of Oregon, or any political subdivision thereof other than the City.

The Obligations are being issued to refinance the City's outstanding DEQ Loan Agreement No. R87590 dated as of March 31, 2005 (the "DEQ Loan"), USDA Revenue Installment Sewer Bond No. 1 dated May 28, 1997 and USDA Revenue Installment Sewer Bond No. 2 dated May 28, 1997 (collectively, the "USDA Loan")and to pay for costs of issuance, sale and delivery of the Obligations. (See "Purpose and Use of Proceeds" herein.) The Obligations are subject to optional prepayment prior to their stated maturities. (See "Description of the Obligations - Authorization for Issuance," "Prepayment Provisions," "Purpose and Use of Proceeds," and "Summary of Certain Provisions of the Financing Agreement and Escrow Agreement - Security for the Obligations" herein.)

The Obligations are offered by the Underwriter when, as and if issued by the City, subject to the final approval of Special Counsel, which opinion will be delivered with the Obligations. The Obligations, in book-entry form, are expected to be available for delivery through the facilities of DTC for delivery by Fast Automated Securities Transfer on or about January 3, 2013.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

* Preliminary; subject to change.

D.A. DAVIDSON & CO.

$6,120,000 (1)

CITY OF STAYTON

MARION COUNTY, OREGON

FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2013

DATED: Date of Delivery (Expected to be January 3, 2013)

MATURITY SCHEDULE[1]

DUE: June 1 , as shown below

Due June 1	Amounts	Interest Rates	Yields	CUSIP [1]	Due June 1	Amounts	Interest Rates	Yields	CUSIP [1]

$____ _____% Term Obligation due ______ @____; CUSIP No. _________

[1] Preliminary; subject to change.

[2] Copyright © 2012 CUSIP Global Services. The CUSIP numbers are included for convenience of the holders and potential holders of the Obligations. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by Standard & Poor’s. No assurance can be given that the CUSIP numbers for the Obligations will remain the same after the date of issuance and delivery of the Obligations.

CITY OF STAYTON
362 North Third Avenue
Stayton, Oregon 97383

Mayor and City Council:

Mayor.. Scott Vigil

City Council .... Emily Gooch
James Loftus
Jennifer Niegel
Henry Porter
Brian Quigley

Certain Appointed City Officials:

City Administrator .... Don Eubank

Finance Director ....Christine Shaffer

Underwriter

D. A. DAVIDSON & CO.
1300 SW 5th Ave, Suite 1950
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(503) 863-5094

Special Counsel

HAWKINS DELAFIELD & WOOD LLP
200 SW Market Street, Suite 350
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Escrow Agent, Paying Agent and Registrar

U.S. BANK NATIONAL ASSOCIATION
GLOBAL CORPORATE TRUST SERVICES
555 SW Oak Street – PD – OR – P6TD
Portland, Oregon 97204
(503) 275-5713

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. The information in this Official Statement was obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date of its distribution. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The following descriptions of the Obligations, the Resolution, the Financing Agreement, the Escrow Agreement (defined herein) and all references to other documents or materials not claiming to be quoted in full are only brief outlines of some of the provisions and do not claim to summarize or describe all provisions. Copies of such documents may be obtained from the City or the Underwriter.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Preliminary Official Statement will be “deemed final” by the City, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Preliminary Official Statement under said Rule 15c2-12.

In connection with the offering and issuance of the Obligations, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “projection,” “budget” or other similar words. No assurance can be given that the future results discussed herein will be achieved and actual results may differ materially from the forecasts described herein.

TABLE OF CONTENTS

SUMMARY STATEMENT 3

INTRODUCTION 4

DESCRIPTION OF THE OBLIGATIONS 4
- Authorization for Issuance 5
- Prepayment Provisions 5

PURPOSE AND USE OF PROCEEDS 6
- Purpose 6
- Refunding Procedure 7
- Refunded Loans 7

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND ESCROW AGREEMENT 7
- Security for the Obligations 7
- Financing Payments 7
- Obligation of the City 8
- Events of Default 8
- Remedies 8
- Payment Account 9

BONDED INDEBTEDNESS 9
- Outstanding Long-Term Debt (as of December 1, 2012) 10
- Projected Debt Service Requirements 11
- Summary of Overlapping Debt 11
- Debt Ratios 12
- Short-term Borrowing 12
- Debt Payment Record 12
- Future Financings 12

REVENUE SOURCES 12
- Property Taxes 13
- Taxes Collected - Marion County 15
- Property Values - City of Stayton 15
- Fiscal Year 2013 Representative Levy Rate – City of Stayton 16
- Major Taxpayers – City of Stayton 16
- Strategic Investments Program 17

THE CITY 17
- Administration 17
- Bargaining Units 17
- The Wastewater System 18

FINANCIAL INFORMATION 18
- Financial Reporting and Accounting Policies 18
- Description of Select Funds 18
- Auditing 19
- Government-wide Statement of Net Assets 20
- Government-wide Statement of Activities 21

General Fund Balance Sheet 22
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance 23
Wastewater Funds Statement of Net Assets 24
Wastewater Funds Statement of Revenues, Expenditures and Changes in Fund Balance 25
Budgetary Process 25
General Fund Adopted Budget 26
Investments 26
Pension System 27
Other Post-Employment Benefits 29
Risk Management 30

THE INITIATIVE AND REFERENDUM PROCESS 30
Referendum 30
Initiatives 30
Historical Initiative Petitions 31
City Charter 31

LEGAL MATTERS AND LITIGATION 31
Litigation 32

TAX MATTERS 33
Tax Exemption 33
Certain Ongoing Federal Tax Requirements and Covenants 33
Certain Collateral Federal Tax Consequences 33
Bond Premium 34
Information Reporting and Backup Withholding 34
Miscellaneous 35

CONTINUING DISCLOSURE 35

RATING 35

UNDERWRITING 35

PRELIMINARY OFFICIAL STATEMENT 36

CONCLUDING STATEMENT 36

APPROVAL OF OFFICIAL STATEMENT 36

APPENDIX A – ECONOMIC AND DEMOGRAPHIC INFORMATION

APPENDIX B – CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C –FORM OF LEGAL OPINION

APPENDIX D – AUDITED FINANCIAL STATEMENTS 2011

APPENDIX E – BOOK-ENTRY ONLY SYSTEM

APPENDIX F – FORM OF FINANCING AGREEMENT AND FORM OF ESCROW AGREEMENT

$6,120,000 [(1)]
CITY OF STAYTON
MARION COUNTY, OREGON
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2013

SUMMARY STATEMENT

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER .... The City of Stayton, Oregon (the "City") is located in Marion County, approximately 60 miles south of the City of Portland and 16 miles southeast of the City of Salem. The City has a 2011 estimated population of 7,660. (See "The City" and "Appendix A – Economic and Demographic Information.")

AUTHORITY
FOR ISSUANCE .... Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes ("ORS") Sections 287A.360, the Obligations are being issued pursuant to Resolution No. _____ (the "Resolution") adopted by the City Council (the "Council") on November 5, 2012.

INTEREST AND
PRIOR PREPAYMENT................. Interest on the Obligations will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2013, as shown on the inside cover. The Obligations are subject to optional prepayment. (See "Description of the Obligations – Prepayment Provisions" herein.)

SOURCE OF
REPAYMENT .... The Obligations evidence and represent undivided proportionate ownership interests in the installment payments of principal and interest due (the "Financing Payments") from the City under the Financing Agreement. Under the Financing Agreement, the Financing Payments are secured by and payable from legally available funds of the City including and any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Oregon Constitution. The obligation to pay the Financing Payments is a full faith and credit obligation of the City and it is not subject to appropriation. The City expects to pay the Financing Payments from net revenues of the City's wastewater system but is not pledging those revenues to secure the Financing Agreement.

USE OF
PROCEEDS..................................... The Obligations are being issued to refinance the City's outstanding DEQ Loan Agreement No. R87590 dated as of March 31, 2005 (the "DEQ Loan"), USDA Revenue Installation Sewer Bond No. 1 dated May 28, 1997 and USDA Revenue Installment Sewer Bond No. 2 dated May 28, 1997 (collectively, the "USDA Loan"), and to pay costs of issuance for the Obligations. (See "Purpose and Use of Proceeds" herein.)

[(1)] Preliminary; subject to change.

$6,120,000 [1]
CITY OF STAYTON
MARION COUNTY, OREGON
FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2013

INTRODUCTION

The City of Stayton, Oregon (the "City") furnishes this Official Statement in connection with the offering of the Full Faith and Credit Refunding Obligations, Series 2013 (the "Obligations"). This Official Statement, which includes the cover page, inside cover pages and appendices, provides information concerning the City and the Obligations.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable. The information contained herein should not be construed as representing all conditions affecting the City or the Obligations. Additional information may be obtained from the City. The statements relating to the Resolution, the Financing Agreement, the Escrow Agreement and the Obligations are in summarized form and, in all respects, are subject to and qualified in their entirety by express reference to the provisions of such document in its complete and executed form. The agreements of the City are set forth in the Resolution, the Financing Agreement, the Escrow Agreement and the Obligations and the information assembled herein is not to be construed as a contract with Owners of the Obligations.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in "Appendix F - Form of Financing Agreement and Form of Escrow Agreement," which is attached hereto and incorporated by reference herein.

DESCRIPTION OF THE OBLIGATIONS

The Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof in payments (the "Financing Payments") to be made by the City pursuant to the Financing Agreement (the "Financing Agreement") dated as of the Date of Delivery, between the City and U.S. Bank National Association, as registrar and paying agent (the "Paying Agent"). U.S. Bank National Association will also serve as escrow agent (the "Escrow Agent"). The Obligations are executed and delivered pursuant to an escrow agreement (the "Escrow Agreement") dated as of the Date of Delivery, between the City and the Escrow Agent.

The principal and interest components of the Financing Payments evidenced and represented by the Obligations are payable on the scheduled payment dates, each June 1 and December 1 (the "Payment Date"), commencing June 1, 2013, and in the amounts, with interest payable at the rates, all as set forth on the inside cover of this Official Statement. Interest on the principal components of the Financing Payments evidenced and represented by the Obligations will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Financing Payments. The Financing Payments will be payable by the Escrow Agent to the Depository Trust Company ("DTC"), which, in turn, is obligated to remit such principal and interest components to its participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners as further described in Appendix E attached hereto.

Book-Entry System. The Obligations will be executed and delivered in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co. as Owner and as nominee for DTC. DTC will act as securities depository for the Obligations. Individual purchases and sales of the Obligations may be made in book-entry form only in minimum denominations of $5,000 within a single maturity and integral multiples thereof.

Purchasers will not receive certificates representing their interest in the Obligations. See Appendix E attached hereto for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC ceases to act as depository for the Obligations, the City will follow the procedures outlined in the Escrow Agreement for the Obligations.

Authorization for Issuance

The City is authorized pursuant to the Constitution and laws of the State of Oregon (the "State"), including, Oregon Revised Statutes ("ORS") Section 271.390, to enter into financing agreements, lease-purchase agreements or other contracts of purchase to finance or refinance real or personal property and to authorize certificates of participation in the payment obligations of the City under such financing agreements, lease-purchase agreements or other contracts of purchase.

Under and in accordance with the laws and provisions of the State including ORS 271.390 and ORS 287A.360, the Council adopted an authorizing resolution on November 5, 2012 (the "Resolution"), that authorized the City to enter into the Financing Agreement, Escrow Agreement (together, the "Agreements") and a purchase agreement for the execution, delivery and sale of the Obligations; and to authorize certain officials and employees of the City to take action on the City's behalf. Under the Agreements, the Escrow Agent will provide to the City an amount equal to the Financing Amount to refinance the Project, but only from the proceeds of the sale of the Obligations as provided in the Agreements. The City agrees in the Agreements to borrow the Financing Amount from the Escrow Agent, and to repay that principal component amount in installments, with interest, by making the Financing Payments and paying the Additional Charges as provided in the Financing Agreement.

The Obligations may be issued without a vote of the people.

Pursuant to the Resolution, the City has pledged to use all of its general non-restricted revenues of the City and other funds which may be legally available for that purpose, including any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Constitution of the State ("Article XI, Sections 11 and 11b") to make all Financing Payments.

Prepayment Provisions

The Obligations are subject to optional prepayment prior to their stated maturities.

Optional Prepayment. The Obligations maturing in years 2013 through 2022, inclusive, are not subject to prepayment prior to maturity. The Obligations maturing on June 1, 2023 and on any date thereafter are subject to prepayment at the option of the City prior to their stated maturity date at any time on or after December 1, 2022, as a whole or in part, at a price of par, plus accrued interest, if any, to the date of prepayment.

For as long as the Obligations are in book-entry only form, if fewer than all of the Obligations of a maturity are called for prepayment, the selection of Obligations within a maturity to be prepaid shall be made by DTC in accordance with its operational procedures then in effect. See Appendix E attached hereto. If the Obligations are no longer held in book-entry only form, then the Registrar would select the Obligations for prepayment by lot.

[Mandatory Prepayment. If not previously prepaid under the provisions for optional prepayment, the Term Obligations maturing on June 1, 20__ are subject to mandatory prepayment (in such manner as the Registrar and DTC will determine or by lot by the Registrar) on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of prepayment:]

[TO COME]

Notice of Prepayment (Book-Entry). So long as the Obligations are in book-entry only form, the Registrar shall notify DTC of an early prepayment not less than 20 days prior nor more than 60 days to the date fixed for prepayment, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Obligations.

Notice of Prepayment (No Book-Entry). During any period in which the Obligations are not in book-entry only form, unless waved by any Owner of the Obligations (as defined herein) to be prepaid, official notice of any prepaid of Obligations shall be given by the Registrar on behalf of the City by mailing a copy of an official prepayment notice by first class mail, postage prepaid, at least 30 days and no more than 60 days prior to the date fixed for prepayment, to the Owners of the Obligations to be prepaid at the address shown on the obligation register or at such other address as is furnished in writing by such Owner to the Registrar.

Conditional Notice of Prepayment. Any notice of optional redemption may state that the optional prepayment is conditional upon receipt by the Registrar of moneys sufficient to pay the prepayment price of the Obligations that are to be prepaid or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such prepayment price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to affected owners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

PURPOSE AND USE OF PROCEEDS

Purpose

Proceeds of the Obligations will be used to refinance the balance of the City's outstanding DEQ Loan Agreement No. R87590 (the "DEQ Loan"), USDA Revenue Installment Sewer Bond No. 1 dated May 28, 1997 and USDA Revenue Installment Sewer Bond No. 2 dated May 28, 1997 (collectively, the "USDA Loan"), and to pay the costs of issuance of the Obligations. The Obligations are being issued so that the City can obtain a benefit of savings in total debt service requirements.

The estimated sources and application of Obligation proceeds are shown in the table that follows.

Sources of Funds [1]	Series 2013 Obligations
Principal Amount	
Release of Prior Debt Service Reserve	
Net Original Issue Premium	
Total Available Proceeds	$ -
Uses of Funds [1]	
Refunding Requirements	
Issuance Costs, Underwriter's Discount and Contingency	
Total Uses of Funds	$ -

(1) Amounts will be included in the final Official Statement

Refunding Procedure

A portion of the proceeds of the Obligations will be used to provide cash funds to refinance the Refunded Obligations on January 3, 2013, as shown in the following table:

Refunded Loans

Refunded Loans	Amount Outstanding	Amount Refunded	Prepayment Date (1)	Prepayment Price
DEQ Loan No. R87590	3,587,374	3,587,374	1/3/2013	100%
OEDD Loan No. 43-24-936002260	2,424,764	2,424,764	1/3/2013	100%
Total Refundable Loans	**$ 6,012,138**	**$ 6,012,138**		

(1) Preliminary, subject to change

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND ESCROW AGREEMENT

The following is a brief summary of the provisions of the Financing Agreement and the Escrow Agreement (together, the "Agreements"). The summary contained herein is not intended to be complete in its description of the Agreements. The referenced documents should be examined in their entirety for a complete description of the provisions thereof.

Under the Agreements, the Escrow Agent has agreed to finance for the City an amount equal to the Financing Amount, but solely from the proceeds of the Obligations. The City has agreed to borrow the Financing Amount from the Escrow Agent and to repay that principal amount in installments, with interest, by making the Financing Payments (as defined below under "Security for the Obligations") and paying the Additional Charges (as defined below under "Additional Charges") when due. The City is required to make Financing Payments to the Escrow Agent not later than three business days before June 1 and December 1 of each year (the "Payment Date"), commencing June 1, 2013.

Security for the Obligations

The Obligations evidence and represent undivided proportionate ownership interests in the installment payments of principal and interest due (the "Financing Payments") from the City under the Financing Agreement. Under the Financing Agreement and the Resolution, the Financing Payments are secured by and payable from the City's legally available funds of the City including and any taxes levied within the restrictions of Sections 11 and 11b, Article XI of the Oregon Constitution. The obligation to pay the Financing Payments is a full faith and credit obligation of the City and it is not subject to appropriation. The City expects to pay the Financing Payments from net revenues of the City's wastewater system but is not pledging those revenues to secure the Financing Agreement. Neither the Financing Agreement nor the Obligations are secured by any interest in the projects refinanced with the proceeds of the Obligations.

Financing Payments

The City is required to deposit Financing Payments with the Escrow Agent not later than three business days prior to the Payment Date. In making such deposits, the City will be credited on each deposit date for any amounts then on hand in the Full Faith and Credit Refunding Obligations, Series 2013 Payment Account (the "Payment Account"), as described further herein, and available to pay the Financing Payment for which such deposit is being made and the City will only be required to pay the difference, if any, between the amount of the deposit then due and the amounts then on hand in the Payment Account.

The City's obligation to make Financing Payments is binding for the term of the Financing Agreement.

THE OBLIGATION OF THE CITY TO MAKE THE FINANCING PAYMENTS AND ADDITIONAL CHARGES IS ABSOLUTE AND UNCONDITIONAL, AND SHALL NOT BE SUBJECT TO ANNUAL APPROPRIATION. THE REGISTERED OWNERS OF THE OBLIGATIONS DO NOT HAVE A LIEN OR SECURITY INTEREST IN THE PROJECT FINANCED WITH THE PROCEEDS OF THE OBLIGATIONS.

The City's obligation to make Financing Payments and Additional Charges is not subject to any of the following:

a. any setoff, counterclaim, recoupment, defense or other right which the City may have against the Escrow Agent, any contractor or anyone else for any reason whatsoever;

b. any insolvency, bankruptcy, reorganization or similar proceedings by the City;

c. abatement through damage, destruction or non-availability of the Project; or

d. any other event or circumstance whatsoever, whether or not similar to any of the foregoing.

The City's obligation to make Financing Payments is binding for the term of the Financing Agreement.

Obligation of the City

Each Owner is entitled proportionately to the principal component of Financing Payments due on the Payment Date, which is the same as the maturity date of the Obligations. In addition, each Owner is entitled proportionately to receipt of an amount of the interest component of Financing Payments on each Payment Date attributable to the interest accruing on the principal component attributable to such Obligations at the interest rate set forth for said principal component.

Events of Default

The following constitute "Events of Default" under the Agreements:

a. The City's failure to pay the Financing Payments, when due;

b. The City's failure to comply with any other covenant, condition or agreement of the City under the Agreements for a period of sixty (60) days after written notice thereof from the Escrow Agent absent an extension of time not to exceed 180 days from date of notice of default by the Escrow Agent; or

c. The commencement by the City of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or an assignment by the City for the benefit of its creditors, or the entry by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with creditors, or the taking of any action by the City in furtherance of any of the foregoing.

d. Any statement, representation or warranty made by the City in or pursuant to the Financing Agreement or Escrow Agreement shall have proven to be false, incorrect, misleading or breached in any material respect on the date when made.

Remedies

Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request of the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the Financing Agreement or to protect any of the rights vested in the Escrow Agent or the Owners of Obligations by the Escrow Agreement or by the Obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Escrow Agreement or in aid of the exercise of any power granted in the Escrow Agreement or for the enforcement of any other legal or equitable right vested in the Escrow Agent by the Escrow Agreement or by law; PROVIDED, HOWEVER, THAT UPON AN

EVENT OF DEFAULT THE ESCROW AGENT WILL NOT HAVE THE RIGHT TO DECLARE THE UNPAID PRINCIPAL COMPONENTS OF THE FINANCING PAYMENTS IMMEDIATELY DUE AND PAYABLE.

Payment Account

The City will deposit any available funds designated to make the Financing Payments for the Obligations into the Payment Account held by the Escrow Agent.

The Escrow Agent is required to establish the Payment Account. The Escrow Agent will keep the Payment Account separate and apart from all other funds and moneys held by it.

Not later than three business days prior to the scheduled Payment Date, the City will pay the Financing Amount in the Financing Agreement to the Escrow Agent.

On each Payment Date, the Escrow Agent will withdraw from the Payment Account and transfer to Owners an amount equal to the principal and interest components of the Financing Payment due and payable on such Payment Date.

If on any Payment Date, the amount then due and payable exceeds the amounts deposited with the Escrow Agent and available therefor, the Escrow Agent will pay to the Owners the moneys on hand as provided under the Escrow Agreement.

Any amounts in the Payment Account in excess of the amount necessary to pay the principal and interest components of the Financing Payments will be retained in the Payment Account and may be invested until needed for payment of the Obligations; the excess and any earnings thereon will be credited against the deposits due from the City as provided in the Financing Agreement. The Escrow Agent will provide the City, not less than 30 days before each date a deposit is required under the Financing Agreement, an invoice which sets forth the amount of the next deposit.

Any surplus remaining in the Payment Account after payment of all Financing Payments and all Obligations Outstanding and payment of any applicable fees and expenses of the Escrow Agent, or provision for such payment of all Financing Payments having been made to the satisfaction of the Escrow Agent, will be remitted to the City.

Investments. Moneys held by the Escrow Agent on behalf of the Obligation Owners may be invested and reinvested by the Escrow Agent in Qualified Investments at the written direction of the City. The City may notify the Escrow Agent of its investment selections by facsimile as long as the City promptly receives original signed notification in writing. The Escrow Agent may rely upon the City’s investment selections that such investments constitute Qualified Investments under the Escrow Agreement.

Qualified Investments in the Payment Account will mature on or before the date the amounts invested are required for use under the Escrow Agreement. The Escrow Agent will not be liable for any gain or loss of funds on any investment made in accordance with the instructions from the City.

BONDED INDEBTEDNESS

Limited-tax Debt. The Oregon Constitution and statutes and charter of the City do not limit the amount of limited-tax debt the City may incur. Collection of property taxes to pay principal and interest on such limited tax debt is subject to the limitations of Article Xl, Sections 11 and 11b. **The Obligations are limited tax debt.**

General Obligation Bonds. ORS 287A.050 establishes a limit on the amount of general obligation bonds a city may issue. Cities may issue an aggregate principal amount up to three percent of the Real Market Value of all taxable properties within the city. A lower limit may be applied by an individual city's charter. The statutory limitation does not apply to general obligation bonds issued for Wastewater supply, treatment or distribution; sanitary or storm sewage collection or treatment; hospitals or infirmaries; gas, power or lighting; or off-street motor vehicle parking facilities. The limitation also does not apply to bonds issued to finance the costs of local improvements assessed and paid for in installments under statutory or charter authority. The Obligations are not general obligation bonds.

Revenue Bonds. The City may issue revenue bonds pursuant to ORS 287 A.150. The Obligations are not revenue bonds.

Pension Bonds. ORS 238.694 authorizes local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the City is not authorized to levy additional taxes to make pension bond payments. The Obligations are not pension bonds.

Notes. The City may issue revenue bonds in anticipation of tax revenues or other monies in an amount which, in the aggregate, equal up to 80% the taxes or other revenues except grant monies that the City has budgeted or otherwise reasonably expects to have available to pay the revenue bonds. Such notes must mature within 13 months, pursuant to ORS 287 A.180. The Obligations are not notes.

Outstanding Long-Term Debt (as of December 1, 2012)

	Final Maturity	Original Amount	Outstanding Amount
Business-Type Activities			
Water Revenue Bonds			
OEDD Bonds, Series 1993	12/1/2014	$510,000	$ 81,790
OEBD Loan, Series 2011	12/1/2030	5,138,700	5,138,700
Subtotal Water Revenue Bonds			**$ 5,138,700**
Wastewater Revenue Bonds			
USDA 2012 Sewer Revenue Bonds	9/6/2053	$8,316,000	$ 8,316,000
USDA 1997 Sewer Revenue Bonds	1/3/2013 (1)	2,952,100	2,424,764
Less Refunded Bonds			(2,424,764)
DEQ Sewer Loan No. R87590, Series 2007	1/3/2013 (1)	4,382,000	3,587,374
Less Refunded Bonds			(3,587,374)
Subtotal Wastewater Revenue Bonds			**$ 8,316,000**
Full Faith & Credit Obligations			
FFCO Refunding, Series 2013 (2)	6/1/2030	6,010,000	6,010,000
Subtotal Full Faith & Credit Obligations			**$ 6,010,000**

(1) Prepayment Date
(2) This Issue.
Source: City and City's Audited Financial Statements.

Projected Debt Service Requirements

Fiscal Year	DEQ and 1997 USDA Loan Debt Service Principal	DEQ and 1997 USDA Loan Debt Service Interest (1)	Less: Refundable Loans Principal	Less: Refundable Loans Interest (1)	Series 2013 Obligations Principal (2)	Series 2013 Obligations Interest (2)	Total Debt Service
2013	$ 241,730	$ 245,784	$ (146,959)	$ (173,614)	$ 255,000	$ 62,900	$ 484,841
2014	249,886	236,673	(249,886)	(236,673)	335,000	147,900	482,900
2015	258,334	227,242	(258,334)	(227,242)	340,000	141,200	481,200
2016	267,086	217,479	(267,086)	(217,479)	350,000	134,400	484,400
2017	276,152	207,371	(276,152)	(207,371)	355,000	127,400	482,400
2018	285,546	196,906	(285,546)	(196,906)	360,000	120,300	480,300
2019	295,279	186,068	(295,279)	(186,068)	365,000	113,100	478,100
2020	305,366	174,846	(305,366)	(174,846)	370,000	105,800	475,800
2021	315,820	163,223	(315,820)	(163,223)	380,000	98,400	478,400
2022	326,655	151,184	(326,655)	(151,184)	390,000	87,000	477,000
2023	337,885	138,715	(337,885)	(138,715)	400,000	75,300	475,300
2024	349,526	125,797	(349,526)	(125,797)	410,000	63,300	473,300
2025	361,596	112,414	(361,596)	(112,414)	420,000	51,000	471,000
2026	374,111	98,549	(374,111)	(98,549)	430,000	38,400	468,400
2027	387,086	84,181	(387,086)	(84,181)	445,000	25,500	470,500
2028	252,000	69,293	(252,000)	(69,293)	305,000	12,150	317,150
2029	110,900	61,143	(110,900)	(61,143)	100,000	3,000	103,000
2030	116,445	55,598	(116,445)	(55,598)	-	-	-
2031	122,268	49,775	(122,268)	(49,775)	-	-	-
2032	128,381	43,662	(128,381)	(43,662)	-	-	-
2033	134,800	37,243	(134,800)	(37,243)	-	-	-
2034	141,540	30,503	(141,540)	(30,503)	-	-	-
2035	148,617	23,426	(148,617)	(23,426)	-	-	-
2036	156,048	15,995	(156,048)	(15,995)	-	-	-
2037	163,851	8,193	(163,851)	(8,193)	-	-	-
	$ 6,106,909	$ 2,961,262	$ (6,012,138)	$ (2,889,092)	$ 6,010,000	$ 1,407,050	$ 7,583,991

(1) Interest column includes annual .50% fee on DEQ Loan.
(2) The debt service schedule for the 2013 Obligations is provided for illustrative purposes only and is preliminary and subject to change.
Source: City's Audited Financial Report for the Fiscal Year ended June 30, 2011 and this issue.

Summary of Overlapping Debt
(As of January 18, 2013)

Overlapping Issuer Name	Real Market Valuation	Percent Overlapping	Overlapping Debt: Gross Property Tax-Backed Debt (1)	Overlapping Debt: Net Property Tax-Backed Debt (2)
Total			$ -	$ -

(1) Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt, excluding pension obligations and self-supporting utility debt.
(2) Net Property Tax-backed Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.
Source: Debt Management Division, The Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the City's direct debt, including the Obligations, and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners.

2012 Real Market Value	$	773,612,698		
2012 Population		7,673		
Per Capita Real Market Value	$	100,823		
Debt Information		**Gross Direct Debt(1)**		**Net Direct Debt(2)**
City Direct Debt	$	6,055,000	$	0
Overlapping Direct Debt		0		0
Total Direct Debt	$	6,055,000	$	0
Bonded Debt Ratios				
District Direct Debt to Real Market Value		0.78%		0.00%
Total Direct Debt to Real Market Value		0.78%		0.00%
Per Capita City Direct Debt	$	789	$	0
Per Capita Total Direct Debt	$	789	$	0

(1) Gross Direct Debt includes all limited and unlimited tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

Source: Marion County, Oregon State Treasury and City's Audited Financial Statements

Short-term Borrowing

ORS 287A.180(3)(b) requires that obligations issued in anticipation of taxes or other revenues (except grant moneys) shall not be issued in an amount greater than 80 percent of the amount budgeted to be received in the Fiscal Year in which the obligations are issued. The City does not have any short-term notes outstanding nor does it expect to issue any short-term notes in calendar year 2013.

Debt Payment Record

The City has promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Financings

The City has no authorized but unissued bonds. The City does not expect to issue additional debt in calendar year 2013.

REVENUE SOURCES

The following section summarizes certain of the major revenues sources of the City.

The City receives funds from a variety of sources including taxes, intergovernmental revenues and charges for services. General governmental activities, such as City administration, are primarily supported by property taxes. Enterprises, such as water and sewer utilities, are primarily supported by charges for services. See the "Changes in Net Assets" table herein for a detailed breakdown of historic revenues.

Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations ("Permanent Rates") up to a maximum rate (the "Operating Tax Rate Limit"). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures ("Local Option Levies") or levies to repay general obligation bonded indebtedness ("General Obligation Bond Levies").

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years.

In 2008, the City's voters approved a $300,000 Local Option Levy for four years to support the operations of the City's swimming pool. In 2012 the City's voters approved a continuation of its Local Option Levy/The new levy will be applied at a rate of $0.60 per thousand of assessed value. and will begin in fiscal year ending June 30, 2014.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year, which is July 1 through June 30. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Real Market Value. "Real Market Value" is the minimum amount in cash which could be reasonably expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation (Measure 5). A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, or "Measure 5") separates property taxes into the following two categories:

1) To fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes"). Education Taxes are limited to $5 per $1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits").

2) To fund government operations other than the public school system ("General Government Taxes"). General Government taxes are limited to $10 per $1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits").

If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2010, there was no compression of the City's Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital construction or improvements approved by the electors of the issuer and bonds issued to refund such bonds.

Property taxes imposed to pay the principal of and interest on the Financing Payments ARE subject to the limitations of Article XI, Sections 11 and 11b.

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the $5 per $1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an un-segregated pool, and each taxing districts shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Taxes Collected - Marion County

Tax Collection Record [(1)]

Fiscal Year	Percent Collected as of	
	Levy Year [(2)]	6/30/2010 [(3)]
2010	95.84%	95.84%
2009	95.74%	98.97%
2008	96.40%	99.11%
2007	96.89%	99.68%
2006	96.84%	99.92%

(1) Percentage of total tax levy collection in Marion County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
(2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
(3) The percentage of taxes collected represents taxes collected for that levy year through June 30, 2010.
Source: Marion County Finance and Tax Division.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

The following table presents historical Real Market Value and Assessed Value (used for calculating property taxes) for the City.

Property Values - City of Stayton

Taxable Property Values

Fiscal Year ended June 30	M5 Real Market Value[(1)]	Assessed Value used to compute the rate [(2)]	AV Annual Growth
2013	699,991,429	515,603,122	0.37%
2012	737,826,444	513,710,047	1.93%
2011	773,612,698	503,997,285	0.68%
2010	817,766,128	500,584,473	2.06%
2009	837,572,094	490,499,797	4.56%
2008	799,498,444	469,090,470	6.06%
2007	700,140,584	442,308,461	---

(1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. .
(2) Assessed Value of property in the City on which the permanent rate is applied to derive *ad valorem* property taxes, excluding any other offsets.

Source: Marion County Department of Assessment and Taxation and the Oregon Department of Revenue.

The following table illustrates the Fiscal Year 2013 tax rates for one representative tax code (the tax code with the highest combined tax rate) in the City including taxing jurisdictions within Clackamas County that overlap the City. The City's Operating Tax Rate Limit is $3.3280 per $1,000 of assessed property value. The Operating Tax

Rate Limit was calculated in 1997 in conjunction with the implementation of Measure 50. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

Fiscal Year 2013 Representative Levy Rate – City of Stayton

(Rates Per $1,000 of Assessed Value)

General Government	Billing Rate	Bond Levy Rate	Local Option Rate (1)	Consolidated Rate
Marion County	$ 3.0252	$ -	$ -	$ 3.0252
City of Stayton	3.3280	-	0.5818	3.9098
Marion Soil & Water	0.0500	-	-	0.0500
Stayton Fire District	1.3133	0.2467	-	1.5600
Regional Library	0.0818	-	-	0.4794
Total General Government	$ 7.7983	$ 0.2467	$ 0.5818	$ 8.6268
Education				
North Santiam School District	$ 4.3973	$ 0.6689	$ -	$ 5.0662
Willamette Regional ESD	0.2967	-	-	0.2967
Chemeketa Community College	0.6259	0.2720	-	0.8979
Total Education	$ 5.3199	$ 0.9409	$ -	$ 6.2608
Total Tax Rate	$ 13.1182	$ 1.1876	$ 0.58	$ 14.8876

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Property Taxes – Tax Rate Limitation – Measure 5" herein).

(1) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of district billing rates (see "Property Taxes – Tax Rate Limitation – Measure 5" herein).

Source: Marion County Department of Assessment and Taxation. Note that there are two tax codes in Marion County that overlap the City and Tax Code 2904040 (represented in the table above) has the highest tax rate of these tax codes.

Major Taxpayers – City of Stayton

(Fiscal Year 2012-2013)

Taxpayer	Business/Service	Property Tax Amount (1)	Assessed Value (2)	Percent of Total
Norpac Foods Inc	Frozen Food Packager	$ 262,462	$ 17,992,140	3.49%
Stayton Coop Telephone Co.	Telecom Provider	252,179	17,310,800	3.36%
Jeld-Wen Inc	Window Manufacturer	171,518	11,759,670	2.28%
RedBuilt Inc	Wood Product Manufacturer	119,182	8,181,270	1.59%
Store Master Funding II LLC	Commercial Real Estate Developer	106,572	7,307,140	1.42%
Loosley Develepment Co LLC	Real Estate Developer	71,059	4,773,030	0.93%
Northwest Natural Gas Co	Gas Utility	62,404	4,283,700	0.83%
Slayden Construction Group	Construction Contractor	59,564	4,088,738	0.79%
BRE/SW Lakeside LLC	Real Estate Developer	58,079	3,901,170	0.76%
Stayton Real Estate Holdings LLC	Real Estate Developer	57,011	3,913,530	0.76%
Subtotal - Ten largest taxpayers		1,220,030	83,511,188	16.20%
All other City's taxpayers			432,091,934	83.80%
Total Assessed Value			$ 515,603,122	100.00%

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the City and County, respectively. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Marion County Department of Assessment and Taxation.

Strategic Investments Program

The Strategic Investments Program ("SIP") was authorized by the Legislative Assembly (the Oregon Senate and Oregon House of Representatives are referred to herein as the "Legislative Assembly") in 1993 to provide tax incentives for capital intensive investments by firms in Oregon's key industries, particularly in the high technology and metals industries. SIP recipients receive a tax break on the assessed value of new construction over $100 million for 15 years. The $100 million cap on assessed value increases by six percent per year. SIP recipients pay an annual Community Service Fee which is equal to twenty-five percent of the value of the tax break, which is allocated to local governments. Allocation is determined by negotiation of the local governments. The Community Service Fee is not considered a property tax and thus is outside of the Constitutional property tax rate limitations. There are no SIP recipients in the City.

THE CITY

The City of Stayton, Marion County, Oregon (the "City") was incorporated as a municipal corporation in 1901. The City is located on the rim of the Willamette Valley in the foothills of the Central Cascade Mountains off Oregon Highway 22 approximately 13 miles east of Salem, Oregon State's capital. The City provides a full range of municipal services including fire and police protection, parks and recreation facilities/activities, streets, planning, zoning and general administrative services. In addition, the City operates water and sewer utility systems.

The current Mayor and City Council are listed below:

Mayor and City Council

Name	Position	Occupation	Service Began	Term Expires
Scott Vigil	Mayor	Business Owner	Jan 2011	Dec 2012
Emily Gooch	Councilor	In Home Care Provider	Sept 2012	Dec 2014
James Loftus	Councilor	Bed and Breakfast Owner	Jan 2008	Dec 2012
Jennifer Niegel	Councilor	Lawyer	Feb 2011	Dec 2012
Henry Porter	Councilor	Teacher, Mayor & Gun Shop Owner	Jan 2010	Dec 2014
Brian Quigley	Councilor	Manager, Enterprise Rental	Jan 2010	Dec 2012

Administration

The three City officials most closely associated with the operation of the City are:

Don Eubank, City Administrator. Mr. Eubank has served as the City Administrator since March 2008 Prior to working for the City, he served as Chief of Police for 10 years. Mr. Eubank earned his Local Government Management Certificate in 2012 from League of Oregon Cities.

Christine Shaffer, Finance Director. Ms. Shaffer has served as the City's Finance Director since July 2008. Prior to working as Finance Director she served as Associate Accountant for 3 years.

David Kinney, Public Works Director,[more info to come]

Bargaining Units

The City has 32 full-time employees and 36 part-time employees. Bargaining units which represent City employees are as follows:

Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
AFSCME Union	50	June 30, 2014
Stayton Police Officers Assoc.	9	June 30, 2015

The Wastewater System

The City's Wastewater System serves all residents, businesses, and industrial customers in the City and the neighboring City of Sublimity. The system serves 2,239 users, including the City of Sublimity, which accounts for 15.5% of system charges in 2011. The system collects the wastewater, treats it in the City's Wastewater Treatment Plant, and discharges the treated effluent into the North Santiam River. The Wastewater System consists of five pump stations, over 30 miles of pipeline, and a Wastewater Treatment plant located in the City.

The City recently completed a major upgrade of its Wastewater Treatment Plant in August 2012. The City is current with all its wastewater permits and is in compliance with State and Federal regulations and standards.

The City's Wastewater System Master Capital Plan does not anticipate the need for additional major infrastructure for its wastewater system until a capacity building project in 2025.

The City has no plans to issue additional debt to be secured or supported by its Wastewater System revenues until 2025.

Stayton Waste Water System - Users

	2012
Residential Users	2,068
Commercial Users	261
Total Users	**2,329**
Equivalent Dwelling Units	4,169

FINANCIAL INFORMATION

Financial Reporting and Accounting Policies

The City's basic financial statements were prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board ("GASB").

The City follows the "governmental activities" and "business-type activities" reporting requirements of GASB-34 that provides a comprehensive two-column look at the City's financial activities. In addition, the City provides financial statements by funds, divided into two categories: governmental funds and proprietary funds.

Additional information on the City's accounting methods is available in the City's audited financial statements. A copy of the City's audited financial statement for Fiscal Year 20101is attached hereto as Appendix D.

Description of Select Funds

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types.

Governmental Funds. The General Fund, the Street Fund, the Transportation Impact Fee Fund and the Police Construction Fund are major governmental funds.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise funds to account for its sewer and Wastewater utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its insurance, information systems, central stores, Public Works administration, and building maintenance operations. The Wastewater Fund is a proprietary fund reported as an enterprise fund.

Auditing

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Municipalities having annual expenditures of less than $500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing municipal corporations.

The City’s audits for the Fiscal Years ended June 30, 2009 through 2011 were performed by Steve Tuchscherer Certified Public Accountant, Roseburg, Oregon (the “Auditor”). The audit report for Fiscal Year 2011 indicates the financial statements, in all material respects, fairly present the City’s financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Preliminary Official Statement.

Future financial statements may be ordered by contacting the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, a free, centralized repository located at: www.emma.msrb.org.

Basic Financial tables for the City’s General Fund and Wastewater Funds follow:

Government-wide Statement of Net Assets

(Fiscal Years Ended June 30)

	Governmental Activities					Business-Type Activities				
Assets	**2012 (1)**	**2011**	**2010**	**2009**	**2008**	**2012 (1)**	**2011**	**2010**	**2009**	**2008**
Current Assets										
Cash and Investments		$ 2,469,377	$ 2,358,181	$ 2,131,160	$ 2,568,840		$ 9,647,895	$ 2,954,139	$ 4,206,953	$ 4,507,082
Receivables		260,270	473,283	490,912	435,637		335,219	404,784	681,425	274,640
Advances from other Funds		46,326	68,163	242,875	8,326		-	-	(242,875)	(8,326)
Capital Assets										
Land		1,759,203	1,728,657	1,537,242	1,537,242		225,743	225,743	225,743	225,332
Construction in Progress		-	-	-	-		8,134,703	5,555,970	1,017,229	174,544
Buildings & Improvements		3,734,047	3,734,047	-	-		21,661,209	21,493,361	-	-
Equipment & Vehicles		1,164,011	1,153,023	-	-		983,686	963,687	-	-
Infrastructure		48,763,603	48,720,555	-	-		1,594,977	1,018,753	-	-
Other Capital Assets		1,910,267	1,720,754	33,470,328	32,262,105		1,131,665	1,484,078	16,672,732	15,962,505
Less: Accumulated Depreciation		(23,127,457)	(22,288,114)	-	-		(8,839,752)	(8,435,532)	-	-
Total Assets	**-**	**36,979,647**	**37,668,549**	**37,872,517**	**36,812,150**	**-**	**34,875,345**	**25,664,983**	**22,561,207**	**21,135,777**
Liabilities										
Current Liabilities										
Accounts Payable		$ 88,426	$ 58,592	$ 78,445	$ 48,336		$ 511,813	$ 162,027	$ 493,288	$ 194,709
Payroll Liabilities		-	-	78,502	91,053		-	-	-	
Interest Payable		-	-	-	-		60,532	66,848	79,285	124,659
Customer Deposits		-	100	2,570	161,449		49,477	48,036	46,594	48,406
Deferred Revenue		200,000	200,000	200,000	200,000		-	-	319,653	-
Advances to Other Funds		-	-	-	-		46,326	68,163	-	-
Interim Construction Note Payable		-	-	-	-		8,310,100	-	-	-
Accrued Compensated Absences		129,529	124,428	-	-		27,532	19,782	-	-
OPEB Payable		4,240	18,257	-	-		20,199	11,222	-	-
Current Portion of Long-Term Liabilities										
Bonds Payable		-	-	-	-		266,764	422,374	-	-
Long-Term Liabilities										
Due within one year		-	-	147,262	119,566				434,406	369,785
Due in more than one year		-	-	9,492	27,456				7,932,469	7,766,794
Bonds Payable		-	-	-	-		11,169,633	11,231,482	-	-
Total Liabilities	-	422,195	401,377	516,271	647,860	-	20,462,376	12,029,934	9,305,695	8,504,353
Net Assets										
Invested in capital assets, net of related debt		$ 34,203,674	$ 34,768,922	$ 34,986,266	$ 33,749,383		$ 13,143,905	$ 10,356,012	$ 9,569,986	$ 8,238,876
Restricted for:										
Capital Projects		343,261	276,018	602,337	585,851		(2,138,320)	290,582	932,017	1,140,133
Debt service		-	695,043	-	-		336,767	336,767	336,767	322,430
Other Projects		310,220	570,378	-	-		537,122	582,913	92,725	90,967
Unrestricted		1,700,297	956,811	1,767,643	1,829,056		2,533,495	2,068,775	2,324,017	2,839,018
Total Net Assets	$ -	$ 36,557,452	$ 37,267,172	$ 37,356,246	$ 36,164,290	$ -	$ 14,412,969	$ 13,635,049	$ 13,255,512	$ 12,631,424

NOTE: The Net Assets presents information on all the City's assets and liabilities with the difference between the two reported as net assets.

(1) Unaudited preliminary figures

Source: City of Stayton - Audited Financial Statements.

Government-wide Statement of Activities

(Fiscal Years Ended June 30)

	Governmental Activities					Business-Type Activities				
Revenues:	2012 (1)	2011	2010	2009	2008	2012 (1)	2011	2010	2009	2008
Program Revenues:										
Charges for Services		$ 544,025	$ 553,172	$ 487,204	$ 451,695		$ 4,112,017	$ 3,819,031	$ 3,644,158	$ 3,460,227
Operating Grants and Contributions		1,606	822	4,003	1,600		-	-	-	-
Capital Grants and Contributions		123,981	33,380	259,070	59,595		25,252	2,452	24,792	72,637
Total Program Revenues	$ -	$ 669,612	$ 587,374	$ 750,277	$ 512,890	$ -	$ 4,137,269	$ 3,821,483	$ 3,668,950	$ 3,532,864
General Revenues:										
Local Sources										
Property Taxes, levied for general purposes		1,652,359	1,805,482	1,739,788	1,692,062		157,545	123,978	96,026	106,751
Intergovernmental Tax Turnovers		451,562	578,899	-	-		-	-	-	-
State Revenue Sharing		62,734	62,595	-	-		-	-	-	-
Franchise & Other Taxes		620,750	592,567	669,073	677,747		-	-	-	-
Interest and Investment Earnings		13,551	13,776	38,146	98,374		33,899	17,955	87,806	201,013
Other Revenue		351,899	349,022	28,794	31,344		48,465	38,260	46,708	15,676
Grants & Contributions		-	-	503,709	520,658		-	-	-	-
Interfund Transfers		703,727	630,437	353,083	484,822		(703,727)	(630,437)	(353,083)	(484,822)
Total General Revenues	$ -	$ 3,856,582	$ 4,032,778	$ 3,332,593	$ 3,505,007	$ -	$ (463,818)	$ (450,244)	$ (122,543)	$ (161,382)
Total Revenues	$ -	$ 4,526,194	$ 4,620,152	$ 4,082,870	$ 4,017,897	$ -	$ 3,673,451	$ 3,371,239	$ 3,546,407	$ 3,371,482
Expenses:										
General Government		$ 2,151,596	$ 1,593,925	$ 715,030	$ 745,649		$ -	$ -	$ -	$ -
Public Safety		1,868,374	1,937,255	1,983,893	1,943,299		-	-	-	-
Highways and Streets		713,564	657,579	1,336,371	1,498,829		-	-	-	-
Culture and Recreation		502,380	518,885	654,298	631,146		-	-	-	-
Water Utilities		-	-	-	-		953,535	1,027,731	1,007,369	1,078,231
Sewer Utilities		-	-	-	-		1,363,902	1,399,110	1,486,330	1,915,313
Swimming Pool		-	-	-	-		308,056	353,981	363,137	341,099
Interest		-	1,582	-	-		270,039	280,879	-	-
Total Expenses	$ -	$ 5,235,914	$ 4,709,226	$ 4,689,592	$ 4,818,923	$ -	$ 2,895,532	$ 3,061,701	$ 2,856,836	$ 3,334,643
Increase (Decrease) in Net Assets		(709,720)	(89,074)	(606,722)	(801,026)		777,919	379,538	689,571	36,839
Prior Period Adjustment		-	-	1,798,678	(55,301)		-	-	(65,483)	217,773
Net Assets - July 1		37,267,172	37,356,246	36,164,290	37,020,617		13,635,050	13,255,511	12,631,424	12,376,812
Total Net Assets	**$ 0**	**$ 36,557,452**	**$ 37,267,172**	**$ 37,356,246**	**$ 36,164,290**	**$ 0**	**$ 14,412,969**	**$ 13,635,049**	**$ 13,255,512**	**$ 12,631,424**

NOTE: The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the City's net assets changed during a given Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future periods, such as uncollected taxes and earned, but unused, vacation leave.

(1) Unaudited preliminary figures

Source: City of Stayton - Audited Financial Statements.

General Fund Balance Sheet

(Fiscal Years Ended June 30)

Assets	2012 (1)	2011	2010	2009	2008
Cash and Investments		$ 622,762	$ 616,523	$ 783,531	$ 1,174,203
Due from Other Funds		-	-	154,609	10,041
Receivables		-	-	231,726	200,638
Accounts		105,293	109,473	-	-
Property Tax		134,903	124,001	-	-
Total Assets	**$ -**	**$ 862,958**	**$ 849,997**	**$ 1,169,866**	**$ 1,384,882**
Liabilities					
Accounts Payable		26,658	27,349	43,901	32,182
Payroll and Other Liabilities		-	-	78,502	91,053
Deposits		-	100	2,570	161,449
Deferred Revenue		111,068	97,522	116,357	75,833
Total Liabilities	$ -	$ 137,726	$ 124,971	$ 241,330	$ 360,517
Fund Equities					
Unassigned		725,232	725,026	928,536	1,024,365
Total Fund Equities	$ -	$ 725,232	$ 725,026	$ 928,536	$ 1,024,365
Total Liabilities & Fund Equities	**$ -**	**$ 862,958**	**$ 849,997**	**$ 1,169,866**	**$ 1,384,882**

(1) Unaudited preliminary figures

Source: City of Stayton - Audited Financial Statements

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General Fund Statement of Revenues, Expenditures and Changes in Fund Balance

(Fiscal Years Ended June 30)

Revenues	2012 [1]	2011	2010	2009	2008
Taxes and Assessments		$ 1,628,545	$ 1,628,512	$ 1,586,304	$ 1,544,129
Intergovernmental		165,558	162,244	174,776	161,915
Franchise Fees		620,750	592,567	617,481	627,931
Licenses & Permits		68,382	32,194	32,629	32,655
Charges for Service		249,360	261,749	222,094	218,906
Fines and Forfeitures		32,178	43,292	56,777	67,781
Investment Revenue		4,507	-	10,968	33,637
Grants		1,606	822	2,601	-
Other Revenue		29,281	73,080	59,145	74,882
Total Revenues	$ -	$ 2,800,167	$ 2,794,460	$ 2,762,775	$ 2,761,836
Expenditures					
Current Operating					
General Government		667,963	679,969	664,127	664,577
Public Safety		1,843,851	1,892,974	1,906,623	1,875,025
Highway and Streets		97,497	88,150	83,791	87,987
Culture and Recreation		158,390	183,079	179,475	226,862
Debt Service			22,886		
Interest					
Capital Outlay		18,155	10,482	67,579	59,852
Total Expenditures	$ -	$ 2,785,856	$ 2,877,540	$ 2,901,595	$ 2,914,303
Excess (Deficiency) of					
Revenues over Expenditures	$ -	$ 14,311	$ (83,080)	$ (138,820)	$ (152,467)
Other Financing Sources (Uses)					
Interfund Transfers In		318,695	304,370	299,791	275,100
Interfund Transfers (Out)		(332,800)	(424,800)	(256,800)	(227,300)
Proceeds from Sale of Capital Assets		-	-	-	35,045
Total Other Financnig Sources (Uses)	$ -	$ (14,105)	$ (120,430)	$ 42,991	$ 82,845
Net Changes in Fund Balances	-	206	(203,510)	(95,829)	(69,622)
Prior Period Adjustment	-	-	-	-	104,957
Fund Balance July 1	725,232	725,026	928,536	1,024,365	989,030
Total Fund Balance	$ 725,232	$ 725,232	$ 725,026	$ 928,536	$ 1,024,365

(1) Unaudited preliminary figures

Source: City of Stayton - Audited Financial Statements

Wastewater Funds Statement of Net Assets

(Fiscal Years Ended June 30)

Assets	2012 (1)	2011	2010	2009	2008
Current Assets					
Cash & Investments	$ 2,367,048	$ 8,680,673	$ 2,264,151	$ 2,940,814	$ 2,759,566
Interfund Loans Receivable	-	-	188,564	-	-
Accounts Receivable	219,768	204,398	238,188	153,875	175,063
Capital Assets					
Land	215,332	215,332	215,332	215,332	215,332
Construction in Progress	10,159,294	3,419,089	1,036,502	215,591	-
Infrastructure	10,174,307	9,999,422	9,901,025	9,406,657	9,112,628
Buildings & Improvements	440,554	440,554	440,554	407,870	407,870
Equipment & Vehicles	1,200,179	1,083,141	601,125	552,316	447,252
Other Capital Assets	601,125	601,125	953,538	939,575	939,575
Less: Accumulated Depreciation	(4,456,756)	(4,136,713)	(3,976,047)	(3,333,656)	(3,168,499)
Total Assets	$ 20,920,851	$ 20,507,021	$ 11,862,932	$ 11,498,374	$ 10,888,787
Liabilities					
Current Liabilities					
Accounts Payable	56,156	464,245	48,386	172,132	114,091
Interest Payable	-	56,961	59,302	67,856	108,620
Customer Deposits	25,385	24,857	24,018	23,297	24,203
Compensated Absences Payable	7,400	7,303	5,434	5,845	4,110
OPEB Payable	-	7,688	4,271	-	-
Interim Construction Note Payable	8,316,000	8,310,100	188,564	914,718	-
Current Portion of Long-Term Debt	233,855	229,538	226,349	219,002	169,154
Long-Term Debt, Non-Current Portion	5,874,495	6,108,350	6,337,927	6,783,316	6,933,231
Total Liabilities	$ 14,513,291	$ 15,209,042	$ 6,894,251	$ 8,186,166	$ 7,353,409
Net Assets					
Invested in capital assets, net of related debt	8,638,796	5,284,062	2,607,753	1,630,692	1,000,927
Restricted For:					
Capital Projects	-	(2,222,201)	240,755	-	-
Debt Service	491,270	336,767	336,767	336,767	322,430
Other Purposes	25,385	24,857	24,018	-	-
Unrestricted	1,852,393	1,874,494	1,759,388	2,488,792	2,361,175
Total Net Assets	$ 11,007,844	$ 5,297,979	$ 4,968,681	$ 4,456,251	$ 3,684,532

(2) Unaudited preliminary figures

Includes Sewer Fund, Sewer SDC Fund and Sewer Construction Fund

Source: City of Stayton - Audited Financial Statements

Wastewater Funds Statement of Revenues, Expenditures and Changes in Fund Balance

(Fiscal Years Ended June 30)

Operating Revenues	2012 [1]	2011	2010	2009	2008
Charges for services	$ 2,344,124	$ 2,330,875	$ 2,185,228	$ 2,155,512	$ 2,038,690
System Development Charges	24,696	14,112	7,056	14,122	38,808
Total Operating Revenues	2,368,820	2,344,987	2,192,284	2,169,634	2,077,498
Operating Expenses					
Personal services	$ 491,573	$ 484,217	$ 446,949	$ 405,368	$ 393,728
Materials and supplies	731,176	672,105	749,851	638,019	879,164
Capital Outlay	106,994	-	-	-	-
Debt Service	488,440	-	-	490,853	172,043
Depreciation	224,919	207,580	202,310	162,769	151,614
Total Expenses	2,043,102	1,363,902	1,399,110	1,697,009	1,596,549
Excess (Deficiency) of Revenues Over Expenses	325,718	981,085	793,174	472,625	480,949
Non-Operating Revenues (Expenses)					
Investment Revenue	$ 10,021	$ 29,504	$ 14,575	$ 55,053	$ 117,229
Interest Expense & Loan Fees	(254,585)	(260,613)	(262,623)	(280,174)	(463,265)
Miscellaneous	2,286	2,512	8,017	7,750	-
Total Non-Operating Revenues (Expenses)	(242,278)	(228,597)	(240,031)	(217,371)	(346,036)
Transfers					
Operating Transfers In	-	301,000	999,000	466,020	133,265
Operating Transfers Out	(449,896)	(724,190)	(1,394,330)	(360,803)	(347,916)
Total Transfers	(449,896)	(423,190)	(395,330)	105,217	(214,651)
Changes in Net Assets	(366,456)	329,298	157,813	360,471	(79,738)
Fund Balance - beginning of year	8,680,673	4,968,681	4,810,868	2,781,858	2,674,899
Net Assets - end of year	$ 8,314,217	$ 5,297,979	$ 4,968,681	$ 3,142,329	$ 2,595,161

(1) Unaudited preliminary figures

Includes Sewer Fund, Sewer SDC Fund and Sewer Construction Fund

Source: City of Stayton - Audited Financial Statements

Budgetary Process

The City prepares an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of City Council members and lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.480.

General Fund Adopted Budget

(Fiscal Years Ended June 30)

Revenue	2011	2012	2013
Beginning Cash	$ 688,000	$ 700,000	$ 600,000
Current Year Taxes	1,614,041	1,604,000	1,649,922
Previously Levied Taxes	45,000	50,000	50,000
Liquor/Cigarette Tax	85,000	90,000	90,000
Pacific Power Franchise	340,000	365,000	375,000
Sublimiy Contract/Police	245,000	-	-
Administrative Transfers	318,695	327,620	340,565
Miscellaneous	493,560	458,700	424,260
Total Revenues	**$ 3,829,296**	**$ 3,595,320**	**$ 3,529,747**
Expense			
Non-Departmental	$ 810,583	$ 808,264	$ 761,028
Administrative	460,424	467,179	461,973
Police	2,094,520	1,871,830	1,866,232
Planning	144,411	139,253	138,224
Community Center	72,068	63,798	56,798
Park Maintenance	140,290	140,581	141,576
Street Lighting	107,000	104,415	103,915
Total Expenses	**$ 3,829,296**	**$ 3,595,320**	**$ 3,529,747**

Source: City of Stayton – Adopted Budget for fiscal years 2011, 2012 and 2013

Investments

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon municipalities to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent.

Municipalities are also authorized to invest approximately $43.1 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports – OSTF Detailed Monthly Reports" at:
www.ost.state.or.us/about/boards/OSTF/About.htm(F1F).

(1) This inactive textual reference to the website is not a hyperlink and the website, by such reference, is not incorporated herein.

Pension System

General. Substantially all City employees after six full months of employment are participants in one of three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") – the Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") or the Oregon Public Service Retirement Plan ("OPSRP").

Employees hired before August 29, 2003 participate in the T1/T2 Pension Programs which are based on a defined benefit model that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire.

Employees hired on or after August 29, 2003 participate in the OPSRP unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuations as of December 31 of odd-numbered years, such as 2007 and 2009, the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the operations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") (See "Other Post-Employment Benefits" below). Actuarial valuations have been performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2008) used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City. Valuations are released approximately one year after the valuation date. PERS' current actuary is Mercer (US), Inc.

The 2011 System Valuation released on September 28, 2012, indicated that the funded status of the System decreased from approximately 79 percent on December 31, 20010 to approximately 75 percent as of December 31, 2011.

Current employer contribution rates are based on the December 31, 2009 actuarial valuation (the "2009 Valuation"). Contribution rates effective July 1, 2013 are based on the December 31, 2011 actuarial valuation (the "2011 Valuation").

Valuation	Rates Effective
December 31, 2007	July 1, 2009 – June 30, 2011
December 31, 2008	Advisory only
December 31, 2009	July 1, 2011 – June 30, 2013
December 31, 2010	Advisory only

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

For the T1/T2 Pension Programs, the City is pooled with the State and Oregon local government and community college public employers (the "State and Local Government Rate Pool" or "SLGRP"). The City's portion of the SLGRP's assets and liabilities is based on the City's proportionate share of the SLGRP's pooled payroll (the "City Allocated T1/T2 UAL"). Changes in the City's relative growth in payroll will cause the City Allocated T1/T2 UAL to shift. The City Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employee contributions.

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll (the "City Allocated OPSRP UAL"). Changes in the City's relative growth in payroll will cause the City Allocated OPSRP UAL to shift.

The City's contributions to PERS for years ending June 30, 2009, 2010 and 2011 follow:

2009	2010	2011
$ 131,615	$ 160,015	$ 161,214

The funded status of PERS and of the City as reported by Mercer, will change over time depending on the market performance of the securities that the Oregon Public Employees' Retirement Fund ("OPERF") has invested, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

Employer Contribution Rates. The City's contribution rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations and changes in benefits resulting from legislative modifications. Employees are required to contribute 6 percent of their annual salary to the respective programs. Employers are allowed to pay the employee contribution I addition to the required employer's contribution. The City has elected to make the employee contribution for its employees.

Contribution Rate Collar. In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greatest of three percent of payroll or 20 percent of the current base. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by an additional 0.3 percent for every percentage point under the 80 percent funded level until the aggregate rate collar reaches six percent at the 70 percent funded level. The rate collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA.

City Contribution Rates. The City's current contribution rates are based on the 2009 Valuation and are effective through June 30, 2013. The following table shows the City's current rates effective July 1, 2011 to June 30, 2013 (2009 Valuation) and rates effective July 1, 2013 to June 30, 2015:

Employer Contribution Rates – City of Stayton

	Current Rates (2011-2013)			Future Rates (2013-2015)		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal Cost Rate	15.03%	6.08%	8.82%	15.12%	6.27%	9.00%
UAL Rate	9.34	9.34	9.34	10.36	10.36	10.36
OPSRP UAL Rate	0.10	0.10	0.10	0.15	0.15	0.15
Pre-SLGRP pooled liability rate	(1.69)	(1.69)	(1.69)	(1.76)	(1.76)	(1.76)
Transition liability/(surplus) rate	(0.83)	(0.83)	(0.83)	(0.92)	(0.92)	(0.92)
Net Pension Contribution Rate	21.95%	13.00%	15.74%	22.95%	14.10%	16.83%
Retiree Healthcare Rate (1)	0.66%	0.66%	0.66%	0.59%	0.49%	0.49%
Total Net Contribution Rate	22.61%	13.66%	16.40%	23.54%	14.59%	17.32%

(1) Contribution rates to fund RHIA benefits are included in the total City employer contribution rate, but are not a pension cost.

Source: 2009 and 2011 Valuations.

Other Post-Employment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2011 System Valuation, this program had a UAL of approximately $221.5 million. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled payroll. According to the City's 2011 Valuation, the City's allocated share of the RHIA program's UAL is $22,187. The City's contribution to the PERS' RHIA for the year ended June 30, 2012 was $22,187, which equaled the required contribution for the year.

GASB 45 requires the City to determine the extent of its liabilities for post-employment benefits and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an "implicit subsidy" and requires that the corresponding liability be determined and reported.

The City's implementation of this pronouncement included the hiring of an actuary to determine any post-employment benefit ("OPEB") liabilities. As of December 31, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $31,209.10 and the actuarial value of assets was $23,240.90, resulting in an unfunded actuarial accrued liability (the "UAAL") of $7,868.20. The covered payroll was $4,935.70 and the ratio of the UAAL to the covered payroll was 159 %.

The City funds the OPEB Plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. As of December 31, 2011 the City had 49,695 active members and 68,509 retirees participating in the program with all insurance premium costs paid in full by the individual for management personnel hired after November 17, 2005 and for AFSCME personnel hired after July 1, 2005.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2011 were as follows:

		2011
Annual required contribution	$	7,947
Interest on net OPEB obligation		238
Adjustment to the annual required contribution		-
Annual OPEB cost (expense)		8,185
Contributions made		5,946
Increase in net OPEB obligation		2,239
Net OPEB obligation, beginning of year		2,001
Net OPEB obligation, end of year	$	4,240

Risk Management

The City is exposed to various risks of loss. A description of the risks is provided in the City's audited financial statements. The audited financial statement for Fiscal Year 2012 is attached hereto as Appendix D.

THE INITIATIVE AND REFERENDUM PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Oregon Constitution or enact legislation can be placed on the statewide general election ballot for consideration by the voters.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Referendum

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

Initiatives

"Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State's office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney

General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering initiative petition signatures from qualified voters. The number of signatures required is determined by a fixed percentage of the votes cast for all candidates for governor at the preceding gubernatorial election. For the 2012 general election, the requirement is eight percent (116,284 signatures) for a constitutional amendment and six percent (87,213 signatures) for a statutory initiative. Statewide initiatives may only be filed for general elections in even-numbered years. The next general election for which statewide initiative petitions may be filed will be November 2014.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. The last day for submitting signed initiative petitions for the 2012 general election was July 6, 2012. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

Historical Initiative Petitions. The number of initiatives that have been approved in general elections since 1998 are shown on the following table. On July 27, 2012 the Secretary of State announced final initiative signature results for the November 6, 2012 general election. Seven initiatives and two referrals qualified for the ballot.

Historical Initiative Petitions

Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2012	7	N/A
2010	4	2
2008	8	0
2006	10	3
2004	6	2
2002	7	3
2000	18	4
1998	10	6

NOTE: The Secretary of State posts a listing of initiatives on its web site: www.egov.sos.state.or.us

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Search, Elections Division.

City Charter

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available from the City upon request.

LEGAL MATTERS AND LITIGATION

Legal matters incident to the authorization, issuance and sale of the Obligations by the City are subject to the approving legal opinion of Hawkins Delafield & Wood LLP, Special Counsel to the City ("Special Counsel"), substantially in the form attached hereto as Appendix C. Special Counsel has reviewed this document only to confirm that the portions of it describing the Obligations and the authority to issue them conform to Obligations and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Financing Agreement, the Escrow Agreement or the Obligations nor the power and authority of the City to cause the execution and delivery of the Obligations. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to pay the Financing Payments.

On December 28, 2007, the Oregon Supreme Court decided a case, Clarke v. Oregon Health Sciences University ("OHSU"), challenging the constitutionality of parts of the Oregon Tort Claims Act ("OTCA") as applied. Under the OTCA, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the City. The liability of public bodies, however, is capped for individual personal injury claims. In addition, the public body has to be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. In *Clarke,* the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU, which is a public body under the OTCA. The damages alleged amounted to approximately $12 million, which was in excess of the liability cap of public bodies.

Article I, Section 10 of the Oregon Constitution provides the right to a remedy to persons who are injured in their person, property or reputation. The *Clarke* court concluded that the then- existing cap on the amount of potential recovery, did not provide a substantial remedy to plaintiff in lieu of what plaintiff would have been able to claim at common law from individual government employees who were admittedly negligent. Therefore, the substitution of OHSU for the individual plaintiffs, under the facts at issue in *Clarke*, violated Article I, Section 10 of the Oregon Constitution.

In response to the *Clarke* decision, the 2009 Oregon Legislature passed Senate Bill 311, which increases the liability limits for Oregon public bodies under the OTCA. Senate Bill 311 was signed by the Governor on April 15, 2009 and became effective on July 1, 2009.

Under the new law, Oregon local public bodies will be subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any *single claimant* for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2015, this cap increases incrementally to $666,700. The liability limits to *all claimants* for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from $1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to $1,333,300, for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3% for any year.

Property Damage or Destruction Claim. The liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are as follows: (a) $100,000, adjusted as described below, to any single claimant, and (b) $500,000, adjusted as described below, to all claimants.

Beginning in 2010, these liability limits shall be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in Senate Bill 311. The adjustment may not exceed 3% for any year.

TAX MATTERS

Tax Exemption

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) the portion of the payments made under the Financing Agreement designating and constituting interest ("Interest") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) Interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such Interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Special Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Obligations, and Special Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

In addition, in the opinion of Special Counsel to the City, under existing statutes, Interest is exempt from State of Oregon personal income tax.

Special Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Obligations. Special Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Special Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of Interest, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Obligations in order that Interest be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause Interest to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of Interest from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Obligations. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Obligations.

Prospective owners of the Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires an Obligation for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Obligation after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Obligation (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Obligations. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing an Obligation through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Obligations from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of Interest under Federal or state law or otherwise prevent beneficial owners of the Obligations from realizing the full current benefit of the tax status of such Interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Obligations.

Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters

CONTINUING DISCLOSURE

Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Obligations, if material. Pursuant to the Rule, the City has agreed to provide to the Municipal Securities Rulemaking Board ("MSRB"), audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the MSRB, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule. The City has complied with its continuing disclosure undertaking.

A copy of the form of the City's Continuing Disclosure Certificate is attached hereto as Appendix B.

RATING

As noted on the cover page of this Official Statement, Moody's Investor Services ("Moody's"), has assigned its municipal bond rating of "____" to the Obligations. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Obligations. The rating reflects only the view of Moody's and an interpretation of such rating may be obtained only from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations. Any further explanation of the underlying ratings may be obtained from Moody's.

UNDERWRITING

D. A. Davidson & Co. (the "Underwriter") has agreed, subject to the terms of a Purchase Agreement, to purchase the Obligations from the City at a price of ____ % of the par value of the Obligations and will reoffer the Obligations at a price of ____ % of the par value of the Obligations plus accrued interest, if any. The Obligations are being offered for sale to the public at the prices shown on the inside cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering prices are subject to change after the date hereof.

PRELIMINARY OFFICIAL STATEMENT

The City has executed a "deemed final" letter that deems final the Preliminary Official Statement as of its date pursuant to Securities and Exchange Commission Rule 15c2-12 (except for the omission of the following information: offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, credit enhancement, if any, ratings, insurance, and other terms of the securities depending on such matters). The City has also confirmed that the information in this Preliminary Official Statement, except for matters relating to DTC, the Registrar, and the statement regarding the Underwriter in the italicized paragraph on the page immediately preceding the table of contents does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

CONCLUDING STATEMENT

The information contained herein should not be construed as representing all conditions affecting the City or the Obligations. Additional information may be obtained from the City. The statements relating to the Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The information assembled herein is not to be construed as a contract with Owners of the Obligations.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF STAYTON, OREGON

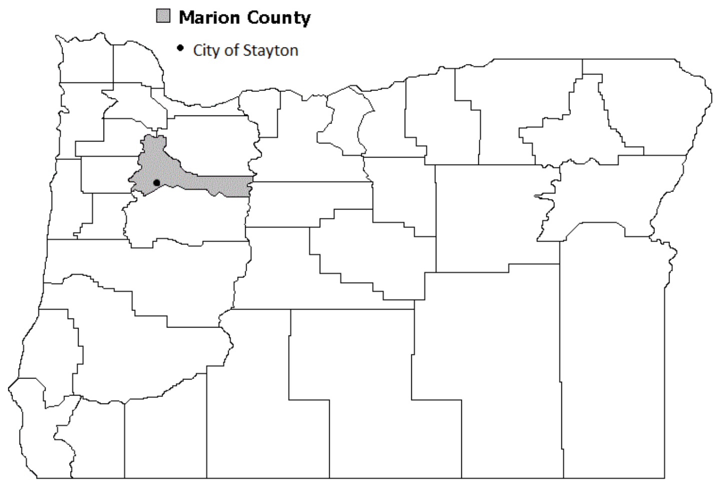
By: _______________________________.
Authorized City Official

APPENDIX A

Economic and Demographic Information

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following discussion includes descriptive information obtained from a variety of sources. The information is presented to provide the reader with an overview of the City's economy, but is not intended to be exhaustive or comprehensive.



Local Economic Overview

The City of Stayton is located in Marion County (the "County"), approximately 13 miles east of the City of Salem, the State Capitol. The City has a 2011 preliminary estimated population of 7,660. Historical population of the City and the County is shown in the following table.

Population: State of Oregon, Marion County and the City of Stayton

July 1	State of Oregon	Marion County	City of Stayton
2011	3,857,625	318,150	7,660
2010	3,844,195	320,640	7,645
2009	3,823,465	318,170	7,820
2008	3,791,075	314,865	7,815
2007	3,745,455	311,070	7,765
2006	3,690,505	306,665	7,700
2005	3,631,440	302,135	7,505
2004	3,582,600	298,450	7,360
2003	3,541,500	295,900	7,300
2002	3,504,700	291,000	7,200
2001	3,471,700	288,450	6,960
2000	3,436,750	286,300	6,870
April 1 (1)			
2000	3,421,399	284,838	6,816
1990	2,842,321	228,483	5,011

(1) U.S. Census Count on April 1.

Source: Center for Population Research and Census, Portland State University.

Major employers in the City follow:

Company	Service	No. Employees
NORPAC Foods Inc	Food Processing	335
Jeld-Wen	Windows Manufacturing	250
Santiam Memorial Hospital	Accredited Hospital	225
North Santiam School District	School District	206
Slayden Construction	General Contracting	165
MasterCraft	Manufacturing	150
Safeway	Supermarket	117
City of Stayton	Municipal Government	88
Redbuilt	Manufacturing	57
Bi-Mart	Discount Store	39

Source: City of Stayton

Salem Metropolitan Statistical Area (MSA): Labor Force and Employment (Includes Marion and Polk Counties)

								2009 Change from				
	2010	2009	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Civilian Labor Force	199,534	198,684	194,666	190,512	188,126	185,057	184,059	4,018	8,172	10,558	13,627	14,625
Unemployment	21,543	21,187	12,215	10,063	10,384	11,723	13,575	8,972	11,124	10,803	9,464	7,612
Percent of Labor Force	10.8%	10.7%	6.3%	5.3%	5.5%	6.3%	7.4%	xx	xx	xx	xx	xx
Total Employment	177,991	177,497	182,451	180,449	177,742	173,334	170,484	-4,954	-2,952	-245	4,163	7,013

								2009 Change from				
	2010	2009	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Total Nonfarm Payroll Employment	143,400	145,400	152,200	151,900	149,400	146,300	142,800	-6,800	-6,500	-4,000	-900	2,600
Total Private	100,600	102,800	110,000	111,500	109,600	106,300	103,100	-7,200	-8,700	-6,800	-3,500	-300
Natural resources and mining	1,100	1,000	1,200	1,300	1,300	1,300	1,300	-200	-300	-300	-300	-300
Construction	6,500	7,000	9,100	10,100	9,400	8,200	7,200	-2,100	-3,100	-2,400	-1,200	-200
Manufacturing	11,700	12,300	14,000	14,800	15,500	14,900	14,600	-1,700	-2,500	-3,200	-2,600	-2,300
Trade, transportation, and utilities	23,200	23,700	25,500	25,700	25,400	24,800	23,800	-1,800	-2,000	-1,700	-1,100	-100
Information	1,200	1,300	1,400	1,500	1,500	1,500	1,600	-100	-200	-200	-200	-300
Financial activities	6,900	7,100	7,600	7,500	7,400	7,300	7,100	-500	-400	-300	-200	0
Professional and business services	11,500	12,000	12,900	13,200	12,600	12,700	12,000	-900	-1,200	-600	-700	0
Educational and health services	21,300	21,000	20,300	19,500	19,000	18,600	18,300	700	1,500	2,000	2,400	2,700
Leisure and hospitality	11,900	12,100	12,700	12,500	12,300	12,100	12,000	-600	-400	-200	0	100
Other services	5,400	5,300	5,400	5,300	5,300	5,100	5,100	-100	0	0	200	200
Government	42,800	42,500	42,200	40,500	39,800	40,000	39,700	300	2,000	2,700	2,500	2,800

Source: State of Oregon Employment Division, Department of Human Resources as of June 1, 2011

Per capita income in the County is lower than that of the State. In 2008, the County represented 7.42 percent of the State's total personal income.

	State of Oregon		Marion County		Salem, OR (MSA)	
Year	Total Personal Income ($000)	Per Capita Income	Total Personal Income ($000)	Per Capita Income	Total Personal Income ($000)	Per Capita Income
2009	$ 138,203,200	$ 36,125	n.a.	n.a.	n.a.	n.a.
2008	137,569,686	36,365	$ 10,215,046	$ 32,565	$ 12,504,027	$ 32,016
2007	133,405,144	35,737	9,810,847	31,632	11,985,679	31,126
2006	127,447,708	34,656	9,458,747	30,924	11,514,079	30,406
2005	117,670,842	32,525	8,635,602	28,646	10,512,626	28,299
2004	113,001,122	31,622	8,528,745	28,545	10,405,095	28,391
2003	108,506,328	30,564	8,168,241	27,546	9,958,041	27,473

Source: U.S. Department of Commerce, Bureau of Economic Analysis, February 20, 2010.

Historic building permits for single-family and multi-family housing in the City follow:

City of Stayton: Building Permit History

	New Single Family		New Multi-Family	
Year	Number	Construction Cost	Units	Construction Cost
2010	7	$ 1,776,247	-	$ -
2009	2	330,000	-	-
2008	6	1,780,700	-	-
2007	16	3,841,620	-	-
2006	30	6,742,506	-	-
2005	37	8,632,210	-	-

APPENDIX B

Form of Continuing Disclosure Certificate

APPENDIX C

Form of Legal Opinion

APPENDIX D

Audited Financial Statement - 2011

APPENDIX E

Book-Entry Only System

APPENDIX F

Form of Financing Agreement and
Form of Escrow Agreement