

RESOLUTION NO. 2015-02

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF THE CITY OF COBURG, LANE COUNTY, OREGON, WASTEWATER REVENUE BOND NO. 1 IN THE PRINCIPAL SUM OF NOT TO EXCEED \$3,000,000 TO THE UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT FOR THE PURPOSE OF PROVIDING A PORTION OF THE COSTS TO FINANCE CAPITAL CONSTRUCTION AND IMPROVEMENTS TO THE CITY'S WASTEWATER SYSTEM AND RELATED IMPROVEMENTS, PROVIDING FOR THE FORM AND TERMS OF SAID BOND AND AUTHORIZING THE PAYMENT OF SAME.

WHEREAS, the City Council (the "City Council") of the City of Coburg, Lane County, Oregon (the "City" or "Borrower"), pursuant to the authority of Oregon Revised Statutes Chapter 287A, the Constitution and Laws of the State of Oregon and laws amendatory thereof and supplemental thereto, adopted RUS Bulletin 1780-27 Loan Resolution on September 11, 2007 and adopted Ordinance No. A-215 on December 11, 2007 (the "Ordinance") duly authorizing the City to issue revenue bonds in an amount not to exceed \$6,000,000 to finance a portion of the costs of capital construction and improvements to the City's wastewater system and related improvements, and to fund any necessary reserves and costs of issuance. Collectively, the development, construction, improvements and repairs to the City's wastewater system and related facilities within the boundaries of the City, are referred to herein as the "Project" and the facilities are collectively referred to herein as the "Facility"; and

WHEREAS, the Ordinance was duly passed as a non-emergency ordinance and no petitions were filed by the electors of the City on or before January 11, 2008, the 30th day after the Ordinance was enacted; and

WHEREAS, the United States of America, acting through the United States Department of Agriculture, Rural Development (the "Government") appropriated \$3,000,000, as set forth in a Letter of Conditions dated August 27, 2007, as amended by Amendment No. 1, dated November 19, 2007, Amendment No. 2, dated September 8, 2011, Amendment No. 3, dated June 6, 2014 and Amendment No. 4, dated January 5, 2015, to loan that amount to the City at an interest rate of 3.75% per annum for the Project; and

WHEREAS, the City has been directed to proceed in accordance with law to issue the bonds, and concurrently therewith and subsequent thereto the City has commenced negotiations with the Government for financial assistance to improve the Facility; and,

WHEREAS, the Government has indicated a willingness to consider financial assistance and as a result, it is necessary to cause the execution and delivery of installment bonds or other evidence of indebtedness to secure any loan or loans made, or insured by the Government and to comply with any requirements, terms, and conditions prescribed by the Government or by

Government regulations and to execute contracts or enter into agreements and to take any and all other action as may be necessary, incidental or appropriate to improve the Facility for and on behalf of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COBURG:

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

SECTION 2. The City shall borrow \$3,000,000 and issue as evidence thereof an installment Wastewater Revenue Bond No. 1 (the "Bond") for the full principal amount of the loan. The Bond shall be dated with the date of delivery thereof, and shall be in substantially the form attached as Exhibit A.

SECTION 3. The unobligated net revenues of the wastewater system (the "Wastewater Revenues"), after payment of the ordinary operation and maintenance expenses thereof, and other legally available revenues including, without limitation, tax increment revenues received from the urban renewal agency, local improvement district funds, and system development charges, are pledged to the payment of the principal of and interest upon the Bond. This pledge is on parity with the pledge that secures the Borrower's Wastewater Revenue Bond No. 2 ("Bond No. 2") that is scheduled to be sold to the Government on the same date as the Bond.

SECTION 4. The City Administrator shall be the custodian of all funds of the Facility and all funds shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation or in the Local Government Investment Pool. The City Administrator shall execute a Fidelity Bond in an amount not less than \$145,980.00 with a surety company approved by the Government and the amount thereof shall not be reduced without the prior written consent of the Government. The City Administrator is hereby directed to establish the following accounts into which the current funds of the Bond proceeds, the revenues from the Facility and other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the Bond hereby authorized remains unpaid.

(a) Construction Account. The proceeds of the Bond hereby authorized and any interim financing acquired shall be deposited in the Construction Account. Amounts in the Construction Account exceeding \$100,000.00 shall either be secured by the depository bank in advance in accordance with State and Federal law or deposited in the Oregon Local Government Investment Pool. Withdrawal from the Construction Account shall be made only on checks signed by any of the following City officials: the Mayor or the City Administrator, as authorized by the City Council, and only for the purposes for which said bond was issued as specified in the estimate of costs. The City's share of any liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Project. When the construction of the Facility has been completed or all construction costs have been paid in full, any balance remaining in the Construction Account

shall be used to pay outstanding installments on the Bond in inverse order without premiums; provided, however, that the proceeds of the Bond deposited in the Construction Account shall be used to retire any interim financing. The Construction Account shall then be closed.

(b) Revenue Account. The Wastewater Revenues shall be set aside into a separate account to be designated the Revenue Account, and moneys so deposited therein shall be expended and used only in the manner and order as follows:

i. Operations and Maintenance Account (bookkeeping account). There shall be set aside and deposited each month, before any other expenditures therefrom, a sufficient portion of the moneys in the Revenue Account to pay the reasonable and necessary current expenses of operating, maintaining and administering the Facility for the current month.

ii. Debt Service Account (bookkeeping account). After the transfer required in item (i) above, there shall be transferred each month from the Revenue Account or other available funds pledged to the Bond and Bond No. 2, before any other expenditures or transfer therefrom, and deposited in the Debt Service Account for payment of the annual installment of the Bond, a sum equal to at least one twelfth of the annual installment becoming due on the next succeeding 27th day of January for the Bond. If the City for any reason shall fail to make such monthly deposit, then an amount equal to the deficiency shall be set apart and deposited in the Debt Service Account out of the Wastewater Revenues in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during each succeeding month or months.

iii. Other Debt Service and Reserve Accounts (bookkeeping account). After the transfers required in items (i) and (ii) above, and after the transfer required in 4(c) below, the City may transfer funds from the Revenue Account to accounts designated for the payment of other debt associated with the construction of the Wastewater System, and for debt reserve accounts. City may use funds accrued to the Revenue Account in excess of the required amounts for transfer, and in any account established for that purpose, to make payments on any of the debt approved by the Government for the purposes of wastewater system construction.

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

(c) Reserve Account (bookkeeping account). The Borrower shall establish and maintain a Reserve Account. Out of the balance of income and revenue after the transfers required by Section 4(b) above, there shall be set aside and deposited in the Reserve Account the sum of \$14,598.00 annually until there is accumulated in that fund the sum of \$145,980.00 after which no further deposits need be made into said account except to replace withdrawals.

The Reserve Account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the Facility which may be caused by any unforeseen catastrophe and when necessary for the purpose of making payments of principal and interest on the Bond hereby authorized in the event the amount of the Debt Service Account is insufficient to meet such payments. Approval by the Government is required prior to the use of the Reserve Account funds. Whenever disbursements are made from the Reserve Account, the deposits shall be resumed until there is again accumulated the amount of \$145,980.00 at which time deposits may be again discontinued.

SECTION 5. The Borrower covenants and agrees that so long as the Bond hereby authorized remains unpaid:

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

(b) The Borrower will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) The Borrower will impose and collect sufficient rates and charges for use of the Facility to provide for the operation and maintenance thereof and the payments on the Bond hereby authorized and the maintenance of the various funds herein created; and the maintenance of the various funds created for such bonds and payment of any other borrowings secured by the revenues of the Facility; that all use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Borrower; and that no free use of the Facility will be permitted.

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

(e) The Borrower will maintain such insurance coverage as may be required by the Government.

(f) Other than issuance of Bond No. 2., the Borrower will not borrow money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

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

(h) The Borrower will comply with all federal laws and regulations to maintain the tax-exempt status of Bond interest from Federal income taxation and Oregon personal income taxation.

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

SECTION 7. The Mayor, City Council President, City Administrator or his or her designee is hereby appointed as the "Authorized Representative" of the Borrower. The Authorized Representative is hereby authorized and directed to execute for and on behalf of the Borrower, where required by the Government, Form RD 400-1, "Equal Opportunity Agreement", Form RD 400-4, "Assurance Agreement", as required by the provisions of Title VI of the Civil Rights Act of 1964, Form RD 1942-47, "Loan Resolution", Form RD 442-21, "Right-of-Way Certificate", Form RD 1942-46, "Letter of Intent to Meet Conditions", Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts", Form RD 1924-18, "Partial Payment Estimate", Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions", Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions", and to act on behalf of the Borrower and determine the terms of and execute the Bond and to execute any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Bond in accordance with this Resolution.

ADOPTED by the City and APPROVED by the City Council this 13 day of Jan 2015.

**CITY OF COBURG
LANE COUNTY, OREGON**

By 
Jae Fudewell, Mayor

ATTEST:

By 
City Recorder

UNITED STATES OF AMERICA

STATE OF OREGON

CITY OF COBURG
LANE COUNTY, OREGON

REVENUE BOND NO. 1

KNOW ALL MEN BY THESE PRESENTS: The City of Coburg, Lane County, Oregon, hereinafter called the "City", hereby acknowledges itself indebted and for value received promises to pay to the order of the United States of America, acting through the United States Department of Agriculture, Rural Development, hereinafter called the "Government", the principal sum of Three Million Dollars (\$3,000,000.00) plus interest on the unpaid principal balance at the rate of 3.75% per annum. The said principal and interest shall be payable in the following installments on or before the following dates:

The sum of \$145,980.00 shall be paid on the 27th day of January, 2016, and annually thereafter on the 27th day of January, with the final payment of \$145,491.34 due on the 27th day of January, 2055 until the principal and said interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

All or part of the outstanding bond principal installments may be paid in inverse order on any date without premiums to pay down principal.

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

Both the principal and interest shall be paid annually to the United States of America (as such registered holder) and shall be made electronically by the Preauthorized Debit (PAD) payment method.

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

This bond is given as evidence of a loan to the City made by the Government pursuant to the Rural Development Act of 1972, as amended, and shall be subject to the present regulations of the United States Department of Agriculture or its successor agency not inconsistent with the express provisions hereof.

This bond is authorized and issued by virtue of Ordinance No. A-215 adopted by the City Council of the City on December 11, 2007 which was duly enacted as a non-emergency ordinance as provided by law and pursuant to the Constitution and Laws of the State of Oregon, and laws amendatory thereof and supplemental thereto and by Resolution No. 2015-02 adopted by the City Council of the City on January 13, 2015.

This bond is exchangeable at the sole expense of the City at any time, upon ninety (90) days written notice, at the request of the registered owner hereof, and upon surrender of this bond to the City at the office of the City for registered bonds of the denomination of \$5,000.00 each, or integral multiples thereof, in the aggregate principal amount equal to the unpaid principal amount of the bond, and bearing interest on the unpaid principal balances at the rate of 3.75% per annum.


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

IN WITNESS WHEREOF, the City of Coburg, Lane County, Oregon has caused this Bond to be signed by its City Administrator and attested to by its City Attorney, as of the 27th day of January, 2015.

**CITY OF COBURG
LANE COUNTY, OREGON**

By: 
Petra Schuetz, City Administrator

ATTEST:

By: 
Milo Mecham, City Attorney

SPECIMEN

BOND REGISTRATION CERTIFICATE

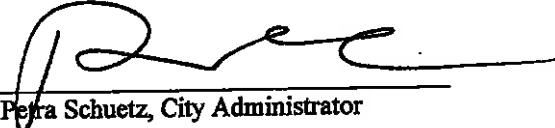
**CITY OF COBURG
LANE COUNTY, OREGON**

WASTEWATER REVENUE BOND NO. 1

DATE: January 27, 2015

Registered in name of: United States of America

By: _____


Petra Schuetz, City Administrator

SPECIMEN