

RESOLUTION NO. 2024-04

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF THE CITY OF LA PINE, OREGON, WATER REVENUE BOND NO. 1 IN THE PRINCIPAL SUM OF NOT TO EXCEED \$5,286,000 TO THE UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, FOR THE PURPOSE OF PROVIDING A PORTION OF THE COSTS TO FINANCE CONSTRUCTION OF IMPROVEMENTS TO AND EXPANSION OF THE CITY'S WATER SYSTEM, 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 La Pine, Oregon (the "City" or "Borrower"), pursuant to the authority of Oregon Revised Statutes 287A.150, the Constitution and Laws of the State of Oregon and laws amendatory thereof and supplemental thereto, adopted RUS Bulletin 1780-27 Loan Resolution on August 8, 2018, and adopted City Resolution No. 2017-03 on May 10, 2017 (the "Resolution") duly authorizing the City to issue water revenue bonds in an amount not to exceed \$9,000,000 to finance capital improvements to the City's water system, including a new basalt water supply well and well pump station, a new 500,000 gallon above-ground water storage reservoir, a new 16-inch transmission line from the reservoir to the City, several distribution system piping, service line, valving, and hydrant improvements in the City and will add the Cagle and Glenwood Acres areas to the City's water system. Collectively, the improvements to the City's water system are referred to herein as the "Project" and the water facilities are collectively referred to herein as the "Facility"; and

WHEREAS, notice of adoption of the Resolution was given as provided by law on May 24, 2017, and no petitions were filed by the electors of the City on or before July 24, 2017, the 61st day after the date of publication of the notice.

WHEREAS, the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service (the "Government") appropriated \$5,286,000, as set forth in a Letter of Conditions dated May 11, 2022, and as may be further amended, to loan that amount to the City at an interest rate of 2.00% 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 desire 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 LA PINE, OREGON:

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 \$5,286,000 and issue as evidence thereof an installment Water 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 following form:

**UNITED STATES OF AMERICA
STATE OF OREGON
COUNTY OF DESCHUTES
CITY OF LA PINE
WATER REVENUE BOND NO. 1**

KNOW ALL MEN BY THESE PRESENTS: the City of La Pine, Oregon, hereinafter called the "Borrower", hereby acknowledges itself indebted and for value received promises to pay to the order of the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service, hereinafter called the "Government", the principal sum of Five Million Two Hundred and Eighty Six Thousand Dollars (\$5,286,000) plus interest on the unpaid principal balance at the rate of 2.00% per annum. The said principal and interest shall be payable in the following installments on or before the following dates:

The sum of \$193,257 on the 17th day of May, 2025, and the sum of \$193,257 annually thereafter on the 17th day of May until the principal and said interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Bond, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Borrower to pay the remaining installments as scheduled herein.

This bond shall be registered as to principal and interest in the name of the United States of America in an appropriate book in the Office of the Borrower, each registration to be noted on the Bond Registration Certificate attached hereto by the City Manager of the Borrower 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 on this Bond shall be paid to the United States of America (as such registered holder) by pre-authorized debit to the United States Department of Agriculture Rural Utilities Service.

Default hereunder shall constitute default under any other instrument evidencing a debt of the Borrower owing to or insured by the Government or securing or otherwise relating to such a debt, and default under any other such instrument shall constitute default hereunder. Upon default 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 Borrower made by the Government pursuant to the Rural Development Act of 1972, as amended, and shall be subject to the present regulations of the Government or its successor agency not inconsistent with the express provisions hereof.

This bond is authorized and issued by virtue of Resolution No. 2017-03 adopted by the City Council of the Borrower on May 10, 2017 and by Resolution No. 2024-04 adopted by the City Council of the Borrower on May 8, 2024 (collectively, the "Resolution"), and pursuant to the Constitution and Laws of the State of Oregon, and laws amendatory thereof and supplemental thereto.

This bond creates a lien and charge upon all fees, charges, and other revenues from the operation of the Borrower's water system (the "Facility") after payment of all expenses incurred for the operation, maintenance, and repair of the Facility (the "Net Revenues") and, subject to the following sentence, is superior to all other charges thereupon of any kind and nature. This pledge is on a parity with the pledge of Net Revenues that secures the Borrower's Water Revenue Bond No. 2 dated as of May 17, 2024. This bond and the interest thereon are payable solely from the Net Revenues of the Facility and neither this bond nor the payment of interest impose any general liability upon the Borrower for the payment thereof out of any monies other than Net Revenues of the Facility. The Borrower hereby irrevocably pledges the Net Revenues to the payment of this bond, and pursuant to ORS 287A.310, the pledge of the Net Revenues hereby made by the Borrower shall be valid and binding from the date of this bond.

It is hereby covenanted by the Borrower that so long as this bond shall be outstanding and unpaid, or until there shall have been set apart solely for that purpose sums sufficient to pay when due the entire principal sum hereof together with interest accrued, or to accrue thereon, 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 this bond and the maintenance of the various funds created under the Resolution; the Borrower also covenants 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.

It is hereby covenanted by the Borrower that so long as this bond is held by the Government, the Borrower will not borrow money from any source or enter into any contract or agreement or incur any other liabilities secured by the Facility or Net Revenues, without obtaining the prior written consent of the Government.

If at any time it shall appear to the Government that the Borrower is able to refinance the amount of this 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.

For so long as this bond is held by the Government, the Borrower may amend this Resolution only with the consent of the Government.

This bond is exchangeable at the sole expense of the Borrower at any time, upon ninety (90) days written notice, at the request of the registered owner hereof, and upon surrender of this bond to the Borrower at the office of the Borrower for registered bonds of the denomination of \$5,000.00 each, or integral multiples thereof, in the aggregate principal amount equal to the unpaid principal amount of the bond, and bearing interest on the unpaid principal balances at the rate of 2.00% 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 Borrower, does not exceed any limits prescribed by the Constitution and Statutes of the State of Oregon, and the Charter of the Borrower.

IN WITNESS WHEREOF, the City of La Pine, Oregon has caused this bond to be signed by its Mayor and attested to by its City Manager, all on the 8TH day of MAY, 2024.

CITY OF LA PINE, OREGON

By: [Signature]
Mayor

ATTEST:

By: [Signature]
City Manager

BOND REGISTRATION CERTIFICATE

**CITY OF LA PINE, OREGON
WATER REVENUE BOND NO. 1**

DATE: 8th May, 2024

Registered in name of:
**United States of America acting through United States Department of Agriculture, Rural
Utilities Service**
USDA Rural Development, Community & Utilities Branch
Mail Code 2232
211 North Broadway, Suite 1701
St. Louis, MO 63102

By: /s/ 
City Manager

[End of bond form.]

SECTION 3. All fees, charges, and other revenues from the operation of the Facility after payment of all expenses incurred for the operation, maintenance, and repair of the Facility (the “Net Revenues”) are hereby irrevocably pledged to the payment of the principal of and interest on the Bond. Pursuant to ORS 287A.310, the pledge of the Net Revenues shall be valid and binding from the date of the Bond. This Bond creates a lien and charge upon the Net Revenues of the City’s Facility and, subject to the following sentence, superior to all other charges thereupon of any kind and nature. This pledge is on a parity with the pledge of Net Revenues that secures the Borrower’s Water Revenue Bond No. 2 expected to be dated as of May 17, 2024 (“Bond No. 2”).

SECTION 4. The Finance Director 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 Finance Director shall execute a Fidelity Bond in an amount not less than \$193,257 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 Finance Director 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 \$250,000 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 City officials, 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 to 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. Revenues of the Facility 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, 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 17th day of May. If the City for any reason shall fail to make such monthly deposit, then an amount equal to the deficiency shall be set apart and deposited in the Debt Service Account out of the gross revenues in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during each succeeding month or months.

Whenever there shall accumulate in the Debt Service Account amounts in excess of the requirements during the next twelve months for paying principal and interest on outstanding bond installments, and in the Operation and Maintenance Account and the Reserve Accounts 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 Accounts.

i. Debt Service Reserve Account. The City shall establish and maintain a Debt Service Reserve Account within the Revenue Account. There shall be set aside and deposited in the Debt Service Reserve Account after the transfer required in items (i) and (ii) above the sum of \$1,610.48 monthly until there is accumulated in that fund the sum of \$193,257, after which no further deposits need be made into said account except to replace withdrawals.

The Debt Service 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 Debt Service Reserve Account funds. Whenever disbursements are made from the Debt Service Reserve Account, \$1,610.48 should be deposited per month into the Debt Service Reserve Account, until there is

again accumulated the amount of \$193,257, at which time deposits may be again discontinued.

ii. **Short-Lived Asset Replacement Reserve Account.** The Borrower shall establish and maintain a Short-Lived Asset Replacement Reserve Account (“SLARRA”). The City shall set aside and deposit in the SLARRA the sum of not less than \$10,933 annually for both the Bond and Bond No. 2. Amounts in the SLARRA shall be used and disbursed only for the purpose of replacing facility assets with an estimated life of less than fifteen years. Approval by the Government is not required prior to the use of amounts in the SLARRA.

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; 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) For so long as the Bond is held by the Government, 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) For so long as the Bond is held by the Government, the Borrower will not borrow money from any source or enter into any contract or agreement or incur any other liabilities secured by the Facility or Net Revenues, without obtaining the prior written consent of the Government.

(h) 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. For so long as the Bond is held by the Government, the City will not defease the Bond without the prior written consent of the Government.

(i) The Borrower will cause to be collected such revenues as may be necessary to operate and maintain the Facility in good condition and meet payments on the Bond when the same become due if, for any reason, gross revenues are insufficient.

(j) 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.

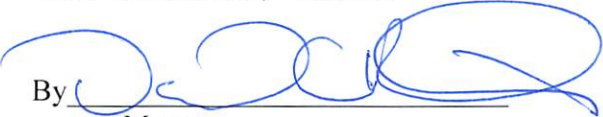
SECTION 7. The City designates the Mayor, the City Manager, and the Finance Director, or any designee of either official (the "Authorized Representative"), to act on behalf of the Borrower and determine the terms of the Bond and to take any action and execute any certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Bond in accordance with this Resolution.

SECTION 8. Representatives are hereby authorized and directed to execute for and on behalf of the Borrower 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, RUS Bulletin 1780-27, "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 if an RUS development grant is involved, RUS Bulletin 1780-12, "Water and Waste System Grant Agreement", and Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants)," and to act on behalf of the City and determine the terms of the Bond and to take any action and execute any certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Bond in accordance with this Resolution.

SECTION 9. Amendment of Resolution. For so long as the Bond is held by the Government, the Borrower may amend this Resolution only with the consent of the Government.

ADOPTED by the City and APPROVED by the City Council this 8th day of May, 2024.

CITY OF LA PINE, OREGON

By 
Mayor

ATTEST:

By 
City Manager