

AN ORDINANCE AUTHORIZING THE CONSTRUCTION OF IMPROVEMENTS AND BETTERMENTS TO THE SEWER SYSTEM OF THE CITY OF CLINTON, ARKANSAS; AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS, SERIES 1986, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$961,000 FOR THE PURPOSE OF FINANCING A PORTION OF THE COST OF THE CONSTRUCTION; PROVIDING FOR PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Clinton, Arkansas (the "City"), owns a water and sewer system which is operated as a single integrated municipal undertaking (the "System"); and

WHEREAS, the City Council (the "Council") of the City has determined to construct improvements and betterments to the System (the "Project") and has caused to be filed with the City Recorder preliminary plans and specifications and an estimate of the costs of constructing the Project, all prepared by a duly qualified engineer chosen by the Council; and

WHEREAS, according to the above mentioned estimate, the cost of constructing the Project will be approximately \$1,626,000, including engineering, legal costs, and other expenses incidental to the issuance of bonds hereinafter authorized, which report has been examined and approved by the Council; and

WHEREAS, it is proposed that Project costs will be financed by the issuance of the City's water and sewer revenue bonds in the aggregate principal amount of \$961,000, a grant from the Arkansas' Industrial Development Commission and a loan from the Arkansas Soil & Water Conservation Commission in the amount of \$150,000; and

WHEREAS, the City is authorized under Act No. 131 of the Acts of the General Assembly of the State of Arkansas for the Year 1933, as amended ("Act 131"), to issue and sell revenue bonds for the purpose of financing the cost of constructing extensions, betterments, and improvements to the waterworks system of the City and is authorized under Act No. 132 of the Acts of the General Assembly of the State of Arkansas for the Year 1933, as amended ("Act 132"), to issue and sell revenue bonds for the purpose of financing the cost of constructing a sewer system for the City, including printing, legal, and other expenses incident to the issuance of such bonds; and

WHEREAS, the City has outstanding an issue of Water and Sewer Revenue Bonds authorized by Ordinance No. 69A, adopted January 7, 1964, ("Ordinance 69A"); an issue of Water and Sewer Revenue Bonds authorized by Ordinance No. 91, adopted September 23, 1971 ("Ordinance 91"); an issue of Water and Sewer Revenue Bonds authorized by Ordinance No. 101, adopted April 2, 1976 ("Ordinance 101"); and an issue of Water and Sewer Revenue Bonds authorized by Ordinance 112, adopted February 1, 1978 (Ordinance 112)(Collectively the "Prior Bonds"); and

WHEREAS, to provide a portion of the funds necessary to finance construction of the Project, the City has determined to issue \$961,000 of Water and Sewer Revenue Bonds, Series 1986 (the "Bonds"); and

WHEREAS, at a special election held June 24, 1986, a majority of the qualified electors of the City voting on the question approved the issuance of the Bond; and

WHEREAS, pursuant to authority contained in Act 132 and Act 133, the City has entered into a Loan Agreement with the United States Department of Agriculture, Farmers Home Administration (the "FmHA"), whereby the FmHA will purchase the Bonds at a price of par plus accrued interest;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CLINTON, ARKANSAS, as follows:

Section 1. Definitions. In addition to the terms defined in the preamble to this Ordinance the terms below shall have the following meanings:

"Accountant" means an independent certified public accountant selected from time to time by the City who may be the accountant or firm of accountants which regularly audits the books of the City.

"Code" means the Internal Revenue Code of 1954, as now or hereafter amended, and applicable regulations issued or proposed thereunder.

"Consulting Engineer" means an independent engineer or firm of engineers having recognized experience in municipal water and sewer systems selected from time to time by the City.

"FDIC" means the Federal Deposit Insurance Corporation.

"Investment Obligations" means, if and to the extent the same are legal investments for System moneys:

(a) Direct obligations of, or obligations which are unconditionally guaranteed as to the payment of principal and interest by, the United States of America; or

(b) Deposits of any commercial bank which is a member of the FDIC, provided:

- (i) such deposits are fully insured by the FDIC; or
- (ii) to the extent not so insured, are secured by a pledge of securities described in (a) above.

"Net Revenues" means, for any period, Revenues less Operating Expenses.

"Operating Expenses" means, for any period, all ordinary and necessary expenses of operation, repair, maintenance and insuring of the System under generally accepted accounting principals. Fixed annual changes, such as insurance premiums and major repair or maintenance expenses, shall be pro-rated on an annual basis for the purpose of calculating Operating Expense for any period.

"Revenues" means all fees, tolls, rates, rentals and charges levied and collected in connection with and all other income and receipts of whatever kind or character derived by the City from the operation of the System. Notwithstanding the foregoing, Revenues shall not include contributions or grants received by the City.

Section 2. Sale of Bonds/Construction of Project. 1. All actions heretofore taken by the City in connection with the offer and sale of the Bonds are in all respects ratified and approved and there is hereby authorized and directed the sale of the Bonds to the FMHA at a price of par plus accrued interest.

2. The construction of the Project, in accordance with the plans hereinbefore described, is hereby authorized and directed. The Mayor and City Recorder shall take, or cause to be taken, all action necessary to accomplish the construction of the Project, including the execution of all required contracts.

3. The Council hereby finds and declares that the period of usefulness of the Project after completion thereof will be more than forty (40) years.

Section 3. Authorization and Terms of Bonds. 1. Under the authority of the Constitution and laws of the State of Arkansas, including particularly Act 131, Act 132, and applicable decisions of the Supreme Court of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), there is hereby authorized the issuance of bonds of the City to be designated as "Water and Sewer Revenue Bonds, Series 1986" in the principal amount of Nine Hundred

Sixty-One Thousand Dollars (\$961,000) (the "Bonds"). The Bonds shall be special obligations of the City secured solely by an equal charge and lien on the Net Revenues as described in this Ordinance. The pledge of and lien on Net Revenues securing the Bonds shall be subordinate and subject to that securing the Prior Bonds.

2. The Bonds shall bear interest at the rate of five percent (5%) per annum, with interest only payable for the first twenty-four months following the date thereof, and with principal and interest payable in monthly amortized installments Four Thousand Seven Hundred Nineteen Dollars (\$4,719) beginning the twenty-fifth month following the date thereof, until the face amount of the Bonds plus interest thereon is fully paid, except that the final payment of the entire indebtedness if not sooner paid shall be due and payable forty (40) years from the date of the Bonds.

3. The Bonds shall be dated as of the date of their delivery and shall be issued in fully registered typewritten form without interest coupons. The Bonds shall be issued as one bond No. R-1 and shall be registered as to principal and interest by the City Recorder in a bond registration book and a certificate of such registration shall be endorsed on the Bonds.

4. Payment of principal and interest on the Bonds shall be by check or draft mailed to the registered owner thereof, without presentation or surrender (except upon final payment), and such payments shall discharge the obligation of the City to the extent thereof. The City Recorder shall keep a record of all payments of principal and interest. Payment of principal and interest shall be in any coin or currency of the United States of America which, as at the time of payment, shall be legal tender for the payment of debts due the United States of America. When the principal of and interest on the Bonds have been fully paid, the Bonds shall be cancelled and delivered to the City Recorder.

5. The Bonds shall be executed on behalf of the City by the Mayor and City Recorder and shall have impressed thereon the seal of the City.

6. The Bonds shall be subject to redemption prior to maturity in accordance with the provisions pertaining thereto appearing in the form of bond hereinafter set forth in this Ordinance. Bonds shall be redeemed only from and to the extent funds on deposit in the Bond Fund are available and sufficient for such purpose.

7. Pending the preparation and delivery of the permanent and definitive bonds herein authorized, one or more interim certificates of indebtedness not to exceed the aggregate principal amount of said bonds may be issued for the purpose of

providing construction funds immediately and in anticipation of the issuance of such permanent and definitive bonds. The interim certificates shall be in such denomination or denominations as the Council shall determine, be dated the date of delivery, bear interest at the bond rate, or if issued to evidence loan funds obtained on an interim basis at such loan rate, and be payable on or before three (3) years after their date. Upon delivery of the permanent and definitive Bonds, the interim certificates, to the extent then outstanding with accrued interest, shall be exchanged for, or paid from the proceeds of the Bonds.

8. The Bonds are not general obligations of the City but are special obligations, the principal of and interest on which are secured by a pledge of and are payable from the Net Revenues of the System. The Bonds and interest thereon shall not constitute an indebtedness within any constitutional or statutory debt limitation or restriction.

Section 4. Bond Form. The Bonds and interim certificates of indebtedness shall be in substantially the following form and the Mayor and City Clerk are hereby authorized and directed to make all recitals contained therein:

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF VAN BUREN
CITY OF CLINTON
WATER AND SEWER REVENUE BOND,
SERIES 1986

NO. R-1

\$961,000

KNOW ALL MEN BY THESE PRESENTS:

That the City of Clinton (the "City"), in the County of Van Buren, and State of Arkansas, hereby acknowledges itself to owe, and for value received promises to pay to the registered owner, or assigns, but solely from the special fund provided therefor as hereinafter set forth, the principal sum of

NINE HUNDRED SIXTY-ONE THOUSAND DOLLARS

Plus interest on the unpaid balance at the rate of five percent (5%) per annum from the date hereof. The said principal and interest shall be payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due in the United States of America and shall be payable in the following installments on or before the following dates: Interest only on the _____

day of the first twenty-four months following the date of this bond; and Four Thousand Seven Hundred Nineteen Dollars (\$4,719) on the day of the twenty-fifth month following the date of this bond and monthly thereafter on the same date of each month (except that if this bond is dated the 29th, 30th, or 31st of any month, the monthly payment shall be due on the 28th day of each month) until principal and interest are fully paid, except that the final installment on the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

Payments of the principal and interest installments due hereon shall be made, except for final payment, without presentation and surrender of this bond, directly to the registered owner at his address shown on the bond registration book of the City maintained by the City Recorder as Bond Registrar, and such payments shall fully discharge the obligations of the City to the extent made.

This bond is issued for the purpose of aiding in the construction of improvements and betterments to the water and sewer system of the City (the "System") under and pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Act No. 131 of the General Assembly of the State of Arkansas of the year 1933, as amended, as construed by the Arkansas Supreme Court in the case of City of Harrison v. Braswell, decided April 15, 1946, and Act No. 132 of the General Assembly of the State of Arkansas of the year 1933, as amended, and pursuant to Ordinance No. of the City duly adopted on the day of , 1986 (the "Ordinance"). Reference is hereby made to the Ordinance for the details of the nature and extent of the security and of the rights and obligations of the City and the registered owner of this bond.

This bond does not constitute an indebtedness of the City within any constitutional or statutory limitation or provision, and the taxing power of the City or the State of Arkansas or any other subdivision thereof is not pledged to the payment of the principal of or interest on this bond. This bond is a special obligation payable solely from net revenues derived from the operation of the System in excess of the debt service requirements for the City's Water and Sewer Revenue Bonds authorized by Ordinance No. 69A, adopted January 7, 1964, Water and Sewer Revenue Bonds authorized by Ordinance No. 91, adopted September 23, 1971, Water and Sewer Revenue Bonds authorized by Ordinance No. 101, adopted April 2, 1976, and Water and Sewer Revenue Bonds authorized by Ordinance No. 112, adopted February 1, 1978. A sufficient amount of such revenues have been duly set aside and pledged as a special fund for that purpose and identified as the "1986 Water and Sewer Revenue Bond Fund," created by the Ordinance.

In the Ordinance the City has fixed and has covenanted and agreed to maintain rates to be charged for the use of the System sufficient at all times to provide for the payment of System operation and maintenance expenses, provide for the payment of principal of and interest on all outstanding bonds to which System revenues are pledged, to establish and maintain debt service reserves and to establish and maintain a depreciation fund.

This bond is expressly made negotiable under said Acts 131 and 132, and is issued with the intent that the laws of the State of Arkansas shall govern its construction.

By virtue of the authority of said Act 131, there is granted and created a statutory mortgage lien on the waterworks to and in favor of the holder of this bond; and said waterworks shall remain subject to such statutory mortgage lien until the payment in full of this bond, both principal and interest, shall have been made.

This bond may be assigned, and upon assignment the assignor shall promptly notify the City Recorder by registered mail, and the assignee shall surrender this bond to the City Recorder for transfer on the registration books. Every assignee shall take this bond subject to all payments and prepayments of principal and interest (as reflected by the payment record maintained by the City Recorder), prior to such surrender for transfer.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the City. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, 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 City to pay the remaining installments as scheduled herein.

IT IS HEREBY CERTIFIED, RECITED, and DECLARED that all acts, conditions, and things required by the Constitution and laws of the State of Arkansas 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, and that sufficient of the income and revenue which is deemed to be derived from the operation of the System has been pledged to and will be set aside into said special fund for the payment of the principal of and interest on this bond; and that the indebtedness represented by this bond and the issue of which it forms a part does not exceed any constitutional or statutory limitations.

This bond shall not become a valid obligation of the City until the Certificate hereto has been duly executed by the Treasurer of the City.

IN WITNESS WHEREOF, the City of Clinton, Arkansas, by its City Council has caused this bond to be signed by the Mayor and City Recorder thereof and sealed with the corporate seal of said City, all as of the _____ day of _____, 1986.

CITY OF CLINTON, ARKANSAS

By: _____
Mayor

ATTEST:

By: _____
City Recorder
(S E A L)

TREASURER'S CERTIFICATE

Certified to be the bond mentioned and described herein.

Treasurer of the City of Clinton,
Arkansas

There shall be printed on the reverse of, or attached to, said bond a registration certificate in substantially the following form:

I, the undersigned, City Recorder within and for the City of Clinton, in Van Buren County, Arkansas, DO HEREBY CERTIFY that the within bond has been registered as to principal and interest as indicated in the registration blank below in a book provided for that purpose and in the manner required by law. The principal of and interest on this bond shall be payable only to the registered owner hereof named in the registration blank below or his legal representative, and this bond shall be

transferable only by an appropriate notation on the bond registration book of the City.

Date of Registration	Name of Registered Owner	Signature of City Recorder
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

[FORM OF INTERIM CERTIFICATE OF INDEBTEDNESS]

STATE OF ARKANSAS
COUNTY OF VAN BUREN
CITY OF CLINTON
INTERIM CERTIFICATE OF INDEBTEDNESS

No. _____ \$ _____

FOR VALUE RECEIVED, the City of Clinton, Van Buren County, Arkansas (the "City"), hereby acknowledges itself indebted and promises to pay to _____ at its office in the City of Clinton, and County of Van Buren, Arkansas, the principal sum of

_____ DOLLARS (\$ _____)

on _____ 1, 19____, plus interest thereon from the date hereof at the rate of _____ percent (____%) per annum, payable annually on _____ in each year beginning _____ next following the date hereof.

This Certificate is one of a series of _____ (____) Certificates in an aggregate amount not to exceed \$961,000, issued for the purpose of providing construction funds in anticipation of the issuance of permanent and definitive bonds for construction of improvements and betterments to the sewer system of the City in accordance with an Ordinance of the City, adopted _____, 1986. This is a special obligation payable solely from the revenues of the definitive bonds, and it does not constitute an indebtedness of the City within any constitutional or statutory limitation. The City covenants and agrees that on or, at its option, before the maturity date

hereof this and other such certificates, to the extent then outstanding, with accrued interest to date of payment without penalty, shall be exchanged for, or paid from the proceeds of, such permanent and definitive bonds.

IN WITNESS WHEREOF, the City of Clinton, Arkansas has caused this certificate to be signed by the Mayor and City Recorder and sealed with the corporate seal of the City on the _____ day of _____, 1986.

CITY OF CLINTON, ARKANSAS

By: _____

Mayor

ATTEST:

City Recorder

[S E A L]

Section 5. Rate Covenants. The City covenants and agrees that:

(a) Except as provided in Subsection 5(c) below, it will continue in effect the present schedule of rates for water and sewer services established by Ordinance No. 133, adopted April 12, 1984 and by Ordinance No. 143, adopted July 28, 1986 (which ordinances are incorporated herein by this reference) (the "System Rates"). The System Rates are deemed reasonable and necessary minimum rates to be charged.

(b) The System Rates will produce Revenues annually at least sufficient to pay Operating Expenses, pay the principal of and interest on all outstanding bonds to which System revenues are pledged, establish and maintain required debt service reserves, and establish and maintain the depreciation fund at the required level. System Rates shall, as and when necessary, be increased to generate revenues sufficient to satisfy this covenant.

(c) The System Rates shall never be reduced while any Bonds are outstanding, unless there is obtained an Accountant's or Consulting Engineer's opinion stating that, based upon the number of customers and usage reflected by System records, the proposed rates will produce Net Revenues for the succeeding fiscal year equal to at least one hundred twenty percent (120%) of maximum annual debt service requirements on all outstanding bonds to which System revenues are pledged.

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