

February 05, 2019

Gladwin, Michigan

The Special Meeting of the Gladwin City Council was called to order by Mayor Darlene Jungman at 12:40 p.m.

Present: Bodnar, Crawford, Gardner, Smith, Winarski

Absent: Caffrey, Darlington, Kile

Staff Present: Chris Shannon, Kim Bruner, Bonnie Klein

Also Present: Mayor Dee Jungman

Treasurer Klein gave out a timeline for the Iron Removal Plant closing.

ORDINANCE NO. 341

AN ORDINANCE TO PROVIDE FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF IMPROVEMENTS TO THE WATER SUPPLY SYSTEM OF THE CITY OF GLADWIN; TO PROVIDE FOR THE ISSUANCE AND SALE OF A SERIES OF SENIOR LIEN REVENUE BONDS TO PAY A PORTION OF THE COST THEREOF; TO PRESCRIBE THE FORM OF THE BONDS; TO PROVIDE FOR THE COLLECTION OF REVENUES FROM THE SYSTEM SUFFICIENT FOR THE PURPOSE OF PAYING THE COSTS OF OPERATION AND MAINTENANCE OF THE SYSTEM AND TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS AND CERTAIN OUTSTANDING BONDS OF THE SYSTEM; TO PROVIDE AN ADEQUATE RESERVE ACCOUNT FOR THE BONDS; TO PROVIDE FOR THE SEGREGATION AND DISTRIBUTION OF REVENUES OF THE SYSTEM; TO PROVIDE FOR THE RIGHTS OF THE HOLDERS OF THE BONDS IN ENFORCEMENT THEREOF; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THE BONDS, THE OUTSTANDING BONDS AND THE SYSTEM.

THE CITY OF GLADWIN ORDAINS:

Section 1. Definitions. In addition to the words and terms defined in the Outstanding Ordinance (as hereinafter defined) or elsewhere in this Ordinance, the following words and terms as used in this Ordinance shall have the meanings assigned in this Section, unless the context or use clearly indicates another or different meaning or intent.

The word “acquired,” as used in this Ordinance, shall be construed to include acquisition by purchase, construction or by any other method.

“Act 94” shall mean Act 94, Public Acts of Michigan, 1933, as amended.

“Additional Bonds” shall mean additional Senior Lien Bonds issued pursuant to Section 22 of the Outstanding Ordinance that are of equal standing and priority of lien as to the Net Revenues with the Series 2019 Bond.

“Bond and Interest Redemption Fund” means the Bond and Interest Redemption Fund established pursuant to the Outstanding Ordinance.

“Bond Reserve Account” shall mean the Bond Reserve Account established in the Bond and Interest Redemption Fund pursuant to the Outstanding Ordinance.

“Depository Bank” shall mean Chemical Bank, Gladwin, Michigan, a member of the Federal Deposit Insurance Corporation, or other financial institution qualified to serve as depository bank and designated by the Issuer.

“Engineer” shall mean ROWE Professional Services Company.

“Fiscal Year” shall mean the fiscal year of the Issuer and the operating year of the System, commencing July 1 and ending June 30, as such year may be changed from time to time.

“Government” shall mean the government of the United States of America or any agency thereof.

“Issuer” shall mean the City of Gladwin, County of Gladwin, State of Michigan.

“Ordinance” shall mean this Ordinance and any ordinance or resolution of the Issuer amendatory or supplemental to this Ordinance.

“Outstanding Junior Lien Bonds” shall mean the Series 2010 Bond.

“Outstanding Ordinance” shall mean Ordinance No. 307 adopted by the City Council of the Issuer on December 7, 2009, authorizing the issuance of Senior Lien Bonds and Junior Lien Bonds, including the Series 2010 Bond.

“Reserve Requirement” shall mean, with respect to the Series 2019 Bond, the lesser of (1) the maximum annual debt service due on the Series 2019 Bond in the current or any future year, (2) 125% of the average annual debt service on the Series 2019 Bond, or (3) 10% of the principal amount of the Series 2019 Bond on the date of issuance of the Series 2019 Bond.

“Revenues” and “Net Revenues” shall mean the revenues and net revenues of the System and shall be construed as defined in Section 3 of Act 94, including with respect to “Revenues,” the earnings derived from the investment of moneys in the various funds and accounts of the System established by the Outstanding Ordinance and this Ordinance.

“Series 2010 Bond” shall mean the Issuer’s Water Supply System Revenue Bonds (Junior Lien), Series 2010 (Limited Tax General Obligation), in the original principal amount of \$1,645,000, issued pursuant to the Outstanding Ordinance.

“Series 2019 Bond” shall mean the Issuer’s Water Supply System Revenue Bond, Series 2019 (Taxable), in the original principal amount of not to exceed \$936,000, authorized to be issued pursuant to this Ordinance.

“Series 2019 Project” shall mean the acquisition and construction of improvements to the System, consisting generally of the construction of a water treatment plant, including an iron removal system with air backwash, treatment building, clear well and controls, together with related improvements, structures, equipment and appurtenances, all as described in the plans prepared by the Engineer.

“System” shall mean the Issuer’s Water Supply System, including such facilities thereof as are now existing, are acquired and constructed as the Series 2019 Project, and all enlargements, extensions, repairs and improvements thereto hereafter made.

“Transfer Agent” shall mean the transfer agent and bond registrar for the Series 2019 Bond as appointed from time to time by the Issuer as provided in Section 6 of this Ordinance and who or which shall carry out the duties and responsibilities as set forth in Sections 6 and 7 of this Ordinance.

Section 2. Necessity; Approval of Plans and Specifications. It is hereby determined to be a necessary public purpose of the Issuer to acquire and construct the Series 2019 Project in accordance with the plans and specifications prepared by the Issuer’s Engineer and on file with the Issuer, which plans and specifications are hereby approved.

Section 3. Costs; Useful Life. The total cost of the Series 2019 Project, including the payment of incidental expenses as specified in Section 4 of this Ordinance, is estimated to be \$2,464,602.00, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Series 2019 Project is determined to be not less than forty (40) years.

Section 4. Payment of Costs; Series 2019 Bond Authorized.

<u>February 1</u>	<u>Amount</u>	<u>February 1</u>	<u>Amount</u>
2020	\$13,000	2040	\$23,000
2021	13,000	2041	23,000
2022	14,000	2042	24,000
2023	14,000	2043	24,000
2024	15,000	2044	25,000
2025	15,000	2045	26,000
2026	15,000	2046	27,000
2027	16,000	2047	27,000
2028	16,000	2048	28,000
2029	17,000	2049	29,000
2030	17,000	2050	30,000
2031	18,000	2051	30,000
2032	18,000	2052	31,000
2033	19,000	2053	32,000
2034	19,000	2054	33,000
2035	20,000	2055	34,000
2036	20,000	2056	35,000
2037	21,000	2057	36,000
2038	21,000	2058	37,000
2039	22,000	2059	39,000

To pay a portion of the cost of acquiring and constructing the Series 2019 Project, including legal, engineering, financial and other expenses incident to said acquisition and construction, and incident to the issuance and sale of the Series 2019 Bond, it is hereby determined that the Issuer borrow the aggregate principal sum of not to exceed Nine Hundred Thirty-Six Thousand Dollars (\$936,000) and issue the Series 2019 Bond therefor pursuant to the provisions of Act 94. The remaining cost of the Series 2019 Project shall be paid from grant funds to be made available to the Issuer for the Series 2019 Project.

Except as amended by or expressly provided to the contrary in this Ordinance, all of the provisions of the Outstanding Ordinance shall apply to the Series 2019 Bond, the same as though each of said provisions were repeated in this Ordinance in detail; the purpose of this Ordinance being to authorize the issuance of the Series 2019 Bond as the initial series of Senior Lien Bonds in accordance with, and as contemplated by, the provisions of the Outstanding Ordinance. The issuance of the Series 2019 Bond for the purposes described in this Ordinance is authorized by the provisions of the Outstanding Ordinance, upon the conditions therein stated, which conditions have been fully met. The Series 2019 Bond constitutes the initial series of Senior Lien Bonds to be issued in accordance with the provisions of the Outstanding Ordinance.

Section 5. Series 2019 Bond Details. The Series 2019 Bond shall be designated WATER SUPPLY SYSTEM REVENUE BOND, SERIES 2019 (TAXABLE) (or such other designation as may be approved by the Mayor of the Issuer), shall be dated as of the date of delivery of the first installment, shall consist

of one fully-registered nonconvertible bond of the denomination of \$936,000, and shall be payable in principal installments serially on February 1 of each year, as follows:

The Mayor is authorized to decrease the aggregate principal amount of the Series 2019 Bond and/or change the payment dates and the amounts of any of the foregoing installments if it is in the best interests of the Issuer, provided that the final principal payment of the Series 2019 Bond shall be due and payable within forty (40) years of the date of issuance of the Series 2019 Bond.

The Series 2019 Bond is expected to be delivered to the Government as initial purchaser thereof in installments (the “delivery installments”) and each delivery installment shall be noted on the registration grid set forth on the Series 2019 Bond. The delivery installments shall be deemed to correspond to the serial principal installments of the Series 2019 Bond in direct chronological order of said serial principal installments.

The serial principal installments of the Series 2019 Bond will each bear interest from the date of delivery of the corresponding delivery installment to the registered holder thereof as shown on the registration grid set forth on the Series 2019 Bond at the rate of not to exceed 2.75% per annum, payable on the first February 1 or August 1 following the date of delivery of said delivery installment, and semiannually thereafter on February 1 and August 1 of each year until maturity or earlier prepayment of said installment, or such other dates as shall be determined by the Mayor at the time the first delivery installment of the Series 2019 Bond is delivered to the Government. Acceptance of the interest rate on the Series 2019 Bond shall be made by execution of the Series 2019 Bond which so designates the rate specified by the Government and accepted in writing by the Issuer. The Series 2019 Bond shall be issued in fully-registered form and shall not be convertible or exchangeable into more than one fully-registered bond.

The Series 2019 Bond or installments thereof will be subject to prepayment prior to maturity on any date on or after the date the first principal installment of the Series 2019 Bond is due, in the manner provided in the form of the Series 2019 Bond set forth in Section 9 of this Ordinance.

Section 6. Bond Registration and Transfer. The Transfer Agent shall keep or cause to be kept at its principal office sufficient books for the registration and transfer of the Series 2019 Bond, which shall at all times be open to inspection by the Issuer. The Transfer Agent shall transfer or cause to be transferred on said books the Series 2019 Bond if presented for transfer, as hereinafter provided and subject to such reasonable regulations as it may prescribe.

The Series 2019 Bond may be transferred upon the books required to be kept by the Transfer Agent pursuant to this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Series 2019 Bond for transfer, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever the Series 2019 Bond shall be surrendered for transfer, the Transfer Agent shall record such transfer on the registration books and shall register such transfer on the registration grid attached to the Series 2019 Bond. At the time of such transfer the Transfer Agent shall note on the Series 2019 Bond the outstanding principal amount thereof at the time of such transfer. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. The Issuer shall not be required (i) to issue, register the transfer of, or exchange the Series 2019 Bond during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of prepayment of the Series 2019 Bond or installments thereof selected for redemption and ending at the close of business on the day of that mailing, or (ii) to register the transfer of or exchange the Series 2019 Bond or portion thereof so selected for prepayment. In the event that the Series 2019 Bond is called for prepayment in part, the Transfer Agent, upon surrender of the Series 2019 Bond called for prepayment in part, shall note on the Series 2019 Bond the principal amount prepaid and shall return the Series 2019 Bond to the registered owner thereof together with the prepayment amount on the prepayment date.

The Treasurer of the Issuer is hereby appointed to act as Transfer Agent with respect to the Series 2019 Bond. If and at such time as the Series 2019 Bond is transferred to or held by any registered owner other than the Government, the Issuer by resolution may appoint a bank or trust company qualified under Michigan law to act as transfer agent and bond registrar with respect to the Series 2019 Bond, and the Issuer may thereafter appoint a successor Transfer Agent upon sixty (60) days' notice to the registered owner of the Series 2019 Bond.

Section 7. Payment of the Series 2019 Bond. Principal of and interest on the Series 2019 Bond shall be payable in lawful money of the United States of America by check or draft mailed by the Transfer Agent to the registered owner at the address of the registered owner as shown on the registration books of the Issuer kept by the Transfer Agent. If the Government shall no longer be the registered owner of the Series 2019 Bond, then the principal of and interest on the Series 2019 Bond shall be payable to the registered owner of record as of the fifteenth day of the month preceding the payment date by check or draft mailed to the registered owner at the registered address. Such date of determination of the registered owner for purposes of payment of principal or interest may be changed by the Issuer to conform to future market practice. The Treasurer of the Issuer is hereby authorized to execute an agreement with any successor Transfer Agent.

The Transfer Agent shall record on the registration books the payment by the Issuer of each installment of principal or interest or both on the Series 2019 Bond when made and the canceled checks or drafts representing such payments shall be returned to and retained by the Treasurer of the Issuer, which canceled checks or drafts shall be conclusive evidence of such payments and the obligation of the Issuer with respect to such payments shall be discharged to the extent of such payments.

Upon payment by the Issuer of all outstanding principal of and interest on the Series 2019 Bond, the registered owner thereof shall deliver the Series 2019 Bond to the Issuer for cancellation.

Section 8. Execution and Delivery of the Series 2019 Bond. The Series 2019 Bond shall be manually signed by the Mayor and countersigned by the City Clerk and shall have the corporate seal of the Issuer impressed thereon. After execution, the Series 2019 Bond shall be held by the Treasurer of the Issuer for delivery to the Government. Neither the Series 2019 Bond nor any installment thereof shall be valid until registered by the Treasurer of the Issuer or by another person designated in writing by the Treasurer of the Issuer to act as bond registrar, or upon transfer by the Government and thereafter, by an authorized representative of the Transfer Agent.

Section 9. Series 2019 Bond Form. The Series 2019 Bond shall be in substantially the following form, with such completions and other changes as are necessary to conform the Series 2019 Bond to the terms established at the time of sale of the Series 2019 Bond to the Government, as determined by the Mayor of the Issuer:

REGISTERED

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF GLADWIN

CITY OF GLADWIN
WATER SUPPLY SYSTEM REVENUE BOND,
SERIES 2019 (TAXABLE)

No. R-1

The City of Gladwin, County of Gladwin, State of Michigan (the "Issuer"), for value received, hereby promises to pay to the registered owner hereof, but only out of the hereinafter described Net Revenues of the Issuer's Water Supply System, including all appurtenances, additions, extensions and improvements thereto (the "System"), the sum of

Nine Hundred Thirty-Six Thousand Dollars

on the dates and in the principal installment amounts set forth in Exhibit A attached hereto and made a part hereof with interest on said installments from the date each installment is delivered to the Issuer and as set forth on the registration grid hereon until paid at the rate of 2.75% per annum, first payable on August 1, 2019, and semiannually thereafter; provided that the principal repayments required herein to the registered owner shall not exceed the total of the principal installments set forth on the registration grid attached hereto from time to time hereafter to acknowledge receipt of payment of the purchase price of this bond up to a total of \$936,000. Both principal of and interest on this bond are payable in lawful money of the United States of America to the registered owner at the address shown on the Issuer's registration books by check or draft mailed to the registered holder at the address shown on the registration books of the Issuer.

For prompt payment of principal and interest on this bond, the revenues of the System, after provision has been made for reasonable and necessary expenses of operation, administration and maintenance thereof (the "Net Revenues"), are hereby irrevocably pledged and a statutory first lien thereon is hereby recognized and created.

This bond is senior in standing and priority of lien as to the Net Revenues to the Issuer's outstanding Water Supply System Revenue Bonds (Junior Lien), Series 2010 (Limited Tax General Obligation), dated January 22, 2010 (the "Outstanding Junior Lien Bonds"), issued pursuant to Ordinance No. 307 of the Issuer adopted on December 7, 2009 (the "Outstanding Ordinance").

This bond is a single, fully-registered, non-convertible bond in the principal sum of \$936,000, issued pursuant to the Outstanding Ordinance and Ordinance No. 341 of the Issuer adopted on February 5, 2019 (collectively, the "Ordinances"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended, for the purpose of paying a portion of the cost of acquiring and constructing improvements to the System. For a complete statement of the revenues from which, and the conditions under which, this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Ordinances.

The Issuer has reserved the right to issue additional bonds of equal standing with this bond on conditions stated in the Ordinances.

This bond is a self-liquidating bond and is not a general obligation of the Issuer and does not constitute an indebtedness of the Issuer within any constitutional, statutory or charter debt limitation, but is payable, both as to principal and interest, solely from the Net Revenues of the System. The principal of and interest on the bond is secured by the statutory lien hereinbefore mentioned.

The Issuer has covenanted and agreed, and does hereby covenant and agree, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the interest upon and the principal of this bond and any Additional Bonds hereafter issued, as and when the same shall become due and payable, and to maintain a bond and interest redemption fund (including a bond reserve account) therefor, to provide for payment of the interest upon and the principal of the Outstanding Junior Lien Bonds, as and when the same shall become due and payable, and to maintain a junior lien bond and interest redemption fund therefor, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Ordinances.

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any date on or after February 1, 2020, at par and accrued interest to the date fixed for prepayment.

Section 11. Budget. Immediately upon the effective date of this Ordinance for the remainder of the current Fiscal Year, and thereafter prior to the beginning of each Fiscal Year, the Issuer shall prepare an annual budget for the System for the ensuing Fiscal Year itemized on the basis of monthly requirements. A copy of such budget shall be mailed to the Government without request from the Government for review prior to adoption (as long as the Government is the registered owner of the Series 2019 Bond).

Section 12. Custodian of Funds; Funds. The Treasurer of the Issuer shall be custodian of all funds belonging to or associated with the System and such funds shall be deposited in the Depository Bank. The Treasurer of the Issuer shall execute a fidelity bond with a surety company in an amount at least equal to the amount required by the Government.

The Treasurer of the Issuer is hereby directed to create and maintain the following funds and accounts into which the proceeds of the Series 2019 Bond and the Revenues from the System shall be deposited in the manner and at the times provided in this Ordinance, which funds and accounts shall be established and maintained, except as otherwise provided, so long as the Series 2019 Bond hereby authorized remains unpaid.

(A) **CONSTRUCTION ACCOUNT.** The proceeds of the Series 2019 Bond shall be deposited with the Depository Bank in a separate deposit account to be designated the 2019 WATER SUPPLY SYSTEM CONSTRUCTION ACCOUNT (the "Construction Account"). Moneys in the Construction Account shall be transferred, expended and used only for the following purposes:

(1) To pay all legal, engineering, and financial expenses, and other expenses incident to the acquisition and construction of the Series 2019 Project and incident to the issuance, sale and delivery of the Series 2019 Bond.

(2) To pay the costs of the acquisition, construction, furnishing and equipping of the Series 2019 Project, or to reimburse the Issuer for funds expended in connection with the foregoing.

Any unexpended balance of the proceeds of sale of the Series 2019 Bond remaining after completion of the Series 2019 Project may, in the discretion of the Issuer, be used for further improvements, enlargements and extensions to the System, provided that at the time of such expenditure such use be approved by the Department of Treasury (if such approval is then required by law). Any remaining balance after such expenditures shall be paid into the Bond and Interest Redemption Fund and used as soon as is practical for the prepayment of installments of the Series 2019 Bond.

After completion of the Series 2019 Project and disposition of remaining proceeds, if any, of the Series 2019 Bond pursuant to the provisions of this Section, the Construction Account shall be closed.

(B) **WATER SUPPLY SYSTEM RECEIVING FUND.** Upon and after the effective date of this Ordinance, the Revenues of the System shall continue to be set aside as collected and credited to the Water Supply System Receiving Fund established pursuant to the Outstanding Ordinance (the "Receiving Fund"). The Revenues credited to the Receiving Fund are pledged for the purposes of the funds and accounts established by the Outstanding Ordinance and this Ordinance and shall be transferred from the Receiving Fund periodically in the manner and at the times and in the order of priority specified in the Outstanding Ordinance and this Ordinance.

(1) Operation and Maintenance Fund. Upon and after the effective date of this Ordinance, out of the Revenues of the System credited to the Receiving Fund, there shall continue to be set aside in, or credited to, the Operation and Maintenance Fund established pursuant to the Outstanding Ordinance (the "Operation and Maintenance Fund"), monthly a sum sufficient for the payment of the next month's expenses of administration and operation of the System and such current expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order.

(2) Bond and Interest Redemption Fund. There was established by the Outstanding Ordinance a separate depository fund designated the Bond and Interest Redemption Fund (the "Redemption Fund"),

which shall continue to be maintained by the Issuer. After the transfer required in (1) above, Revenues shall be transferred each month from the Receiving Fund, before any other expenditures or transfer therefrom, and deposited in the Redemption Fund for payment of principal of and interest on the Series 2019 Bond and any Additional Bonds hereafter issued, and to fund the Bond Reserve Account.

Upon any delivery of an installment of the Series 2019 Bond, there shall be set aside at the time of delivery and on the first day of each month thereafter to the next interest payment date an amount equal to that fraction of the amount of interest due on the next interest payment date on said installment so delivered, the numerator of which is 1 and the denominator of which is the number of full and partial months from the date of said delivery to the next interest payment date. There shall be set aside on the first day of each month after the delivery of the first principal installment an amount not less than 1/6 of the amount of interest due on the next interest payment date on all outstanding installments of the Series 2019 Bond not delivered during the then current interest payment period.

Commencing on February 1, 2019, there shall be set aside on the first day of each month an amount not less than 1/12 of the amount of principal due on the Series 2019 Bond on the next principal payment date. Except as hereinafter provided, no further deposits shall be made into the Redemption Fund (excluding the Bond Reserve Account) once the aforesaid sums have been deposited therein. Any amount on deposit in the Redemption Fund (excluding the Bond Reserve Account) in excess of (a) the amount needed for payment of principal installments of the Series 2019 Bond for the then current principal payment period, plus (b) interest on the Series 2019 Bond for the then current interest payment period, shall be used by the Issuer for redemption of principal installments of the Series 2019 Bond, or, if such use is impracticable, shall be deposited in or credited to the Receiving Fund.

If for any reason there is a failure to make any such monthly deposit in the amounts required, then the entire amount of the deficiency shall be set aside and deposited in the Redemption Fund out of the Revenues first received thereafter which are not required by the Outstanding Ordinance or this Ordinance to be deposited in the Operation and Maintenance Fund or the Redemption Fund, which amount shall be in addition to the regular monthly deposit required during such succeeding month or months.

There was established by the Outstanding Ordinance a separate account within the Redemption Fund designated the Bond Reserve Account (the "Bond Reserve Account"), which shall continue to be maintained by the Issuer. Commencing February 1, 2019, there shall be withdrawn from the Receiving Fund on the first day of each month and set aside in and transferred to the Bond Reserve Account, after provision has been made for the Operation and Maintenance Fund and the current requirements of the Redemption Fund, the sum of at least \$333.33 per month (but not less than \$4,000 annually) until the lesser of the sum of \$40,000 or the Reserve Requirement for the Series 2019 Bond has been deposited in the Bond Reserve Account. Except as hereinafter provided, no further deposits shall be made into the Bond Reserve Account pursuant to the requirements of this Ordinance once the lesser of the sum of \$40,000 or the Reserve Requirement for the Series 2019 Bond has been deposited in the Bond Reserve Account. The moneys in the Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Series 2019 Bond as to which there would otherwise be default; provided, however, that in the event that the amount on deposit in the Bond Reserve Account at the end of any Fiscal Year exceeds the amount then required to be on deposit therein pursuant to the requirements of this Ordinance, the moneys in excess of such requirements shall be used to pay principal installments of and interest on the Series 2019 Bond on the next payment date.

If at any time it shall be necessary to use moneys in the Bond Reserve Account for such payment, then the moneys so used shall be replaced from the Net Revenues first received thereafter which are not required by this Ordinance to be deposited to the Operation and Maintenance Fund or the Redemption Fund for current principal and interest requirements for the Series 2019 Bond.

No further payments need be made into the Redemption Fund after enough of the principal installments of the Series 2019 Bond have been retired so that the amount then held in the Redemption Fund (including the Bond Reserve Account), is equal to the entire amount of principal and interest which

will be payable at the time of maturity of all the principal installments of the Series 2019 Bond then remaining outstanding.

The moneys in the Redemption Fund and the Bond Reserve Account shall be invested in accordance with Section 13 of this Ordinance, and profit realized or income earned on such investment shall be used or transferred as provided in Section 13 of this Ordinance.

(3) Junior Lien Bond and Interest Redemption Fund. There was established by the Outstanding Ordinance a Junior Lien Bond and Interest Redemption Fund, which shall continue to be maintained by the Issuer. After the transfers required in (1) and (2) above, Revenues of the System shall continue to be deposited in the Junior Lien Bond and Interest Redemption Fund at the times specified in the Outstanding Ordinance for so long as the Outstanding Junior Lien Bonds remain outstanding.

(4) Repair, Replacement and Improvement Account. There was established by the Outstanding Ordinance two separate funds designated “Water System Replacement Fund” and “Water System Improvement Fund.” Upon and after the effective date of this Ordinance, the Water System Replacement Fund and the Water System Improvement Fund established pursuant to the Outstanding Ordinance shall be combined into a single account designated REPAIR, REPLACEMENT AND IMPROVEMENT ACCOUNT (the “RRI Account”). After the transfers required in (1), (2) and (3) above, and so long as any principal installments of the Series 2019 Bond remain outstanding, commencing February 1, 2019, Revenues shall be transferred each month from the Receiving Fund to the RRI Account in an amount not less than \$2,033.33 per month (but not less than \$24,400 annually), less the amount, if any, deposited in the Bond Reserve Account for the Series 2019 Bond in satisfaction of the requirements of Section 12(B)(2) of this Ordinance for such month. Moneys in the RRI Account shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making payment of principal and interest on the Series 2019 Bond. If the amount in the Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal of and interest on the Series 2019 Bond when due, the moneys in the RRI Account shall be transferred to the Redemption Fund and used for that purpose. Moneys in the RRI Account may be invested in accordance with Section 13 of this Ordinance.

(5) Reverse Flow of Funds; Surplus Money. In the event the moneys in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund, the Redemption Fund (including the Bond Reserve Account), the Junior Lien Bond and Interest Redemption Fund or the RRI Account, any moneys and/or securities in the funds of the System described by the Outstanding Ordinance and this Ordinance shall be transferred, first, to the Operation and Maintenance Fund, second, to the Redemption Fund, third, to the Junior Lien Bond and Interest Redemption Fund, and fourth, to the RRI Account.

All moneys remaining in the Receiving Fund at the end of any Fiscal Year after satisfying the above requirements for the deposit of moneys into the Operation and Maintenance Fund, the Redemption Fund (including the Bond Reserve Account), the Junior Lien Bond and Interest Redemption Fund and the RRI Account may be transferred to the Redemption Fund and used to call the Series 2019 Bond for redemption, or at the option of the Issuer, (a) transferred to the RRI Account and used for the purpose for which such funds were established or (b) used for any other use permitted by law; provided, however, that if there should be a deficit in the Operation and Maintenance Fund, the Redemption Fund (including the Bond Reserve Account), the Junior Lien Bond and Interest Redemption Fund or the RRI Account, on account of defaults in setting aside therein the amounts hereinbefore required, then transfers shall be made from such moneys remaining in the Receiving Fund to such funds in the priority and order named in this Section, to the extent of such deficits.

Section 13. Investments. Moneys in the funds and accounts established herein and moneys derived from the proceeds of sale of the Series 2019 Bond may be invested by the Issuer in the obligations and instruments permitted for investment by Section 24 of Act 94, as the same may be amended from time to

time; provided, however, that as long as the Series 2019 Bond is held by the Government, then the investment may be limited to the obligations and instruments authorized by the Government. Investment of moneys in the Redemption Fund being accumulated for payment on the next maturing principal or interest payment on the Series 2019 Bond shall be limited to obligations and instruments bearing maturity dates prior to the date of the next maturing principal or interest payment on the Series 2019 Bond. Investment of moneys in the Bond Reserve Account shall be limited to direct obligations of the United States of America or obligations the timely payment of which are fully guaranteed by the United States of America and bearing maturity dates or subject to redemption, at the option of the holder thereof, not later than five (5) years from the date of the investment. In the event investments are made, any securities representing the same shall be kept on deposit with the Depository Bank. Interest income earned on investment of funds in the Redemption Fund (except the Bond Reserve Account) shall be deposited in or credited to the Receiving Fund. Interest income earned on the investment of funds in the Bond Reserve Account shall be deposited in the Redemption Fund.

Section 14. Rates and Charges. Rates and charges for the services of the System have been established by the Issuer in an amount sufficient to provide for the payment of the expenses of administration and operation of the System and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Series 2019 Bond and the Outstanding Junior Lien Bonds, and to provide for all other obligations, requirements and covenants provided in the Outstanding Ordinance and this Ordinance. The Issuer hereby covenants and agrees to fix and maintain at all times while the Series 2019 Bond shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for the foregoing expenses, requirements and covenants, and to create and maintain the Redemption Fund (including the Bond Reserve Account) for the Series 2019 Bond. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the cost and value of the System and the cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of the Series 2019 Bond and the Outstanding Junior Lien Bonds, and accruing interest on the Series 2019 Bond and the Outstanding Junior Lien Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirements of the Outstanding Ordinance and Sections 12 and 14 of this Ordinance.

Section 15. No Free Service. No free service shall be furnished by the System to any individual, firm or corporation, public or private or to any public agency or instrumentality.

Section 16. Covenants. The Issuer covenants and agrees, so long as the Series 2019 Bond hereby authorized remains unpaid, as follows:

(a) It will comply with applicable laws and regulations of the State of Michigan and continually operate and maintain the System in good condition.

(b) (i) It will maintain complete books and records relating to the operation and financial affairs of the System. If the Government is the holder of the Series 2019 Bond, the Government shall have the right to inspect the System and the records, accounts, and data relating thereto at all reasonable times.

(ii) It will cause an annual audit of such books of record and account for the preceding Fiscal Year to be made each year by a recognized independent certified public accountant, and will cause such accountant to mail a copy of such audit to the Government, without request of the Government. Such audit shall be completed and so made available not later than one hundred eighty (180) days after the close of each Fiscal Year.

(c) It will maintain and carry, for the benefit of the holders of the Series 2019 Bond, insurance on all physical properties of the System, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. The amount of said insurance shall be approved by the Government. All moneys received for losses under any such insurance policies shall be applied solely to

the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling for redemption principal installments of the Series 2019 Bond.

(d) It will not voluntarily dispose of or transfer its title to the System or any part thereof, including lands and interest in land, sale, mortgage, lease or other encumbrances, without obtaining the prior written consent of the Government.

(e) Any extensions to or improvements of the System shall be made according to sound engineering principles and specifications shall be submitted to the Government for prior review.

(f) Except as permitted by the Outstanding Ordinance and this Ordinance, it will not borrow any money from any source or enter into any contract or agreement or otherwise incur any other liabilities in connection with the System that may in any way be a lien upon the Revenues, without obtaining the prior written consent of the Government, nor shall it transfer or use any portion of the Revenues derived in the operation of the System for any purpose not specifically authorized by the Outstanding Ordinance or this Ordinance.

Section 17. Ordinance Shall Constitute Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the holder of the Series 2019 Bond and after the issuance of the Series 2019 Bond this Ordinance shall not be repealed or amended in any respect which will adversely affect the rights and interests of the holder of the Series 2019 Bond without the consent of such holder, nor, except as specifically provided herein, shall the Issuer adopt any law, ordinance or resolution in any way adversely affecting the rights of the holder so long as the Series 2019 Bond or interest thereon remains unpaid.

Section 18. Refunding of Series 2019 Bond. If at any time it shall appear to the Government that the Issuer is able to refund upon call for redemption or with consent of the Government the then outstanding Series 2019 Bond 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 Issuer will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government, and will take all such actions as may be required in connection with such loans.

Section 19. Ordinance Subject to Michigan Law and Government Regulations. The provisions of this Ordinance are subject to the laws of the State of Michigan and to the present and future regulations of the Government not inconsistent with the express provisions hereof and Michigan law.

Section 20. Fiscal Year of System. The fiscal year for operating the System shall be the Fiscal Year.

Section 21. Issuer Subject to Loan Resolution. So long as the Government is holder of the Series 2019 Bond, the Issuer shall be subject to the loan resolution (RUS Bulletin 1780-27) and shall comply with all provisions thereof.

Section 22. Covenant Not to Defeas. So long as the Government is the holder of the Series 2019 Bond, the Issuer covenants that it will not defeas the Series 2019 Bond.

Section 23. Certain Determinations. The Mayor and the City Clerk are each hereby individually authorized to adjust the final bond details set forth herein to the extent necessary or convenient to complete the transactions authorized herein, and in pursuance of the foregoing each is authorized to exercise the authority and make the determinations authorized pursuant to Section 7a(1)(c) of Act 94, including, but not limited to, determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, redemption rights, the place of delivery and payment, and other matters, *provided* that the aggregate principal amount of the Series 2019 Bond issued hereunder shall not exceed \$936,000, the interest rate on the Series 2019 Bond shall not exceed 2.75% per annum, and the final principal payment of the Series 2019 Bond shall be due and payable within forty (40) years of the date of issuance of the Series 2019 Bond. The Mayor and the City Clerk are each hereby

authorized to confirm the final terms and details of the Series 2019 Bond by execution of the Series 2019 Bond.

Section 24. Negotiated Sale. The Issuer has considered the option of selling the Series 2019 Bond pursuant to a competitive sale and a negotiated sale and determines to sell the Series 2019 Bond to the Government in a negotiated sale in order to obtain interest rates and other terms not generally available from conventional municipal bond market sources and for the opportunities provided by a negotiated sale to the Government to select and adjust the terms of the Series 2019 Bond, including the prepayment of the principal of the Series 2019 Bond at any time without premium.

The Mayor and the City Clerk are each hereby authorized and directed to negotiate the sale of the Series 2019 Bond to the Government at an interest rate not to exceed 2.75% per annum. The sale of the Series 2019 Bond to the Government at an interest rate of not to exceed 2.75% per annum and at the par value thereof is hereby approved. The Treasurer of the Issuer is hereby authorized to deliver the Series 2019 Bond in accordance with the delivery instructions of the Government.

Section 25. Authorization of Other Actions. The Mayor, the City Administrator, the City Clerk, and the Treasurer are each authorized and directed to execute and deliver all other agreements, documents and certificates and to take all other actions necessary to complete the issuance and delivery of the Series 2019 Bond in accordance with this Ordinance, including, if necessary, the filing with the Michigan Department of Treasury of an Application to Issue Long-Term Municipal Securities, in such form as shall be approved by any of such officers, and to pay any and all necessary application or filing fees in connection therewith.

Section 26. Conflict and Severability. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed, and each section of this Ordinance and each subdivision of any section hereof is hereby declared to be independent, and the finding or holding of any section or subdivision thereof to be invalid or void shall not be deemed or held to affect the validity of any other section or subdivision of this Ordinance.

Section 27. Paragraph Headings. The paragraph headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be a part of this Ordinance.

Section 28. Publication and Recordation. This Ordinance shall be published in full promptly after its adoption in *The Gladwin County Record and Beaverton Clarion*, a newspaper of general circulation in the Issuer, or an alternative newspaper of general circulation in the Issuer as designated by the City Clerk, and the same shall be recorded in the Ordinance Book of the Issuer and such recording authenticated by the signatures of the Mayor and the City Clerk.

Section 29. Effective Date. This Ordinance is hereby determined by the City Council to be immediately necessary for the preservation of the peace, health and safety of the Issuer and shall be in full force and effect from and after its passage and publication as required by law.

Passed and adopted by the City Council of the City of Gladwin, County of Gladwin, State of Michigan, on February 5, 2019.

Mayor

Attest:

City Clerk

I hereby certify that the foregoing constitutes a true and complete copy of an Ordinance duly adopted by the City Council of the City of Gladwin, County of Gladwin, State of Michigan, at a special meeting held on the 5th day of February, 2019, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

I further certify that the following Commissioners were present at said meeting: Bodnar, Crawford, Gardner, Smith, Winarski, and that the following Commissioners were absent: Caffrey, Darlington, Kile.

I further certify that Commissioner Crawford moved adoption of said Ordinance, and that said motion was supported by Commissioner Gardner.

I further certify that the following Commissioners voted for adoption of said Ordinance: Bodnar, Crawford, Gardner, Smith, Winarski, and that the following Commissioners voted against adoption of said Ordinance: None.

I further certify that said Ordinance has been recorded in the Ordinance Book and that such recording has been authenticated by the signatures of the Mayor and the City Clerk.

City Clerk

RUS BULLETIN 1780-27

APPROVED
OMB. No. 0572-0121

**LOAN RESOLUTION
(Public Bodies)**

A RESOLUTION OF THE City Council OF THE City of Gladwin

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the City of Gladwin
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

Nine Hundred Thirty Six Thousand & 00/100 (\$936,000.00)

pursuant to the PA of 94 of PA of 1933, as amended ; and
provisions of (Revenue Bond)

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,

(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Motion by Council Member Crawford, seconded by Council Member Winarski to adjourn. All ayes. Motion carried.

Meeting adjourned at 12:43 p.m.

Darlene Jungman, Mayor

Kimberly Bruner, City Clerk