

ORDINANCE NO. 112

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

WHEREAS, the City of Clinton, Arkansas (the "City"), owns and operates water and sewer facilities, which water and sewer facilities are operated as one interrelated municipal undertaking (the "System") and has determined that extensions, betterments and improvements (the "construction"), should be made to the System in order that the City and its inhabitants may have adequate and proper water and sewer facilities; and

WHEREAS, the City Council has had prepared by a duly qualified consulting engineer a preliminary report and estimates of costs of the proposed construction, which have been examined and approved by the City Council and a copy filed in the office of the Recorder where it may be inspected by any interested person; and

WHEREAS, the total estimated cost of the construction, authorizing and issuing bonds and paying interest during construction is \$142,600; and

WHEREAS, the City does not have available funds to undertake the construction but can obtain the necessary funds for paying the cost of authorizing and issuing bonds and paying interest during construction by the issuance of Water and Sewer Revenue Bonds in the principal amount of \$136,000 and from a contribution from the City; and

WHEREAS, the City has outstanding an issue of Water and Sewer Refunding and Improvement Revenue Bonds, Series 1964, dated March 1, 1964 (the "1964 Bonds"), authorized by Ordinance No. 69, adopted and approved January 7, 1964 (the "1964 Ordinance"); and

WHEREAS, the City has outstanding an issue of Water and Sewer System ~~Improvement~~ Revenue Bonds, Series 1971, dated March 1, 1971 (the "1971 Bonds"), authorized by Ordinance No. 91, adopted and approved September 23, 1971 (the "1971 Ordinance"); and

WHEREAS, the City has outstanding an issue of Water and Sewer Revenue Bonds, dated October 20, 1976 (the "1976 Bonds"), authorized by Ordinance No. 101, adopted and approved April 2, 1976 (the "1976 Ordinance"); and

WHEREAS, the City has entered into a Loan Agreement with the United States of America, Farmers Home Administration, whereby the United States of America has committed to purchase \$136,000 in principal amount of Water and Sewer Revenue Bonds, at an interest rate of 5% per annum; and

WHEREAS, the City is authorized, under the provisions of Act No. 131 of the Acts of Arkansas of 1933, as amended, and Act No. 132 of the Acts of Arkansas of 1933, as amended, to accept the offer of the United States of America, Farmers Home Administration (the "Government");

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Clinton, Arkansas:

Section 1. That the construction be accomplished. The Mayor and City Recorder are hereby authorized to take, or cause to be taken, all action necessary to accomplish the construction and to execute all required contracts and documents.

Section 2. That the offer of the United States of America, Farmers Home Administration, of par for \$136,000 in principal amount of bonds bearing interest at the rate of 5% per annum is hereby accepted, and the bonds are hereby sold to the Government.

Section 3. That the City Council hereby finds and declares that the period of usefulness of the System after completion of the construction will be more than forty (40) years.

Section 4. Under the authority of the Constitution and laws of the State of Arkansas, including particularly Act No. 131 of the Acts of Arkansas of 1933, as amended, Act No. 132 of the Acts of Arkansas of 1933, as amended, and applicable decisions of the Supreme Court of the State of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W. 2d 12 (1946), City of Clinton, Arkansas, Water and Sewer Revenue Bonds are hereby authorized and ordered issued in the principal amount of \$136,000, the proceeds of the sale of which are necessary to finance the cost to the City of the construction, including necessary expenses incidental thereto, to pay the expenses of issuing the bonds and to pay interest during construction. References in this Ordinance to the unqualified word "bonds" shall, unless the context requires otherwise, be deemed reference to the permanent bonds authorized by this Section 4 and not to the temporary bonds authorized by Section 6 (b). The bonds shall be dated as of the date of their delivery and shall bear interest at the rate of five percent (5%) per annum. The principal of and interest on the bonds shall be payable in annual amortized installments of principal and interest commencing three years from the date of the bonds and continuing annually thereafter on the same month and day; interest only shall be payable on the first and second anniversary date of the bonds from the date of the bonds; provided, however, that if the bonds are dated on the 29th, 30th or 31st day of any month the annual payments of interest and amortized installments shall be made on the 28th day of the month in which the annual payments are due. The amortized installments of principal and interest shall continue until the principal of the bonds, with interest, is fully paid, except that final payment of the bonds shall be due and payable not later than forty (40) years from the date of the bonds, subject to prepayment prior to maturity as provided in the face of the bonds.

The bonds will be issued in the form of a single typewritten bond, registered as to both principal and interest, payable to the registered owner, or assigns, as set forth hereinafter in the permanent bond form, and shall be numbered R-1. (Even though a single bond is being issued, reference herein will be to "bonds.")

Payment of principal and interest shall be by check or draft mailed to the registered owner thereof, without presentation or surrender of the bonds (except upon final payment) and such payments shall discharge the obligation of the City to the extent thereof. The City Recorder shall keep a payment record and make proper notations thereon 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 any bond has been fully paid, the bond shall be canceled and delivered to the City Recorder.

Section 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. 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 revenues derived from the System. The pledge of System revenues is subordinate to the pledge in favor of the 1964 Bonds, 1971 Bonds and 1976 Bonds. The bonds and interest thereon shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

Section 6. (a) That the bonds shall be in substantially the following form and the Mayor and City Recorder are hereby authorized and directed to make all the recitals contained therein:

(form of single registered bond)
(To be typewritten)

UNITED STATES OF AMERICA
STATE OF ARKANSAS
COUNTY OF VAN BUREN
CITY OF CLINTON
5% WATER AND SEWER REVENUE BOND

No. R-1

\$136,000

KNOW ALL MEN BY THESE PRESENTS:

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

ONE HUNDRED THIRTY-SIX THOUSAND DOLLARS

with interest on the unpaid balance of the aggregate principal sum at the rate of five percent (5%) per annum from the date hereof. The 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 the United States of America and shall be payable in the following installments on or before the following dates: Interest only on the first and second anniversary from the date of this bond; and \$8,064 three years from the date of this bond and annually thereafter on the same month and day (except that if this bond is dated the 29th, 30th or 31st of any month the annual payment shall be due on the 28th day of the month in which the annual payments are due) until the principal and interest are fully paid, except that final payment of the entire indebtedness, 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 obligation of the City to the extent of the payments so made.

This bond is issued for the purpose of financing the cost to the City of constructing extensions, betterments and improvements (the "construction") to the water and sewer facilities of the City, which facilities are operated as one interrelated municipal undertaking (the "System"), costs of authorizing and issuing the bonds and paying interest during construction (with the balance of the costs to be paid from a contribution by the City), and is issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Act No. 131 of the Acts of Arkansas of 1933, as amended, Act No. 132 of the Acts of Arkansas of 1933, as amended, and applicable decisions of the Supreme Court of the State of Arkansas, including particularly City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W. 2d 12 (1946), and pursuant to Ordinance No. _____ of the City, duly adopted and approved on the _____ day of _____, 1978 (the "Authorizing Ordinance"). Reference is hereby made to the Authorizing Ordinance for the details of the nature and extent of the security and of the rights and obligations of the City and the holders and registered owners of the bonds.

Prepayments of principal installments, or any portion thereof, may be made from funds from any source at any time at the option of the City in inverse chronological order of maturity at a price of the principal amount thereof plus accrued interest. Such prepayments shall not affect the obligation of the City to pay the remaining installments as scheduled herein.

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 is not pledged to the payment of the principal of or interest on the bond. This bond is a special obligation payable solely from revenues derived from the operation of the System. In this regard, the pledge of System revenues is subordinate to the pledge of System revenues to an issue of Water and Sewer Refunding and Improvement Revenue Bonds, Series 1964, dated March 1, 1964 (the "1964 Bonds"), an issue of Water and Sewer System Improvement Revenue Bonds, Series 1971, dated March 1, 1971 (the "1971 Bonds"), and an issue of Water and Sewer Revenue Bonds, dated October 20, 1976 (the "1976 Bonds"), so long as any of the 1964 Bonds, 1971 Bonds or 1976 Bonds are outstanding. A sufficient amount of System revenues to pay principal and interest has been duly set aside and pledged as a special fund for that purpose, identified as the "1978 Water and Sewer Revenue Bond Fund," created by the Authorizing Ordinance. The City has fixed and has covenanted and agreed to maintain rates for use of the System which shall be sufficient at all times to at least provide for the payment of the reasonable expenses of operation and maintenance of the System, provide for the payment of the principal of and interest on all the outstanding bonds to which System revenues are pledged as the same become due, to establish and maintain debt service reserves and to provide a depreciation fund, all as set forth in the Authorizing Ordinance.

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 records. 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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Arkansas to exist, happen and be performed precedent to and in the issuance of this bond, do exist, have happened and have been performed in regular and due time, form and manner as required by law; that the bond does not exceed any constitutional or statutory limitation of indebtedness, and that provision has been made for the payment of the principal of and interest on this bond, as provided in the Authorizing Ordinance.

IN WITNESS WHEREOF, the City of Clinton, Arkansas, has caused this bond to be executed in its name by its Mayor and City Recorder, thereunto duly authorized, with the manual signatures of the Mayor and City Recorder, and its corporate seal to be affixed, all as of the _____ day of _____, 1978.

CITY OF CLINTON, ARKANSAS

ATTEST:

By _____
Mayor

City Recorder

(SEAL)

-9-

REGISTRATION CERTIFICATE

[illegible]

Section 6. (b) Pending the preparation and delivery of the permanent and definitive bonds hereinabove authorized, temporary bonds in the aggregate principal amount of not to exceed \$136,000 may be issued for the purpose of providing construction funds immediately and in anticipation of the issuance of such permanent and definitive bonds. The temporary bonds shall be in such denominations as the Mayor shall determine, be numbered from 1 upwards, be sold at a price of 100¢ on the dollar, be dated the day of delivery, bear interest at the rate of 8½ percent per annum and be payable two (2) years from their date. Upon delivery of the permanent and definitive bonds, the temporary bonds to the extent then outstanding with accrued interest, shall be exchanged for, or paid from the proceeds of, the permanent and definitive bonds, and shall be canceled. The temporary bonds shall be typewritten and in substantially the following form:

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

\$136,000

No. _____

KNOW ALL MEN BY THESE PRESENTS:

The City of Clinton, Van Buren County, Arkansas, hereby
acknowledges itself indebted and promises to pay to _____

_____ at its office in _____
County, Arkansas, or assigns, the principal sum of

ONE HUNDRED THIRTY-SIX THOUSAND DOLLARS
(or the total principal amount outstanding as reflected
by the Record of Payment of Advances attached hereto)

on _____, 19__, plus interest thereon from the date of each such
advance at the rate of _____ percent per annum, payable one year
from date and at maturity.

This bond is one of an issue of temporary bonds in an
aggregate amount not to exceed \$136,000 issued for the purpose of
providing construction funds in anticipation of the issuance of
permanent and definitive bonds for constructing extensions,
betterments and improvements to the Water and Sewer System in
accordance with the Authorizing Ordinance of the City (Ordinance
No. _____, adopted on _____). The temporary bonds are
not general obligations of the City but are special obligations
payable solely from the revenues of the System and from a pledge
of the proceeds of the permanent and definitive bonds. In this
regard, the pledge of System revenues is subordinate to the
pledge of System revenues to an issue of Water and Sewer Refunding
and Improvement Revenue Bonds, Series 1964, dated March 1, 1964 (the
"1964 Bonds"), an issue of Water and Sewer System Improvement Re-
venue Bonds, Series 1971, dated March 1, 1971 (the "1971 Bonds"),
and an issue of Water and Sewer Revenue Bonds, dated October 20,
1976 (the "1976 Bonds"), so long as any of the 1964 Bonds, 1971

Bonds or 1976 Bonds are outstanding. The City has fixed and has covenanted and agreed to maintain rates for use of the System which shall be sufficient at all times to at least provide for the payment of the reasonable expenses of operation and maintenance of the System, provide for the payment of the principal of and interest on all the outstanding bonds to which System revenues are pledged as the same become due, to establish and maintain debt service reserves and to provide a depreciation fund, all as set forth in the Authorizing Ordinance. The City covenants and agrees that on or before the maturity date hereof, this and other such temporary bonds, to the extent then outstanding, with accrued interest, shall be exchanged for, or paid from the proceeds of, such permanent and definitive bonds.

This bond may be redeemed at any time prior to maturity, from funds from any source, at a price of par and accrued interest to date of redemption upon ten (10) days prior written notice by first class mail to the owner hereof.

IT IS HEREBY CERTIFIED that all conditions, acts and things required to exist, to have happened and to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in regular time, form and manner.

IN WITNESS WHEREOF, the City of Clinton, Arkansas, has caused this bond to be signed by the Mayor and City Recorder and sealed with the corporate seal on this _____ day of _____, 1978.

CITY OF CLINTON, ARKANSAS

ATTEST:

Mayor

City Recorder

(SEAL)

RECORD OF PAYMENT OF ADVANCES

Date of Advance*	Amount of Advance	Total Principal Outstanding	Signature of Appropriate Official

*The date of each advance shall be the interest commencement date from which the principal amount of such advance bears interest.

Section 7. That the City has heretofore fixed rates to be charged for the services of the System and reference is hereby made to the ordinances fixing the rates for the details thereof and other provisions pertaining thereto, which water and sewer rates and provisions are hereby confirmed and continued.

The City covenants and agrees that the rates established will produce gross revenues at least sufficient to pay operation and maintenance expenses of the System, pay the principal of and interest on all outstanding bonds to which System revenues are pledged, as the same become due and the Trustee's and Paying Agent's fees, create and maintain debt service reserves, and to make the required deposits for depreciation as specified by this Ordinance. The City covenants always to maintain rates (including increases as necessary) which will provide for the maintenance of the funds hereinafter described. The rates shall never be reduced while any of the bonds are outstanding unless there is obtained from a certified public accountant not in the regular employ of the City a certificate reciting the opinion that the proposed new rates will produce sufficient net revenues (net revenues being gross revenues to be derived during the next twelve (12) months less the reasonably anticipated cost of operation and maintenance for the next twelve (12) months and less the required deposits for depreciation of the System for the next twelve (12) months) equal to not less than 120% of the maximum amount that will become due in any year thereafter for principal, interest and Trustee's and Paying Agent's fees on all bonds then outstanding to which System revenues are pledged.

Section 6. (c). So long as the ~~permanent bond~~ is held, or payment of principal and interest thereon ~~is insured~~, by the Government, the City shall, at the option of the Government, prepay all or any part of any annual installment of interest or of principal and interest by ~~making~~ monthly payments in advance of the due date of the annual installment. The aggregate of the monthly payments ~~made in any fiscal year ending on an installment payment date upon direction of the Government~~ shall not exceed the amount of the annual installment for such year, but nothing herein shall be construed to prohibit or restrict the City, at its option, from other prepayments as in this Ordinance provided. Monthly payments for the purpose of prepayment pursuant to this subsection shall be commenced, terminated and resumed from time to time as directed by the Government by notice to the Mayor.

Monthly payments shall be credited upon the annual installment next due. On each annual installment due date the City shall pay, as the balance due on the annual installment, the difference, if any, between the amount of the annual installment if no prepayments had been made and the aggregate credits upon such annual installment. The amount of each monthly payment shall be applied first to the payment of accrued interest to the date of payment on the unpaid principal balance due on the bond, and the balance shall constitute a prepayment of principal. No such prepayment of principal shall, however, affect the obligation of the City to pay and prepay annual installments in the dollar amounts scheduled in the bond and as provided herein and such annual installments shall be paid and prepaid until all principal of and interest on the bond have been fully paid.

The Mayor and Recorder shall, when and so often as requested by the Government, execute and deliver, on behalf of the City, an appropriate agreement containing the substance of this subsection.

Section 8. That under the provisions of Ark. Stat. Ann. § 19-4113 (Repl. 1968), a lien is fixed upon the land for any unpaid sewer charge, even though the use of the System is by a tenant or Lessee instead of the owner. If any sewer charge is not paid on or before the tenth day after the bill therefor shall be rendered, a ten percent (10%) penalty shall be added, and if any sewer charge is not paid on or before the thirtieth day after the bill is rendered, suit shall be brought to enforce the lien and to collect the amount due, together with the expenses of the collection and a reasonable attorney's fee.

Section 9. The Treasurer of the City shall be custodian of the gross revenues derived from the operation of the System and shall give bond for the faithful discharge of his duties as such custodian. The amount of the bond shall at all times be at least equal to the total funds in his custody at any one time. From and after the delivery of any bonds issued under the provisions of this Ordinance, the System shall be continuously operated as a revenue-producing undertaking. All moneys received by the Treasurer shall be deposited by him in such depository or depositories for the City as may be lawfully designated from time to time by the City Council; subject, however, to the giving of security as now or hereafter may be required by law, and provided that each depository must hold membership in the Federal Deposit Insurance Corporation. All deposits shall be in the name of the City and shall be so designated as to indicate the particular fund to which the revenues belong. Any deposit in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by bonds or other direct or fully guaranteed obligations of the United States of America unless invested as herein authorized.

Section 10. That all of the **provisions of the 1964 Ordinance, the 1971 Ordinance and the 1976 Ordinance authorizing the issuance of the 1964 Bonds, the 1971 Bonds and the 1976 Bonds, respectively, except those provisions clearly inapplicable hereto, including, without limitation, the provisions pertaining to the collection and the handling of revenues and funds, to the operation, maintenance and care of the System, and to the rights and remedies of the holders of the bonds, are hereby made applicable hereto and are incorporated herein by reference as though fully set forth at this point. The effect of the above covenant shall be to continue the applicable provisions in full force and effect even after the payment of the 1964 Bonds, 1971 Bonds and the 1976 Bonds and until the bonds of this issue are paid, or provision made therefor. In this regard, nothing herein shall be construed to in any manner impair the security of the 1964 Bonds, the 1971 Bonds or the 1976 Bonds or the priority of the pledge on revenues in favor of the 1964 Bonds, 1971 Bonds and the 1976 Bonds, but it is covenanted that when all of the 1964 Bonds, 1971 Bonds and 1976 Bonds are paid (or the required provision made therefor), that the bonds of this issue will become first lien bonds in the sense that the pledge of revenues derived from the operation of the System in favor of these bonds will become a first and prior pledge on the revenues. Furthermore, it is expressly covenanted and agreed that the City will not issue or attempt to issue bonds ranking, or claimed to rank, on a parity of security with the 1964 Bonds, the 1971 Bonds or the 1976 Bonds.**

Section 11. The City covenants that it will continuously operate the System as a revenue-producing undertaking and will not sell or lease the same, or any substantial portion thereof, without the prior written approval of the holders of the bonds of this issue; provided, however, that nothing herein shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

Section 12. There shall be transferred from the Waterworks and Sewer System Revenue Fund ("Water and Sewer Fund") into the Water and Sewer System Revenue Bond and Interest Sinking Fund, maintained in connection with the 1964 Bonds, into the 1971 Water and Sewer System Bond Fund, maintained in connection with the 1971 Bonds, and into the 1975 Water and Sewer Revenue Bond Fund, maintained in connection with the 1976 Bonds, those amounts necessary to pay maturing principal and interest on the outstanding 1964 Bonds, 1971 Bonds and 1976 Bonds and to establish and maintain the debt service reserve in connection therewith, in full compliance with all applicable provisions of the 1964 Ordinance, the 1971 Ordinance and the 1976 Ordinance. When all outstanding 1964 Bonds, 1971 Bonds and 1976 Bonds have been paid, principal and interest, or provision made for their payment, then the transfers directed by this Section shall cease. Any balance remaining in the respective Bond Funds shall be transferred to the Water and Sewer Fund.

Section 13. 1978 Water and Sewer Revenue Bond Fund.

(a) After making the required payments into the Water and Sewer System Operation and Maintenance Fund created and being maintained pursuant to the 1964 Ordinance, and after making the required payments into the respective Bond Funds created and being maintained pursuant to the 1964 Ordinance, the 1971 Ordinance and the 1976 Ordinance, there shall be paid into a special fund in the name of the City which is hereby created and designated "1978 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times hereinafter stated in subsection (b) for the purpose of providing funds for the payment of the principal of and interest on the bonds as they mature, and to establish a debt service reserve.

(b) There shall be paid into the Bond Fund on the first business day of each month until all outstanding bonds with interest thereon have been paid in full or provision made for such payment, a sum equal to one-twelfth (1/12) of the installment of interest, or principal and interest, due on the next annual installment payment date (plus any additional amount that may be necessary at the time of the delivery of the bonds to fully provide for the first interest payment on the bonds, if any additional amount be required), on all outstanding bonds, plus the additional sum of \$58.00 per month, until a debt service reserve shall have been accumulated in the amount of \$7,000. When the debt service reserve has been accumulated in the required amount, the monthly payments into the Bond Fund may be reduced to one-twelfth (1/12) of the installment of interest, or principal and interest, due on the next installment payment date, but if the debt service reserve becomes impaired, the additional payments of \$58.00 per month shall be resumed until the impairment is cured.

(c) If the revenues of the System are insufficient to make the required payment on or before the first business day of the following month into the Bond Fund, then the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

(d) If, for any reason, the City Treasurer shall fail at any time to make any of the required payments into the Bond Fund, or if for any reason the Bond Fund shall be insufficient at any time to make the required payments for principal and interest, as due, any sums then held in the debt service reserve shall be used to the extent necessary in the payment of the principal of

and interest on the bonds, but such reserve shall be reimbursed from the first available moneys in the Water and Sewer Fund by the increased monthly payments specified in (b) above. The debt service reserve shall be used solely as herein provided.

(e) When the moneys held in the Bond Fund, including the debt service reserve, shall be and remain sufficient to pay the principal of and interest on all of the bonds then outstanding, the City Treasurer shall not be obligated to make any further payments into the Bond Fund.

(f) All moneys in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the bonds, except as herein specifically provided. If a surplus shall exist in the Bond Fund over and above the amount necessary to insure the payment, when due, of principal and interest and over and above the debt service reserve, such surplus shall, at the option of the City, either (1) be used for the prepayment or redemption of bonds prior to maturity, (2) be used for the construction of improvements and extensions to the System or (3) be transferred to the Water and Sewer Fund.

(g) It shall be the duty of the City Treasurer to withdraw from the Bond Fund and to pay to the registered owner, on or before the date on which each installment hereunder is due, an amount equal to the amount of such installment. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in this Ordinance.

(h) The bonds of this issue shall be specifically secured by a pledge of all the revenues required to be placed into the Bond Fund. This pledge in favor of the bonds is hereby irrevocably made according to the terms of this Ordinance, and the City and its officers and employees shall execute, perform and carry out the terms thereof in strict conformity with the provisions of this Ordinance.

(i) Provision has been made for the payment of the principal of and accrued interest on the temporary bonds from the proceeds of the permanent bonds and the City shall not be required to make any payments into the Bond Fund until delivery of the permanent bonds unless necessary to prevent a default on the temporary bonds but the City covenants to make payments into the Bond Fund at the times and in the amounts, if any, necessary to prevent a default in payment of principal of or interest on the temporary bonds.

Section 14. That any surplus in the Water and Sewer Fund, after making the required deposits in the other funds as set forth in the 1964 Ordinance, the 1971 Ordinance and the 1975 Ordinance and as set forth herein may be used:

(a) for the redemption of outstanding 1964 Bonds, 1971 Bonds, 1975 Bonds or the bonds of this issue in the manner and upon the terms applicable to redemption prior to maturity; or

(b) for the construction of extensions, betterments and improvements to the System (including payment of the principal of and interest on bonds issued therefor but subject to the provisions herein set forth pertaining to parity bonds); or

(c) for any lawful municipal purpose.

Section 15. Payments from the respective funds shall be made by check or voucher, signed by the City Treasurer and the Mayor, and drawn on the depository. Each such check or voucher shall briefly specify the purpose of the expenditure.

Section 16. The bonds paid either at or before maturity shall be canceled and shall not be reissued.

Section 17. The principal and interest installments shall be prepayable prior to maturity as provided in the bond form in Section 6 hereof.

Section 18. As long as any of the bonds are outstanding, the City shall not issue or attempt to issue any bonds having or claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the bonds, including any and all future extensions, betterments and improvements to the System.

Nothing herein shall be construed in any manner to prevent the issuance by the City of additional revenue bonds to finance or pay the cost of constructing extensions, betterments and improvements to the System; however, any such additional bonds shall not be issued on a parity with the outstanding bonds of this issue unless and until there shall have been procured and filed in the office of the City Recorder a statement by a certified public accountant not in the regular employ of the City reciting the opinion that the net revenues (net revenues being gross revenues of the System less operation and maintenance expenses) of the System for the fiscal year preceding the year in which such parity bonds are to be issued were not less than 120% of the average annual debt service requirements on all outstanding bonds to which the revenues of the System are pledged and the bonds then proposed to be issued.

The additional bonds, the issuance of which is restricted and conditioned by this Section 18, shall not be deemed to mean bonds the security and source of payment of which are subordinate and subject to the priority of the bonds.

The provisions of this Section 18 may be waived by the holders of 75% in principal amount of the bonds at any time outstanding.

Section 19. It is covenanted, and agreed by the City with the holder or holders of the bonds that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Arkansas and by this Ordinance, **including, without limitation, the making and collecting of reasonable and sufficient rates lawfully established for services rendered by the System, segregating the revenues of the System and applying them to the respective funds created by the 1964 Ordinance, the 1971 Ordinance and the 1976 Ordinance and this Ordinance.**

It is further covenanted and agreed by the City with the holder or holders of the bonds that the City will maintain public liability insurance covering the City's ownership and operation of the System, with maximum liability limits of not less than \$10,000 for personal injury or death of a single person, \$20,000 for personal injury or death of more than one person in a single accident or occurrence and \$5,000 for property damage arising from a single accident or occurrence.

Section 20. The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the bonds will not be used directly or indirectly in such manner as to cause the bonds to be treated as "arbitrage bonds" within the meaning of Section 103 (c) of the Internal Revenue Code of 1954, as amended.

Section 21. That the owner or owners of all improved property lying within the area that will be served by the sewer facilities, after the proposed construction has been completed, are hereby directed and required, upon written request from the

City, to connect all toilet and waste water facilities of such improved property with the sewer facilities; and the owners of property that is improved after the completion of the proposed construction shall, upon written request of the City, immediately connect the toilet and waste water facilities of such property with the sewer facilities. The required notice by the City shall be given at least thirty (30) days prior to the final date for connection, and if any property owner shall fail to make such connection after having been so requested in writing, the City hereby covenants and agrees to institute appropriate proceedings in a court of competent jurisdiction to compel such connection. Furthermore, any property owner who fails or refuses to connect his improved property with the sewer facilities after having been so requested by the City shall be guilty of a misdemeanor and upon conviction shall be fined in any sum not less than \$2.00 and not more than \$10.00, and each day's failure or refusal after the expiration of the time fixed in the notice to make the connection shall be a separate offense; provided, however, that the provisions hereof pertaining to a misdemeanor shall be effective only in the event that the City Health Officer, or other duly designated individual or Board has found and declared that such failure on the part of any particular property owner constitutes a hazard to the public health and safety of the City and its inhabitants.

Section 22. That when the bonds herein authorized (temporary bonds and permanent bonds) have been executed by the Mayor and City Recorder and the seal of the City impressed, as herein provided, they shall be delivered to the purchaser upon payment of the purchase price. The proceeds from the sale of the bonds shall be disbursed as follows:

(a) In the case of the temporary bonds the amount necessary to provide for the payment of interest that will become due and payable during the construction period shall be deposited in the Bond Fund and the balance of the proceeds shall be deposited in a special account of the City designated "Water and Sewer Construction Fund" (the "Construction Fund") in a bank that is a member of the Federal Deposit Insurance Corporation.

(b) In the case of the permanent bonds the amount necessary, if any, to pay in full the outstanding principal and accrued interest to date of payment of any temporary bonds shall be used for that purpose, and the amount, if any, necessary to provide for the payment of interest during the construction period shall be deposited in the Bond Fund, and the balance shall be deposited into the Construction Fund. Moneys in the Construction Fund in excess of the amount insured by the Federal Deposit Insurance Corporation shall be continuously secured by bonds or other direct or fully guaranteed obligations of the United States of America, except that any moneys invested as hereafter authorized need not be so secured.

At or prior to the time of delivery of the permanent bonds to the Government, the City shall deposit the sum of \$1,200 into the Water and Sewer System Operation and Maintenance Fund, created and being maintained pursuant to the 1964 Ordinance and confirmed and continued pursuant to the 1971 Ordinance and the 1976 Ordinance, the sum of \$5,000 into the Bond Fund created by this Ordinance, and the sum of \$400 into the Construction Fund created by this Ordinance. Such deposits shall be from funds derived from sources other than proceeds of the permanent or temporary bonds or revenues of the System. The City represents that it has available and will retain the necessary funds for this purpose.

The moneys in the Construction Fund shall be disbursed solely in payment of the cost of the construction, paying necessary expenses incidental thereto and paying expenses of issuing the bonds. Disbursements shall be on the basis of checks or requisitions which shall contain at least the following information: The person, firm or corporation to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. Each check or requisition must be signed by the individual occupying the managing office of the System, and in the case of all items of expense over which the consulting engineers shall exercise supervision (which shall include all expenses except engineering fees, legal fees and expenses pertaining to the issuance of the bonds) each check or requisition shall be accompanied by a certificate signed by the consulting engineers (or by a representative thereof designated by the consulting engineers), certifying approval thereof. In the case of requisitions, the depository shall issue its check upon the Construction Fund payable to the person, firm or corporation designated in the requisition. The depository of the Construction Fund shall be required to keep records as to all payments made on the basis of requisitions, and the managing officer of the System shall keep records of all payments made on the basis of checks.

When the construction shall have been completed, this fact shall be evidenced by the filing with the depository in which the Construction Fund is deposited of a certificate signed by the managing officer of the System, and the consulting engineer, which certificate shall state the date of such completion and shall state that all obligations which are payable from the Construction Fund have been discharged. Upon receipt of the above certificate the depository with which the Construction Fund

is deposited shall pay or transfer any remaining balance pursuant to the written direction or check signed by the managing officer of the System and one other person designated by the City Council and with any such remaining balance to be transferred into the Bond Fund, and applied immediately to the prepayment of bonds, in multiples of \$1,000 in principal amount. Any remaining balance of less than \$1,000 shall be deposited in the debt service reserve in the Bond Fund. The City shall require the depository to execute an appropriate Deposit Agreement embodying the substance of the provisions of this Section 22.

Section 23. (a) Moneys held for the credit of the Construction Fund which exceed the estimated disbursements from the Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested in direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States Government, which mature or which shall be subject to redemption by the holder or registered owner, at the option of such holder or registered owner, not later than the date or dates when the moneys will be needed for proper disbursements.

(b) Moneys held for the credit of the debt service reserve in the Bond Fund shall be continuously invested and reinvested in direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States Government, which shall mature, or which shall be subject to redemption by the holder or registered owner thereof, at the option of such holder or registered owner, not later than ten (10) years after the date of investment.

(c) Moneys held for the credit of any other fund may, at the option of the City, be invested and reinvested by the City in direct obligations of, or obligations the principal of and interest on which are fully guaranteed by, the United States Government, which shall mature, or which shall be subject to redemption by the holder or registered owner thereof at the

option of such holder or registered owner, not later than the date or dates when the moneys held for the credit of the particular fund will be required for the purpose intended.

(d) Obligations so purchased as an investment of moneys in any such fund shall be deemed at all times to be a part of such fund, and the interest accruing thereon and any profit realized from such investment shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(e) Moneys so invested in United States Government obligations, as above defined, need not be secured by the depository bank.

Section 24. That in the event the office of Mayor, City Recorder, City Treasurer or City Council shall be abolished, or any two or more of such offices shall be merged or consolidated, or in the event the duties of a particular office shall be transferred to another office or officer, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the City or otherwise, all powers conferred and all obligations and duties imposed upon such office of officer shall be performed by the office or officer succeeding to the principal functions thereof, or by the office or officer upon whom such powers, obligations and duties shall be imposed by law. In this regard, if the City should ever fail to maintain the office of Treasurer, the duties of the Treasurer hereunder shall be performed by the Recorder.

Section 25. The provisions of this Ordinance shall constitute a binding contract between the City and the holders or registered owners of the outstanding bonds issued hereunder, and the City will at all times strictly adhere to the terms and provisions hereof and fully discharge all of its obligations

hereunder. Subject to the terms and provisions contained in this Section and not otherwise, the holders or registered owners of not less than seventy-five percent (75%) in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Ordinance or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or interest on any bond issued hereunder, or (b) a reduction in the principal amount of any bond or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues other than as expressly authorized by the appropriate provisions of this Ordinance as now adopted, or (d) the creation of a privilege or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the bonds required for consent to such supplemental ordinance.

Section 26. The Mayor is hereby directed to publish for one insertion in a newspaper with a general circulation in the City, this Ordinance, to which shall be attached a Notice signed by him in substantially the following form:

*** NOTICE**

Notice is hereby given that the City Council of the City of Clinton, Arkansas, has adopted the Ordinance set out below authorizing the issuance of Water and Sewer Revenue Bonds described in the Ordinance; that any person interested may appear before the City Council on the _____ day of _____, 1978, at _____ .m., at the usual meeting place of the Council held in Clinton and present protests. At such hearing all objections and suggestions will be heard, and the Council will take such action as is deemed proper in the premises.

DATED this _____ day of _____, 1978.

Mayor

Section 27. This Ordinance shall not create any right of any kind, and no right of any kind shall arise hereunder pursuant to it, until the bonds authorized by this Ordinance shall be issued and delivered.

Section 28. The provisions of this Ordinance are hereby declared to be separable, and if any provision shall for any reason be held illegal or invalid, it shall not affect the validity of the remainder of the Ordinance.

Section 29. References in this Ordinance to "holder" or "bondholder" shall, when appropriate, be deemed to include the registered owner of the bonds.

Section 30. All ordinances and resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 31. It is hereby ascertained and declared that the Water and Sewer System of the City is inadequate to serve the needs of the City and the inhabitants thereof, thus endangering the life, health and safety of the inhabitants and their property, and that the only practical manner in which those hazards can be eliminated is by the construction of extensions, betterments and improvements to the Water and Sewer System to be financed by these bonds. It is, therefore, declared that an emergency exists, and this Ordinance being necessary for the immediate preservation of the public peace, health and safety, shall take effect and be in force from and after its passage.

PASSED: Feb. 1, 1978.

APPROVED:

ATTEST:

Jay Rodgers
City Recorder

Charles E. Bradley
Mayor

(SEAL)

CERTIFICATE

The undersigned, City Recorder of the City of Clinton, Arkansas, hereby certifies that the foregoing pages, numbered from 1 to 31, inclusive, are a true and perfect copy of Ordinance No. 112-B adopted at a Regular session of the City Council of the City of Clinton, Arkansas, held at the regular meeting place in said City at p.m., on the 1st day of February, 1978, and that the Ordinance is of record in Ordinance Record Book No. 2, Page 119, now in my possession.

GIVEN under my hand and seal on this 1st day of

February, 1978.

Jaye Rodgers
City Recorder

(SEAL)