

CITY OF PERRY SPECIAL COUNCIL MEETING

**PERRY COMMUNITY BUILDING**

SPECIAL CITY COUNCIL MEETING HELD ON May 8, 2008

PRESENT: COUNCILMEMBERS THOMAS CHAPUT, JAMES HUGUELET,  
MARK LANDERS, CHRISTINE TOBIAS, GREGORY WEKWERT, TERRY  
WOOD, MAYOR ROSS DELAU AND CITY CLERK JUDY GUENTHER

ABSENT: NONE

ALSO PRESENT: Police Chief, Kyle Bawks  
Public Works Supt., Chuck Mudge

Mayor Ross DeLau called the meeting to order at 7:00 P.M. and led  
the Pledge of Allegiance.

The meeting will follow the following agenda:

**READING AND APPROVAL OF THE MINUTES OF THE PREVIOUS MEETINGS-  
COMMUNICATIONS-  
PRESENTATION AND APPROVAL OF THE BILLS-  
NEW BUSINESS-**

Bond Resolution  
Gas Card for Police  
General Fund Miscellaneous Expense  
Notice of Bid Awards for Water Project

**AGENDA ITEMS FOR NEXT MEETING-**

**READING AND APPROVAL OF THE MINUTES OF THE PREVIOUS MEETINGS-**  
05-08-08-01

Moved by Wekwert, seconded by Wood that we suspend the rules,  
waive the reading and approve the minutes of the April 14, 2008  
Special City Council meeting as written. Carried, all aye.

Tobias arrived 7:04 pm.

**COMMUNICATIONS-**

- A letter from Morrice Community Senior Center was read to Council.
- A letter from the Mayor was read to Council, explaining that a copy of the 2008/2009 Proposed Budget is in Council mailboxes and a budget work session is scheduled for 6:30pm on Tuesday, May 20, 2008 in the Council Chambers.

**PRESENTATION AND APPROVAL OF THE BILLS-**  
05-08-08-02

Moved by Wood, seconded by Landers that we approve the bills as presented and that payment be authorized. Carried, all aye.

**NEW BUSINESS-**

Gas Card for Police

Police Chief Kyle Bawks explained that he would be sending out bid letters to allow the Police Department to obtain a Gasoline Card for the Department.

**General Fund Miscellaneous Expense**

City Treasurer, Jo Ann Velting gave a written explanation of General Fund Miscellaneous Expense to City Council members. She was not able to come to this meeting.

**Notice of Bid Awards for Water Project**

05-08-08-03

Moved by Landers, seconded by Wood that we adopt the following resolution:

**WHEREAS**, the City of Perry wishes to construct improvements to its existing water treatment and distribution system; and

**WHEREAS**, the water system improvements project formally adopted on April 17, 2007 will be funded through the State of Michigan's Drinking Water Revolving Loan Fund (DWRf) program; and

**WHEREAS**, the City of Perry has sought and received construction bids / quotes for the proposed improvements for five (5) construction contracts and six (6) purchase orders, summarized in Exhibit A, to be executed in accordance with the Contract Documents; and

**WHEREAS**, the engineer, O'Malia Consulting and Workhorse Civil Design have recommended awarding the contracts/purchase orders to the low bidders shown in Exhibit A.

**NOW THEREFORE BE IT RESOLVED**, that the City of Perry approves/recommends the tentative awards (Notices of Award) for the construction contracts/purchase orders to the bidders shown in Exhibit A, contingent upon successful financial arrangements with the DWRf. All contracts and agreements shown in Exhibit A are specifically designated for the construction of the proposed water system improvements project.



(c) “1999 Series” means the City’s Water Supply Revenue Bonds, Series 1999 with an outstanding balance of \$16,000.

(d) “2008 Series” means the City’s Water Supply System Revenue Bonds, Series 2008.

(e) “Act” means Act 94 of the Public Acts of Michigan of 1933, as amended.

(f) “Authorized Officer” means the Mayor and Treasurer of the City, or either of them acting alone.

(g) “Bond Authority” or “Authority” means the Michigan Municipal Bond Authority created and established pursuant to Act 227 of the Public Acts of Michigan, 1985, as amended, the purchaser of the Bonds.

(h) “Bondholder” or “Bondholders” means the holder or holders of the Bonds.

(i) “Bonds” or “bonds” means the 1982 Series, the 1983 Series, the 1999 Series and the 2008 Series and any additional Bonds of equal standing, presently outstanding or hereafter issued.

(j) “City ” means the City of Perry, Shiawassee County, Michigan.

(k) “Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(l) “Council” means the City Council of the City, the legislative and governing body thereof.

(m) “Contract Documents” means the Purchase Contract between the City and the Bond Authority, the Supplemental Agreement by and among the City, the Bond Authority and the State of Michigan acting through the Department of Environmental Quality, and the Issuer’s Certificate.

(n) “Improvements” means the improvements to the City’s Water Supply System authorized to be acquired and constructed pursuant to this Ordinance.

(o) “Net Revenues” shall have the same meaning as defined in Section 3 of the Act.

(p) “Prior Bonds” means the 1982 Series, the 1983 Series and the 1999 Series.

(q) “Ordinance” means this Ordinance and all amendments hereto.

(r) “Revenues” shall have the same meaning as defined in Section 3 of the Act and shall include all earnings on investment of funds of the System and all other revenues derived from or pledged to operation of the System.

(s) “System” means the complete water supply system of the City, including the treatment and distribution facilities and all appurtenances thereto now owned by the City and those acquired pursuant to this Ordinance and all extensions and improvements thereto hereafter made.

Section 2. NECESSITY, PUBLIC PURPOSE: It is hereby determined to be necessary for the public health, safety and welfare of the City to acquire and construct the Improvements to the System in accordance with the maps, plans and specifications therefore prepared by O’Malia Consulting.

Section 3. ESTIMATED COST; PERIOD OF USEFULNESS: The cost of the Improvements has been estimated by the engineers to be \$1,700,000, including the payment of legal, engineering, financial and other expenses, which estimate of cost is approved and confirmed, and the period of usefulness of the Improvements is estimated to be greater than twenty-five (25) years.

Section 4. ISSUANCE OF BONDS. To defray a portion of the cost of acquiring and constructing the Improvements and to pay the legal and financial expenses and all other expenses incidental to the issuance of the Bonds, it is determined that the City borrow the sum of not-to-exceed \$1,700,000.00 and issue its revenue bonds pursuant to the provisions of the Act. The Bonds shall be designated Water Supply System Revenue Bonds, Series 2008 and shall be issued in the aggregate principal sum of not-to-exceed One Million Seven Hundred Thousand and 00/100 Dollars (\$1,700,000.00), as finally determined by the Authorized Officer at the time of sale, or such lesser amount thereof as shall have been advanced to the City pursuant to the Contract Documents, pursuant to the Drinking Water Revolving Fund program.

During the time funds are being drawn down by the City under the Bond, the Bond Authority will periodically provide the City a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information;

provided that no failure on the part of the Bond Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the City of its obligation to repay the outstanding principal amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of the Bond.

Section 5. BOND TERMS. The Bonds shall be issued as one fully registered manuscript bond, shall be sold and delivered to the Bond Authority, shall be dated the date of their delivery to the Bond Authority. The Bonds shall mature serially on the first (1st) day of April of each year in such amounts and in such years as determined on the sale thereof; provided, however, the last annual principal installment shall not be more than 30 years from the date of the Bond. The Bonds shall bear interest at the rate of 2.50% per annum, payable semi-annually on the first (1st) day of April and October of each year, commencing October 1, 2008, or such other date as the Authorized Officer shall determine.

Notwithstanding the above, the final amount of any maturity and terms of the Bonds shall be as provided in the Contract Documents and will be finally determined by the Authorized Officer.

Principal of and interest on the Bonds shall be payable in lawful money of the United States of America to the person appearing on the Bond registration books as the registered owner thereof. Payment of principal on the Bonds shall be made at the principal office of the Paying Agent, upon surrender of the Bonds. Payment of interest on the Bonds shall be paid to the registered owner at the address as it appears on the registration books.

Section 6. REVENUE AS SOLE SECURITY; NO GENERAL OBLIGATION OF THE CITY. The Bonds, including both principal and interest thereon, shall not be a general obligation of the City and shall not constitute an indebtedness of the City for the purpose of any debt limitations imposed by any constitutional, statutory or charter provisions. The principal of and interest on the Bonds shall be payable solely from the Net Revenues derived from the operation of the System, including future improvements, enlargements and extensions thereof, after provision has been made for the payment of expenses of administration, operation and maintenance thereof. The Net Revenues of the System,

including future enlargements, improvements, and extensions thereto, are hereby pledged to the payment of the principal of and interest on the Bonds. To secure the payment of the principal of and interest on the Bonds there is hereby created a lien to and in favor of the Bondholders of the Bonds, considered a statutory first lien upon the Net Revenues of the System, including future enlargements, improvements, and extensions thereof. The various series of Bonds which may be issued hereunder shall be of equal standing as to the pledge of the Net Revenues of the System. The Net Revenues so pledged shall be and remain subject to such lien until the payment in full of the principal of and interest on the Bonds.

Section 7.        PRIOR REDEMPTION: Bonds issued and sold to the Bond Authority shall be subject to redemption prior to maturity by the City only with the prior written consent of the Bond Authority and on such terms as may be required by the Bond Authority.

Section 8.        PAYING AGENT AND REGISTRATION.

(a) Appointment of Paying Agent. From time to time the City shall designate and appoint a Paying Agent, which shall also act as transfer agent and bond registrar. The initial Paying Agent shall be designated by the Authorized Officer. In the event of a change in the Paying Agent, notice shall be given in writing, by certified mail, to each Registered Owner not less than sixty (60) days prior to the next interest payment date. The Paying Agent shall keep the official books for the recordation of the Registered Owners of the Bonds.

(b) Registration of Bonds. Registration of the Bonds shall be recorded in the registration books of the City to be kept by the Paying Agent. Bonds may be transferred only by submitting the same, together with a satisfactory instrument of transfer signed by the Registered Owner or the Registered Owner's legal representative duly authorized in writing, to the Paying Agent, after which a new Bond or Bonds shall be issued by the Paying Agent to the transferee (new registered owner) in any denomination, in the same aggregate principal amount as the Bond submitted for transfer. No transfer of Bonds shall be valid unless and until recorded on the bond registration books in accordance with the foregoing. The person in whose name any bond is registered may for all purposes,

notwithstanding any notice to the contrary, be deemed and treated by the City and the Paying Agent as the absolute owner thereof, and any payment of principal and interest on any Bond to the Registered Owner thereof shall constitute a valid discharge of the City's liability upon such Bond to the extent of such payment. No Bond shall be transferred less than fifteen (15) days prior to an interest payment date nor after the Bond has been called for redemption.

(c) Authority's Depository. Notwithstanding any other provision of this Ordinance or the Bond, so long as the Bond Authority is the owner of the Bond, (a) the Bond is payable as to principal, premium, if any, and interest in lawful money of the United States of America at The Bank of New York Trust Company, N.A. or at such other place as shall be designated in writing to the City by the Bond Authority (the "Authority's Depository"); (b) the City agrees that it will deposit with the Authority's Depository payments of the principal of, premium, if any, and interest on the Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the City's deposit by 12:00 noon on the scheduled day, the City shall immediately pay to the Bond Authority as invoiced by the Bond Authority an amount to recover the Bond Authority's administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of the Bond shall be given by the City and received by the Authority's Depository at least 40 days prior to the date on which such redemption is to be made.

Section 9. SALE OF BONDS. The Bonds shall be sold to the Bond Authority. The City determines that a negotiated sale to the Bond Authority is in the best interest of the City because the terms offered by the Bond Authority are more favorable than those available from other sources of funding.

Section 10. BOND FORM: The Bonds shall be substantially in the form attached hereto as Exhibit A, and incorporated herein, with such changes and additions as may be required by the Bond Authority or as recommended by the City's Bond Counsel and approved by the officers of the City signing the Bonds.

Section 11. AUTHORIZED OFFICER: The Authorized Officer is hereby designated, for and on behalf of the City, to do all acts and to take all necessary steps required to effectuate the sale, issuance and delivery of the Bonds to the Bond Authority. The Authorized Officer is hereby authorized to execute and deliver the Contract Documents in substantially the form presented at this meeting, with such changes, additions and completions as are approved by the Authorized Officer. The City hereby approves the Contract Documents in the form presented at this meeting with such changes as are approved by the Authorized Officer. Notwithstanding any other provision of this Ordinance, the Authorized Officer is authorized within the limitations of this Ordinance to determine the specific interest rate or rates to be borne by the bonds, not exceeding 5% per annum, the principal amount, interest payment dates, dates of maturities, and amount of maturities, redemption rights, the title of the Bonds, date of issuance, the amount of the rate covenant in section 20 and additional bonds test in section 23, not-to-exceed one hundred percent (100%), and other terms and conditions relating to the Bonds and the sale thereof provided, however, the last annual principal installment shall not be more than thirty years from the date of the Bond. The Authorized Officer's approval of the terms shall be evidenced by his or her signature on the document or agreement stating such terms. The Authorized Officer is hereby authorized for and on behalf of the City, without further City Council approval, to do all acts and take all necessary steps required to effectuate the sale, issuance, and delivery of the Bonds. The Authorized Officer, together with the Clerk, or any one or more of them, are authorized to execute any orders, receipts, agreements, pledge agreements, documents or certificates necessary to complete the transaction, including, but not limited to, any issuers certificate, any certificates relating to federal or state securities laws, rules or regulations, any applications to the Michigan Department of Treasury, and any revenue sharing pledge agreement. The City hereby approves the Issuer's Certificate and Revenue Sharing Pledge Agreement in the form presented to this meeting, with such changes as are approved by the Authorized Officer.

Section 12. EXECUTION OF BONDS: The Mayor or Mayor Pro Tem, and the Clerk or Deputy Clerk of the City, are hereby authorized and directed to sign the Bonds, either manually or by

facsimile signature, on behalf of the City. Upon execution, the Bonds shall be delivered to the purchaser thereof.

Section 13. RIGHTS OF BONDHOLDERS. The Bondholders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire issue then outstanding may protect and enforce the statutory lien, either at law or in equity, by suit, action, mandamus, or other proceedings, and enforce and compel the performance of all duties of the officials of the City, including the fixing of sufficient rates, the collection of revenues, the proper segregation of revenues and the proper application thereof; provided, however, that such statutory lien shall not be construed to give any Registered Owner of any Bond authority to compel the sale of the System, the revenues of which are pledged thereto.

If there is any default in the payment of the principal of or interest on any of the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the City and under the direction of such court, and by and with the approval of such court, to fix and charge rates and collect revenues sufficient to provide for the payment of any Bonds or other obligations outstanding against the revenues of the System and for the payment of the expenses of operating and maintaining the System and to apply the income and revenues of the System in conformity with the Acts and this Ordinance.

The owners or Bondholders, from time to time, of the Bonds, shall have all the rights and remedies given by law, and particularly by the Act, for the collection and enforcement of the Bonds and the security therefor.

Section 14. MANAGEMENT OF SYSTEM. Except as provided in this Ordinance, the construction, alteration, repair and management of the System shall be under the supervision and control of the Council. The City may employ such persons in such capacities, as it deems advisable to carry on the efficient management and operation of the System. The Council may make such rules, orders and regulations as it deems advisable and necessary to assure the efficient management and operation of the System.

Section 15. SUPERVISED BANK ACCOUNTS. The Treasurer of the City shall be custodian of all funds belonging to and/or associated with the System and such funds shall be deposited in a bank or banks, each of which has unimpaired capital and surplus of at least \$2,000,000, or which are each a member of the Federal Deposit Insurance Corporation.

Section 16. CONSTRUCTION FUND. The proceeds of the Bonds shall be deposited in a separate fund designated the Water Supply System Revenue Bonds Construction Fund (the “Construction Fund”). Such moneys shall be used solely for the purpose for which the Bonds were issued. Any unexpected balance in the Construction Fund remaining after completion of the Improvements may be used for such purposes as allowed by law. After completion of the Improvements and disposition of remaining Bond proceeds, if any, pursuant to the provisions of this Section, the Construction Fund shall be closed.

Section 17. FUNDS. The City Treasurer is hereby directed to create or maintain the following funds, which shall be designated as follows, into which the Bond proceeds and the revenues and income from the System shall be deposited, which funds and accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds hereby authorized remain unpaid.

(a) RECEIVING FUND. The Water Supply System Receiving Fund (the “Receiving Fund”) previously established shall be continued. The gross income and revenue of the System shall be set aside into the Receiving Fund and moneys so deposited therein as pledged shall be expended and used only in the manner and order as follows:

(i) Operation and Maintenance Fund. The City shall maintain the Operation and Maintenance Fund. Prior to the beginning of each fiscal year, the Council shall prepare an annual budget of the System for the ensuing fiscal year. Out of the revenues in the Receiving Fund, there shall be set aside quarterly and deposited into the Operation and Maintenance Fund a sum sufficient to pay the reasonable and necessary current expenses of administering, operating and maintaining the System for the ensuing three months.

(ii) Redemption Account. The City shall maintain the Bond and Interest Redemption Account (the “Redemption Account”). After transfer to the Operation and Maintenance Fund required in (i) above, there shall be transferred monthly from the Receiving Fund, and deposited in the Redemption Account, for payment of principal and interest on the Bonds, a sum equal to at least one –sixth (1/6) of the amount of interest due on the next ensuing interest payment dates plus not less than one-twelfth (1/12) of the principal maturing on the next ensuing principal payment dates in each year. If for any reason there is a failure to make such deposit or for any reason there is a deficiency in the Redemption Account, then an amount equal to the deficiency shall be set aside and deposited in the Redemption Account from the Net Revenues in the next succeeding period, which amount shall be in addition to the regular deposit required during such succeeding period.

No further payments need be made into the Redemption Account after the amount accumulated and held in the Redemption Account, plus the amount in the Bond Reserve Accounts is sufficient to pay when due the entire amount of principal and interest which will be payable at the time of maturity or at an earlier redemption date of all the Bonds then remaining outstanding.

(iii) Bond Reserve Account. There is hereby established an account for the 2008 Series within the Redemption Account to be known as the 2008 Series Reserve Account. Within seven (7) years from the date of issuance of the Bonds the City shall deposit in the 2008 Series Reserve Account, from cash on hand, an amount equal to the lesser of (A) the maximum annual debt service due in any year on the Bonds, (B) one hundred twenty-five percent (125%) of the average annual debt service due on the Bonds, or (C) ten percent (10%) of the principal amount of the Bonds then outstanding (the “Required Reserve”). At least one-seventh (1/7) of the Required Reserve shall be deposited into the 2008 Series Reserve Account each year until the full amount of the Required Reserve is deposited therein. The requirements of the 2008 Series Reserve Account may be satisfied by a surety bond or similar credit facility. Except as hereinafter provided, no further deposits need be made into the 2008 Series Reserve Account once the Required Reserve has been deposited therein. The moneys in the 2008 Series Reserve

Account shall be used solely for the payment of the principal of and interest on the 2008 Series as to which there would otherwise be a default.

If at any time it shall be necessary to use moneys in the 2008 Series Reserve Account for payment of principal and/or interest on the Bonds, then the moneys so used shall be replaced from the revenues first received thereafter which are not required by this Ordinance to be used for operation and maintenance or for current principal and interest requirements.

(iv) Improvement and Repair Fund. The City shall maintain the Improvement and Repair Fund, into which there shall be placed, after meeting the requirements of the subsections set forth above, such sums as the Council shall determine to be used by the City for the purpose of acquiring and constructing improvements, additions and extensions to the System and for making repairs and replacements to the System.

(v) Surplus Moneys. All moneys remaining in the Receiving Fund at the end of any operating year after satisfying the above requirements may be transferred to the Redemption Account and used as authorized in this Ordinance or, at the option of the City, transferred to the Improvement and Repair Fund and used for the purposes for which said Fund was established. Provided, however, that if there should be a deficit in the Operation and Maintenance Fund, the Redemption Account or a bond reserve account on account of defaults in setting aside therein the amounts required in this Ordinance, then the City shall transfer the moneys remaining in the Receiving Fund at the end of any operating year to such funds in the priority and order named, to the extent of such deficits. Available surplus moneys may be used to retire any outstanding obligations of the City incurred for construction, expansion or addition to the System, including additional bonds, the issuance of which is authorized by this Ordinance, or if no other disposition has been provided for, such moneys may be used for such other purposes of the System as the Council may deem to be for the best interest of the City.

Section 18. INVESTMENT OF FUNDS: Moneys in the funds and accounts established herein may be invested by the City in bonds, notes, bills and certificates of, or guaranteed by, the United

States of America, or in interest bearing time deposits as shall be determined by the City, subject to the provisions of the Acts, Act 20 of the Public Acts of Michigan of 1943, as amended or any statute subsequently adopted regulating investments by the City, and subject to the limitations imposed by arbitrage regulations and Section 148 of the Code. In the event such investments are made, the securities representing the same shall be kept on deposit with the depository or depositories of the fund or funds from which such investments are made, and such securities and the income therefrom shall become a part of such funds.

Section 19. DEPOSITORY AND FUNDS ON HAND. Monies in the several funds and accounts maintained pursuant to this Ordinance, except monies in the Construction Fund and Redemption Account, which must be kept in a separate account, may be kept in one or more accounts at financial institutions designated by resolution of the City, and if kept in one account, the monies shall be allocated on the books and records of the City in the manner and at the times provided in this Ordinance.

Section 20. RATES AND CHARGES. Prior to the issuance of the Bonds, the Council shall have established rates and charges for the services of the System in an amount sufficient to pay the expenses of administration and the costs of operation and maintenance of the System, to provide an amount of revenues adequate for the payment of principal of and interest on the Bonds, reserve, replacement and improvement requirements and to otherwise comply with all requirements and covenants provided herein; provided, however, that the annual Net Revenues of the System, shall not at any time be less than one hundred percent (100%) of the annual debt service on the Bonds, subject to any additional requirements for the 1999 Series. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the costs and value of the System, the cost of maintaining, repairing, and operating the System, and the amounts necessary for the retirement of all Bonds and interest accruing on all Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirement of this and the preceding sections.

Section 21. NO FREE SERVICE. No free service shall be furnished by the System to the City or to any individual, firm or corporation, public or private, or to any agency or instrumentality.

Section 22. REVENUE BOND COVENANTS. The City covenants and agrees, so long as any of the Bonds hereby authorized remain unpaid, as follows:

(a) That it will punctually perform all duties with reference to the System and comply with applicable State laws and regulations and continually operate and maintain the System in good condition.

(b) That it will not sell, lease, mortgage or in any manner dispose of the System, or any substantial part of it, until all Bonds payable from the revenues of the System shall have been paid in full or provision has been made for the payment of such Bonds.

(c) That it will cause an annual review of rates and charges to be made and based thereon will adjust such rates and charges to provide the amounts required by this Ordinance.

(d) That it will maintain complete books and records relating to the operation of the System and its financial affairs, will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish a Bondholder a copy of such report upon written request.

(e) That it will prepare, keep and file such records, statements and accounts as may be required by law and that, if required by law, it will file a report with the Michigan Department of Treasury, not later than one hundred and eighty (180) days after the close of the fiscal year, on forms prepared by the Department of Treasury, completely setting forth the financial operation for such fiscal year of the System in accordance with the accounting method of the municipality.

(f) That it will maintain and carry insurance on all physical properties of the System, for the benefit of the Bondholders, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. 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 Bonds.

(g) That it hereby pledges, from other funds of the City available for such purpose, such moneys as may be necessary on an annual basis to maintain the requirements of the following Section for the issuance of additional bonds.

Section 23. ADDITIONAL BONDS. Subject to any additional requirements for the 1999 Series, additional bonds of equal standing and priority with the Bonds may be issued for repair, replacement, improvement or extension of the System and to refund all or a portion of the Bonds and paying the costs of issuing the additional Bonds, but only if the average Adjusted Net Revenues, defined below, for the last two completed operating years, or the Adjusted Net Revenues, defined below, for the last completed operating year, if the same shall be lower than the average, shall be equal to at least one hundred percent (100%) of the average annual principal and interest thereafter maturing in any operating year on the then outstanding Bonds and the additional Bonds then being issued. If the additional Bonds are to be issued in whole or in part for refunding outstanding Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Bonds to be refunded from the proceeds of the additional Bonds.

Any additional bonds shall be subject to the various funds herein established as if such bonds were part of the original bond issue herein authorized, and all revenue from any such extension or replacement constructed by the proceeds of an additional bond issue shall be paid into the Receiving Fund.

“Adjusted Net Revenues” means for any operating year the Net Revenues to which may be made the following adjustments:

(i) Revenues may be augmented by the amount of any rate increase adopted prior to the issuance of additional Bonds or to be placed into effect before the time principal or interest on the additional Bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect;

(ii) Revenues may be augmented by amounts which may be derived from rates and charges to be paid by new customers of the System.

Section 24. DEFAULT OF THE CITY. If there shall be default in the provisions of this Ordinance, the Redemption Account, or in the payment of principal of or interest on any of the Bonds, upon the filing of a suit by the owners of twenty percent (20%) or more of the principal amount of the Bonds outstanding, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of the Bonds, for the payment of operation expenses, and to apply income and revenues in accordance with this Ordinance and the laws of the State of Michigan.

The City hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce payment of the City 's obligations, all contracts and other rights of the City, conditionally, for such time only as such receiver or operator shall operate by authority of the court.

In the event of default, the owners of twenty percent (20%) or more of the outstanding Bonds may require by mandatory injunction the raising of rates in a reasonable amount.

Section 25. FISCAL YEAR OF SYSTEM. The fiscal year for operating the System shall coincide with the fiscal year of the City.

Section 26. MICHIGAN TAXATION: The Bonds provided for herein are authorized by the Constitution and Statutes of the state of Michigan, and in particular by the Act, and are exempt from any and all taxation whatsoever by the State of Michigan or by any taxing authority within the state, except inheritance, estate and gift taxes, taxes on gains realized from the sale, payment or other disposition thereof, and a portion of the Michigan Business Tax.

Section 27. CONTRACT WITH BONDHOLDERS: The provisions of this Ordinance shall constitute a contract between the City and the Bondholders from time to time, and after the issuance of any of such Bonds, no change, variation or alteration of the provisions of this Ordinance may be made which

would lessen the security for the Bonds. The provisions of this Ordinance shall be enforceable by appropriate proceedings taken by such Bondholder, either at law or in equity.

Section 28. INTERNAL REVENUE CODE: The City has consulted with its attorney and understands that the Code contains certain requirements on (i) the expenditure of proceeds from the sale of the Bonds, (ii) the investment of the proceeds from the issuance of the Bonds and (iii) the rebate of interest earned on the investment of the proceeds of the Bonds under certain circumstances. The City hereby covenants to comply with such requirements.

Section 29. PUBLICATION AND RECORDATION. This Ordinance, within fifteen (15) days after its adoption, shall be published once in full in a newspaper of general circulation in the City qualified under state law to publish legal notices, and the same shall be recorded in the records of the City and such recording authenticated by the signature of the City Clerk.

Section 30. ORDINANCE SUBJECT TO MICHIGAN LAW. The provisions of this Ordinance are subject to the laws of the State of Michigan.

Section 31. SECTION HEADINGS. The section headings in this Ordinance are furnished for convenience of reference only and shall not be considered to be a part of this Ordinance.

Section 32. SEVERABILITY: If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 33. CONFLICT: Except as provided above, all Ordinances and Resolutions or parts thereof, insofar as the same may be in conflict herewith, are hereby repealed to the extent of the conflict; provided, that the foregoing shall not operate to repeal any provision thereof, the repeal of which would impair the obligation on the Bonds or the Prior Bonds.

Section 34. EFFECTIVE DATE OF ORDINANCE: Pursuant to Section 6 of the Act, this Ordinance shall be approved on the date of first reading and this Ordinance shall be effective immediately upon its adoption.

YEAS: Members Chaput, Huguelet, Landers, Tobias, Wekwert & Wood

NAYS: None

ORDINANCE DECLARED ADOPTED.

EXHIBIT A

UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF SHIAWASSEE  
CITY OF PERRY

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2008

<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Date of</u> <u>Original Issue</u>
<hr/>		
Registered Owner:	_____	
Principal Amount: (\$_____)	_____ Dollars	
<hr/>		

The City of Perry, Shiawassee County, Michigan (the "City"), acknowledges itself indebted and, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, out of the net revenues of the Water Supply System of the City, including all appurtenances, additions, extensions and improvements thereto, the amounts and on the Dates of Maturity set forth on Schedule I herein, together with interest thereon from the dates of receipt of such funds, or such later date to which interest has been paid, at the Interest Rate per annum specified above, first payable on October 1, 2008 and semi-annually thereafter on the first day of April and October of each year, except as the provisions hereinafter set forth with respect to redemption of this Bond prior to maturity may become applicable hereto.

The City promises to pay to the Michigan Municipal Bond Authority (the "Bond Authority") the principal amount of this Bond or so much thereof as shall have been advanced to the City pursuant to a Purchase Contract between the City and the Bond Authority and a Supplemental Agreement by and among the City, the Bond Authority and the State of Michigan acting through the Department of Environmental Quality.

During the time funds are being drawn down by the City under this Bond, the Bond Authority will periodically provide the City a statement showing the amount of principal that has been advanced and the date of each advance, which statement shall constitute prima facie evidence of the reported information; provided that no failure on the part of the Bond Authority to provide such a statement or to reflect a disbursement or the correct amount of a disbursement shall relieve the City of its obligation to repay the outstanding principal amount actually advanced, all accrued interest thereon, and any other amount payable with respect thereto in accordance with the terms of this Bond.

Notwithstanding any other provision of this Bond, so long as the Bond Authority is the owner of this Bond, (a) this Bond is payable as to principal, premium, if any, and interest at The Bank of New York Trust Company, N.A. or at such other place as shall be designated in writing to the City by the Bond Authority (the "Authority's Depository"); (b) the City agrees that it will deposit with the Authority's Depository payments of the principal of, premium, if any, and interest on this Bond in immediately available funds by 12:00 noon at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; in the event that the Authority's Depository has not received the City's deposit by 12:00 noon on the scheduled day, the City shall immediately pay to the Bond Authority as invoiced by the Bond Authority an amount to recover the Bond Authority's administrative costs and lost investment earnings attributable to that late payment; and (c) written notice of any redemption of this Bond shall be given by the City and received by the Authority's Depository at least 40 days prior to the date on which such redemption is to be made.

This Bond, being one fully registered manuscript bond, is issued in accordance with the provisions of Act 94 of the Public Acts of Michigan of 1933, as amended and an ordinance adopted by the City Council on \_\_\_\_\_, 2008, for the purpose of paying the cost of acquiring and constructing improvements to the City's Water Supply 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 may hereafter be issued, and the general covenants and provisions pursuant to which this Bond is issued, reference is made to the above described Ordinance. This Bond is a self liquidating Bond, and is not a general obligation of the City within any constitutional, statutory or charter limitation, but is payable, both as to principal and interest, solely from the net revenues of the Water Supply System of the City. The principal of and interest on this Bond are secured by the statutory lien described herein.

The City hereby covenants and agrees to fix, and maintain at all times while any of the Bonds shall be outstanding, such rates for service furnished by the Sanitary Sewer System as shall be sufficient to provide for payment of the principal of and interest upon all such Bonds as and when the same become due and payable, and to maintain a Bond and Interest Redemption Account and a bond reserve account 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 Ordinance.

Bonds of this series may be subject to redemption prior to maturity by the City only with the prior written consent of the Bond Authority and on such terms as may be required by the Bond Authority.

In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the Bond Authority's cost of providing funds (as determined by the Bond Authority) to make payment on the bonds of the Bond Authority issued to provide funds to purchase this Bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Bond Authority has been fully reimbursed for all costs incurred by the Bond Authority (as determined by the Bond Authority) as a consequence of the City's default. Such additional interest shall be payable on the interest payment date following demand of the Bond Authority. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the Bond Authority) the investment of amounts in the reserve account established by the Bond Authority for the bonds of the Bond Authority issued to provided funds to purchase this Bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the Bond Authority

