

1

SEAL ROCK WATER DISTRICT  
Regular Board Meeting & Budget Hearing  
Thursday, July 11, 2019 @ 4:00 pm  
1037 NW Grebe Street, Seal Rock 97376

**1. Call Regular Meeting to Order:**

**2. Official Oath of Office**

- Glen Morris – Position 4
- Rob Mills – Position 5

**3. Announcements/Visitor Public Comments:**

*Public comment period provides the public with an opportunity to address the Commissioners regarding items on the agenda. Please limit comments to (10) minutes.*

**4. Consent Calendar:**

*Managers' reports included under consent calendar are an executive summary provided to Commissioners as an update of system conditions, projects, and programs. Management welcomes your feedback and request for more detailed information regarding any item before or during the meeting:*

- |                                       |                |
|---------------------------------------|----------------|
| • Invoice List                        | June/July 2019 |
| • Board Meeting Minutes               | June 13, 2019  |
| • Financial Report / Approve Invoices | June/July 2019 |
| • USDA Project Monitoring Report #45  | July 2019      |
| • General Manager's Monthly Report    | June/July 2019 |

**5. Discussion and Information Items:**

- Consider Primary Source Water Project Update  
Presented by: Adam Denlinger, General Manager

**6. Decision Items:**

- Consider Bond Counsel engagement and loan resolutions authorizing the District to fund system improvements through the United States Department of Agriculture, Rural Development (USDA-RD) Loan and Grant Program.  
Presented by: Adam Denlinger, General Manager

**7. Reports, Comments and Correspondence:**

- Copy of executed July 2, 2019 USDA-RD Letter of Conditions (LOC)
- Schedule Strategic Planning Work Session: First quarter 2020

**8. Executive Session: according to ORS 192.660(2), Concerning:**

The SRWD Board will now meet in Executive Session, pursuant to ORS 192.660(2)(h); To consult with legal counsel concerning the legal rights and duties of a public body with regards to current litigation or litigation likely to be filed; and (e) To conduct deliberations with persons designated by the governing body with regards to real property transactions.

**9. Adjournment: Next Meeting: August 8, 2019 @ 4:00 p.m. Regular Board Meeting or establish date.**

ORIGINAL

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
<b>01-5064</b>						
GLEN MORRIS	116	Stipend	07/11/2019	50.00	.00	
JOHN GARCIA	114	Stipend	07/11/2019	50.00	.00	
KAREN OTTA	32	Stipend	07/11/2019	50.00	.00	
ROB MILLS	115	Stipend	07/11/2019	50.00	.00	
SAUNDRA MIES-GRANTHAM	115	Stipend	07/11/2019	50.00	.00	
Total 01-5064:				250.00	.00	
Grand Totals:				250.00	.00	

Dated: July 8, 2019

General Manager: A. [Signature]

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

**ORIGINAL**

## Report Criteria:

Detail report.  
Invoices with totals above \$0 included.  
Paid and unpaid invoices included

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
<b>01-1310</b>						
LINNEA PORTLOCK	062119	Refund Overpayment	06/21/2019	40.59	.00	
WILLIAM TAYLOR	062119	Refund Overpayment	06/21/2019	12.15	.00	
Total 01-1310:				52.74	.00	
<b>01-5063</b>						
BRENDI HARGROVE	062819	Quarterly Mileage Reimbursement	06/28/2019	39.79	.00	
JOCELYN KING	062819	Quarterly Mileage (April-June 201	06/28/2019	197.78	.00	
Total 01-5063:				237.57	.00	
<b>01-5120</b>						
LINCOLN COUNTY CLERK	061319	Election Costs - May 21, 2019 Sp	06/13/2019	602.00	.00	
Total 01-5120:				602.00	.00	
<b>01-5271</b>						
CHARTER COMMUNICATIONS	007859706191	Internet (Office)	06/19/2019	84.98	.00	
Total 01-5271:				84.98	.00	
<b>01-5272</b>						
AT&T MOBILITY	06282019	Wireless	06/20/2019	214.64	.00	
Total 01-5272:				214.64	.00	
<b>01-5280</b>						
LAZERQUICK	46721	125 Service Applications	06/28/2019	78.19	.00	
Total 01-5280:				78.19	.00	
<b>01-5291</b>						
US POSTAL SERVICE - WALDP	062119	Bulk Mailing	06/21/2019	898.49	.00	
Total 01-5291:				898.49	.00	
<b>01-5310</b>						
TCB SECURITY SERVICES INC.	227618	Answering/Dispatch Services Mon	06/28/2019	40.00	.00	
TCB SECURITY SERVICES INC.	227618	Level One Per Call Price	06/28/2019	28.60	.00	
XPRESS BILL PAY	40944	EFT Web Transactions	07/01/2019	140.38	.00	
XPRESS BILL PAY	40944	Credit/Debit Card Web Transactio	07/01/2019	259.76	.00	
XPRESS BILL PAY	40944	Online Banking - Bank Bill Pay Tr	07/01/2019	64.00	.00	
XPRESS BILL PAY	40944	Toll Free Operator Assisted Trans	07/01/2019	.95	.00	
XPRESS BILL PAY	40944	Toll Free IVR Transactions	07/01/2019	80.75	.00	
XPRESS BILL PAY	40944	Account Maintenance Fee	07/01/2019	19.00	.00	
XPRESS BILL PAY	40944	Support, Maintenance, Hosting - F	07/01/2019	75.00	.00	
Total 01-5310:				708.42	.00	
<b>01-5610</b>						
CENTRAL LINCOLN P U D.	062119	Utility Services x 15	06/21/2019	1,457.76	.00	

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
Total 01-5610:				1,457.76	.00	
<b>01-5634</b>						
ANALYTICAL LABORATORY GR	118330	Coliform, Presence/Absence by S	06/14/2019	245.00	.00	
OREGON LINEN	365308	Mats	06/30/2019	188.50	.00	
Total 01-5634:				433.50	.00	
<b>01-5690</b>						
CITY OF TOLEDO	062819	Treated Water	06/28/2019	29,636.30	.00	
Total 01-5690:				29,636.30	.00	
<b>03-5713</b>						
MARINEAU AND ASSOCIATES	062619	50% appraiser fee for appraisal se	06/26/2019	4,625.00	.00	
Total 03-5713:				4,625.00	.00	
Grand Totals:				39,029.59	.00	

Dated: July 1, 2019

General Manager: A. Dumlupinar

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

5

**SEAL ROCK WATER DISTRICT**  
**MINUTES OF THE Regular Board Meeting**  
**June 13, 2019**

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4  
5  
6 **Call Regular Board Meeting:**

7  
8 President John Garcia called the regular board meeting to order at 4:00 p.m., Thursday, June 26, 2019.

9  
10 **Present:**

11  
12 Commissioner John Garcia, President; Commissioner Glen Morris, Treasurer; Commissioner Rob Mills, member;  
13 Commissioner Karen Otta, member. Staff: Adam Denlinger, General Manager; Joy King, Office Manager. Jeff Hollen,  
14 Legal Counsel. See sign in sheet for public attendance.

15  
16 **Excused Absences:** Commissioner Sandra Mies-Grantham

17  
18 **Announcements:** None

19  
20 **Public Comments:** None

21  
22 **Agenda Calendar:**

23  
24 Items on the consent calendar are Invoice Lists for May/June 2019;  
25 May 9, 2019 Regular Board Meeting Minutes; May/June 2019 Financial Report/Invoices to approve; USDA Project  
26 Monitoring Report No. 44; and General Manager's Report. Commissioner Karen Otta motioned to approve the  
27 Consent Calendar. Motion was seconded by Commissioner Rob Mills. Motion carried 4 – 0.

28  
29 **Discussion and Information Items:**

30 **Draft USDA Letter of Condition (LOC):**

31  
32 Holly Halligan, USDA Program Specialist went over and discussed the draft Letter of Conditions with the Board. It was  
33 discussed to obligate the funds in July when the interest rate is 2.75% compared to the current 3.375%. It will save  
34 the District about \$1 million in interest through the life of the loan. The USDA-RUS Loan secured by General  
35 Obligation Bond is \$6,549,000; the USDA-RUS Loan secured by Revenue Bond is \$2,547,000; and the USDA Grant  
36 is \$2,799,500. There is also a loan and grant from Business Oregon IFA in the amount of \$3,481,000. Total amount to  
37 fund the Beaver Creek Source Water Project is \$13,760,000 and the amount to refinance the Line of Credit is  
38 \$1,616,500. The G.O. Bond loan of \$6,549,000 with 2.75% interest rate payable in 25 years will have an annual  
39 payment of \$365,697. The Revenue Bond Loan of \$2,547,000 with 2.75% interest rate will have an annual payment  
40 of \$125,797. A Debt Service Reserve Fund for the Revenue Bond is required which is equal to at least one annual  
41 loan payment that will accumulate at the rate of 10% (\$12,579.70) per year for 10 years. A Short-Lived Asset  
42 Replacement Account (SLARA) is also required. That amount is \$112,564 deposited into the SLARA annually for the  
43 life of the loan to pay for repairs and or replacement of major assets based on the preliminary engineering report  
44 schedule of short-lived assets. It was discussed that the funds to be used first for the project will be Business  
45 Oregon- IFA loan and grants before USDA loan funds. USDA grant funds will be the last one to be expended. After  
46 the project is completed, any remaining loan and grant funds not needed will be de-obligated or canceled. Under  
47 Environmental Requirement, it was discussed that USDA-RUS is not physically, financially or legally responsible or  
48 able to log, collect, document or submit reports to governmental agencies as indicated in section 2.9.4 "Terms and  
49 Conditions", item 4 of the Biological Opinion, dated April 3, 2019; therefore USDA-RUS is requiring the Seal Rock  
50 Water District to incorporate all non-discretionary Terms and Conditions and Monitoring and Mitigation into the  
51 Beaver Creek Raw Water Supply Intake Project. Furthermore, USDA-RUS recommends the applicant incorporates all  
52 Conservation Measures as recommended in the Biological Opinion, dated April 3, 2019, in the Construction Contract.  
53 A copy of the draft Letter of Conditions has been forwarded to the engineer who will amend the construction contract  
54 to comply with USDA-RUS requirements. The District has contracted with GSI to monitor the flow and water  
55 temperature of Beaver Creek to comply with the requirements of its water permit. This flow and water monitoring by  
56 GSI also complies with the BiOp requirements. The monitoring and reporting requirements will continue even after the  
57 project is completed as required by OWRD as a condition of the District's Beaver Creek water permit.  
58 Staff and consultants are continuing to follow up on the approval process and conditions that need to be completed  
59 before the project can go out to bid. The Army Corps Permit is in process with an expected approval date in late July.  
60 The District was notified earlier in the week that our Corp Permit application was withdrawn for lack of response, but it

61 was an error by the agency as they were referencing the wrong permit number. This sets the permit application  
 62 behind. The County Use Permit is in process and currently in administrative review. According to Mr. Onno Husing,  
 63 notice of decision and staff report from Lincoln County Planning could be expected today. The County will send out a  
 64 letter to each property owner within 500 feet of the project for a 30 days comment period. The Project Final Design is  
 65 currently under OHA review for approval. There are two right-of-ways and easements that are currently being  
 66 negotiated and one proves to be difficult and will be discussed in executive session. David Ulbricht, the District  
 67 financial advisor has the draft Letter of Conditions and is in the process of putting together the RFP for interim  
 68 financing. Bond Counsel has already drafted the Bond Documents and will make minor adjustments using the  
 69 information from the draft Letter of Conditions. Project Final Design is at 100% complete and has been reviewed and  
 70 approved by Mike Beyer, USDA State Engineer. Commissioner Glen Morris motioned to accept and approve the  
 71 USDA draft Letter of Conditions and authorize Adam Denlinger, GM to execute the final Letter of Conditions when  
 72 received. Commissioner Karen Otta seconded the motion. Motion carried 4 – 0.

73  
 74 **City of Waldport Intertie Project:**

75  
 76 The City of Waldport provided a presentation regarding the proposed emergency intertie connection between the City  
 77 of Waldport and Seal Rock Water District. A copy of the presentation is attached. Once the presentation is approved  
 78 by the Waldport City Council we will place it on our website. Next step for the City of Waldport includes searching for  
 79 available funding options to support the construction effort to connect the two systems. Holly Halligan, USDA Project  
 80 Specialist recommended for the City of Waldport to set up a One Stop Meeting with funding agencies.

81  
 82 **Decision Items:**  
 83 **Budget FY 2019-20:**

84  
 85 The Board and staff reviewed the Budget for FY 2019-20. Commissioner Karen Otta motioned to approve Resolution  
 86 No. 0619-01 (see attached Resolution), A resolution adopting the FY 2019-20 Budget in the amount of \$22,206,858; a  
 87 resolution making appropriations for the fiscal year beginning July 1, 2019; a resolution imposing the tax for tax year  
 88 2019-20 beginning July 1, 2019, at the permanent rate of \$.1259 per \$1,000 of assessed value for the General Fund  
 89 Operations and in the amount of \$773,700 for debt service on the General Obligation Bonds; and a resolution  
 90 categorizing the tax. Commissioner Glen Morris seconded the motion. Motion carried 4 – 0.

91  
 92 **Mid-Coast Water Planning Partnership Request (MCWPP):**

93  
 94 The WCWPP is in need to raise the remaining \$100,000 of the estimated \$750,000 goal to sustain the Partnership  
 95 and successfully build an Integrated Water Resources Plan (IWRP). Without these funds, the MCWPP will cease to  
 96 exist and our communities will be forced to fight this challenging issue alone. With a strong show of local support, the  
 97 local investment will be doubled with matches from public and private philanthropic funding agencies. The City of  
 98 Newport has invested heavily in the regional effort and has been the fiscal agent and a major financial contributor to  
 99 the Partnership since its creation as one of the four Place-Based Planning Pilot Projects in the State of Oregon. A  
 100 letter signed by the City Mayor, City Manager and Public Works Director requesting contribution from the different  
 101 agencies in the county was discussed. The suggested amount to contribute is \$4.60 per water connection within the  
 102 system. Seal Rock Water District has 2,574 water connections so the suggested contribution is \$11,840. The  
 103 District's participation with the MCWPP has already proven beneficial when the District applied for IFA funding in  
 104 forms of loan and grants. When the IWRP is completed, it can be used as a planning document and the contribution  
 105 can be funded from SDCs. Commissioner Glen Morris motioned to approve a request for contribution to the MCWPP  
 106 in the amount of \$11,840. Commissioner Karen Otta seconded the motion. Motion carried 4 – 0.

107  
 108 **Public Records Request Policy:**

109  
 110 The District's existing Public Records Request policy adopted by the Board in 2000 does not meet the newly revised  
 111 State of Oregon Public Records Law guidance provided under ORS 192.410-192.505. While the District does not  
 112 routinely receive public records requests, it's important that the District maintains compliance with state statute.  
 113 Additionally, included in this year's Best Practices Assessment provided by Special District Association of Oregon  
 114 (SDAO), updating this policy also provides a discount to the District's overall insurance premiums. Commissioner  
 115 Glen Morris motioned to approve and adopt the revised Public Records Request Policy for SRWD under  
 116 ORS 192.410-192.505. Commissioner Rob Mills seconded the motion. Motion carried 4 – 0.

117  
 118  
 119  
 120

121 **Official Abstract of Votes:**

122  
123 The Board of Commissioners reviewed the Abstract of Votes and Final Official Election Results for the May 21, 2019  
124 Election, presented by Joy King which she received from the County Clerk's Office. Commissioner Glen Morris  
125 received 638 or 98.76% votes and was reelected for Position 1, for a 4 year term. Commissioner Rob Mills received  
126 627 or 98.76% votes and was re-elected to Position 5, for a 4 year term. Commissioner Karen Otta motioned to  
127 approve and accept the election results per ORS 255.295. Commissioner Rob Mills seconded the motion. The motion  
128 passed 4 – 0.

129  
130 **Reports & Comments:**

131  
132 The GM will be away from June 17 through June 21. Strategic Planning Work Session was set for October 10 but not  
133 all commissioners will be present. The GM will coordinate a date when all commissioners will be present, with the  
134 consultant, Dig Deep. The Consumer Confidence report for 2018 is now available.

135  
136 **Recessed Regular Meeting: To go into Executive Session:**

137  
138 President John Garcia recessed the regular Board Meeting at 5:30 p.m. and called an Executive Session to order per  
139 ORS 192.660 (2)(h) To consult with legal counsel concerning the legal rights and duties of a public body with regard  
140 to current litigation or litigation likely to be filed and (e) to conduct deliberations with persons designated by the  
141 governing body with regards to real property transactions.

142  
143 **Reconvened Regular Board Meeting:**

144  
145 President John Garcia adjourned the executive session at 6:35 p.m. and reconvened the regular meeting.  
146 The GM met with the Fitzpatrick/Boyes who are the landowners of the property at the Makai Subdivision before the  
147 dirt road leading to the Makai Tank location. There is already an existing pipe going through their property but  
148 attorney, Jeff Hollen cannot find a recorded easement at the Lincoln County Clerk's Office. The GM reported that the  
149 property owners are willing to sign an easement to be recorded with the county but they are asking for \$1,000 for  
150 consideration of that easement. President John Garcia motioned to authorize the GM, Adam Denlinger to sign any  
151 documents needed to record the easement granted by Fitzpatrick and Boyes and authorize him to sign a check for  
152 \$1,000 as consideration for the easement. Commissioner Karen Otta seconded the motion. The motion was carried  
153 4 – 0. The easement for the intake location is ready to be signed by the property owner, David Young. In consideration  
154 for the easement, the property owner is asking for one service connection and reimbursement for their expenses  
155 including their attorney's fee which is \$15,000. President John Garcia motioned to authorize the GM, Adam Denlinger  
156 to sign any documents pertaining to the David Young easement; to approve one service connection; and to approve  
157 reimbursement for their expenses including their attorney's fee. Commissioner Karen Otta seconded the motion. The  
158 motion was carried 4 – 0. Through the advice of attorney Jeff Hollen, the Board agreed to retain the legal services of  
159 Saalfeld Griggs, PC. Commissioner Glen Morris motioned to authorize President John Garcia and attorney Jeff Hollen  
160 to sign the engagement letter to enter into a legal contract with Saalfeld Griggs, to assist the District in obtaining the  
161 easements needed for the Beaver Creek Source Water Project. Commissioner Rob Mills seconded the motion. The  
162 motion was carried 4 – 0.

163  
164 **Adjournment:** Commissioner Morris motioned to adjourn the meeting. President John Garcia adjourned the  
165 meeting at 6:40 p.m.

166  
167 **Next Board Meeting:** July 11, 2019, at 4:00 p.m. Regular Board Meeting.

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178 Approved by Secretary Date

Date: 7/1/19

Monthly Statistics		Comments				
Total customers	2579	Includes new connection Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter				
New connections	1					
Reinstalls	0					
Abandonments / Forfeitures / Meter Removed	0					
Financial Report		Checking/MM	LGIP/PFMMA	Fund Balances	Comments	
General	\$72,290.58	\$21,132.56	\$93,423.14			
Bond	\$375,024.18	\$0.00	\$375,024.18			
Capital Projects	\$277,913.72	\$432,940.99	\$710,854.71		\$2,691,821.79 G.O. Bond Proceeds:	
Revenue Bond	\$2,715.09	\$8,766.22	\$11,481.31			
Rural Development Reserve	\$0.00	\$54,284.36	\$54,284.36			
Dist. Office/Shop Reserve	\$2,525.84	\$138,373.03	\$140,898.87			
Depreciation Reserve	\$0.00	\$208,094.42	\$208,094.42			
SDC (formerly SIP)	\$0.00	\$418,966.87	\$418,966.87		\$929,781.00 SDC collections thru 6/30/19	
Water Source Improvement Rsv	\$0.00	\$877,900.14	\$877,900.14			
<b>TOTALS</b>	<b>\$730,469.41</b>	<b>\$2,160,458.59</b>	<b>\$2,890,928.00</b>			
General Fund Review		Current	FYTD	Budgeted Amount	Comments	
Revenue	\$166,315.57	1,986,526.47	\$2,533,700.00			
Expenses	\$160,925.79	1,851,228.71	\$2,533,700.00		Contingency \$100,000. Transfers \$640,000. Total expenses budgeted \$1,893,700	
Net Gain or (Loss) from Operations	\$5,389.78	\$135,297.76				
Water Sales Revenue Comparison		Month	FYTD	Comments		
Projected Water Sales	\$161,357	\$1,757,155		Leak Adjustments & Billings Adjustments (YTD = July - June)		
Actual + In Lieu of Water Sales Less H2O CR	\$158,077	\$1,814,645		Less Billing Adj YTD -\$97.29; Leak Adj YTD \$1,687.66		
Over or (Under)	-\$3,279.93	\$57,489.51		TOTAL YTD ADJUSTMENTS \$1,590.37		
Gallage Comparison		Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased	9,147,000	9,080,000	Toledo Charges	\$29,636.30	\$30,872.00	
Gallons Sold (includes accountable loss)	8,778,196	9,735,634	SRWD Sales	\$153,078.40	\$161,652.09	
Variance %	4.03%	-7.22%	Ratio: Sales/Cost	5.17	5.24	
Accountable Water Loss (gallons)	725,000		City of Newport Intertie Usage		0	
<b>Approval To Pay Bills</b>	Payroll 6/7/19 \$20,080.18		Payroll 6/21/19 \$20,051.73			
Month of:	June	(after meetings)	July			
	GF A/P	\$34,404.59	GF A/P	\$11,824.56	up to 7/5/19	
	CPF A/P	\$0.00	CPF A/P	\$0.00		
	City of Toledo	\$0.00	City of Toledo	\$0.00		
	Bond Fund	\$0.00	Bond / Rev Bond Fund	\$0.00		
	Depreciation Rsv	\$0.00	Depreciation Rsv	\$0.00		
	AMI Project-Phase 3	\$0.00	AMI Project-Phase 3	\$0.00		
	Master Plan - Phase 3	\$0.00	Master Plan - Phase 3	\$0.00		
	MP - Phase 4 (IFA)	\$0.00	MP - Phase 4 (IFA)	\$0.00		
	Prelim. MP- Phase 4	\$4,625.00	Prelim. MP- Phase 4(USDA)	\$10,881.25		
	SRWD Funded	\$0.00	SRWD Funded	\$0.00	Midcoast Water Planning Partnership	
Monthly Accrual Statistics		Beg. Balance	Accrued	Used/Paid	Balance	
		5/31/2019			6/30/2019	
Office Overtime Hours (2-01)	0.00	0.00	0.00	0.00		
Field Overtime Hours (2-02)	0.00	2.50	2.50	0.00		
PTO (3-01)	2064.52	121.86	51.00	2135.38		
Comp Time (9-01 / 9-02)	126.52	46.87	26.50	146.89		



<b>Project Monitoring Report</b> With Exhibit A and Invoices Date: 06/01/19-06/30/19	<b>Type of Request</b> <u>Final</u> <input checked="" type="checkbox"/> <u>Partial</u> <input type="checkbox"/>	Report Number 45
Borrower: SEAL ROCK WATER DISTRICT Address: P. O. Box 190 Seal Rock, Oregon 97376		

BUDGET ITEMS	STATUS OF BUDGET					
	PROGRAMS		FUNCTIONS		ACTIVITIES	
	(a) Budgeted Amounts	(b) Budget Change	(c) Revised Budget	(d) Previous Total	(e) This Period	(d)+(e) TOTAL
<small>All entries under column b must be justified with an attachment. All entries under column e must be documented with attached invoice.</small>						
a. Administrative Expense- Preliminary		\$5,153	\$5,153	\$5,153		\$5,153
b. Preliminary Engineering- ER/PER		\$498,108	\$498,108	\$498,108		\$498,108
c. Geotechnical Studies				\$0		\$0
d. Land, Structures, Right-of-way				\$0		\$0
e. Civil West Engineering						\$0
1) Basic Engineering Srvs	\$563,763	(\$519,763)	\$44,000	\$44,000		\$44,000
2) Additional Services/Inspection	\$402,688	(\$62,099)	\$340,589	\$340,589		\$340,589
f. Other Engineering						\$0
1) AMI Engineering Services -Civil West		\$197,662	\$197,662	\$168,707	\$546	\$169,253
2) Additional Services				\$0		\$0
g. Interest & fees (interim financing)	\$210,000	(\$152,807)	\$57,193	\$57,193		\$57,193
h. Legal/Administration	\$201,344	(\$155,153)	\$46,191	\$41,908		\$41,908
i. Contingencies	\$595,375	(\$554,034)	\$41,341	\$0		\$0
j. Equipment	\$395,000	(\$385,270)	\$9,730	\$9,730		\$9,730
k. Demolition/Removal	\$365,000	(\$365,000)		\$0		\$0
l. Site Work	\$369,600	(\$369,600)		\$0		\$0
m. Construction Cost :	\$2,897,275	\$365,518		\$0		\$0
1) Sched: 1		(\$32,322)	\$960,871	\$960,871		\$960,871
2) Sched: 2		(\$26,111)	\$2,243,489	\$2,243,489		\$2,243,489
3) Other: B Creek-Electrical Work PUD		\$3,113	\$3,113	\$3,113		\$3,113
4) Other:SCADA-The Automation Group		\$29,112	\$29,112	\$29,112		\$29,112
5) AMI Project		\$1,363,901	\$1,363,901	\$1,363,901		\$1,363,901
6) AMI Project- Other Equipment		\$25,000	\$25,000	\$20,217		\$20,217
7) Schedule 2 - PRVs Project		\$134,592	\$134,592	\$0		\$0
n. TOTAL PROJECT COST	\$6,000,045	\$0	\$6,000,045	\$5,786,091	\$546	\$5,786,637
o. Funding Allocation						
1) Program Income= INTEREST			\$0	\$0		\$0
2) Rural Development Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000
3) Rural Development Grant	\$2,549,045		\$2,549,045	\$2,335,091	\$546	\$2,335,637
4) Other: DISTRICT CONTRIBUTION			\$0	\$0		\$0
5) Other:Interim Financing Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000
p. Total Project Funding (=line l)	\$6,000,045		\$6,000,045	\$5,786,091	\$546	\$5,786,637
q. Percentage of Completion				96.43%		96.44%

**5. CERTIFICATION**  
I certify that; to the best of my knowledge and belief, the billed costs or disbursements shown are in accordance with the terms of the project and that an inspection has been performed and all work is in accordance with the terms of the construction contract.

<b>BORROWER:</b>	Signature of Authorized Certifying Official: _____	Date Submitted: _____
	Typed or Printed Name and Title: Adam Denlinger, General Manager	Telephone: 541-563-3529

**6. RURAL DEVELOPMENT ACCEPTANCE**  
This form and attachments have been reviewed and are accepted by Rural Development, unless otherwise noted. This review and acceptance by Rural Development does not attest to the correctness of the amounts, the quantities shown, or that the work has been performed under the terms of the agreements or contracts.

<b>RURAL DEVELOPMENT</b>	Signature of Authorized Certifying Official: _____	Date Submitted: _____
	Typed or Printed Name and Title: Holly Halligan, USDA Area Specialist	Telephone: _____



**PO Box 190 - 1037 NW Grebe Street - Seal Rock, Oregon 97376**  
**Phone: 541.563.3529 - FAX 541.563.4246 - Email: info@srwd.org**

# Seal Rock Water District

General Manager's Report:  
Board Meeting July 11, 2019

*This report is an executive summary provided with this Board agenda to Commissioners with recommended actions if any. Detailed information, staff reports, and supporting materials are provided within the full agenda packet.*

## PHASE-4 SOURCE WATER PROJECT:

On June 13, 2019 the Board authorized the District to execute a Letter of Conditions (LOC) with the United States Department of Agriculture Rural Development (USDA-RD). Funding provided by USDA-RD is the most recent award in a long-term, strategic effort of SRWD to leverage the revenue dollars of its small community and increase the potential impact of improvements to Seal Rock's lengthy water system. This pledge has led SRWD to successfully pursue over \$15M in partner funding in the last two years:

**United States Department of Agriculture - Rural Development 2019:**

Loan amount: \$9,096,000  
Grant Amount: \$2,799,500  
Total Package: **\$11,895,500**

**Business Oregon - Infrastructure Finance Authority, Safe Drinking Water Revolving Loan Fund 2018:**

Loan Amount: \$2,451,000  
Grant Amount: \$1,030,000  
Total Package: **\$3,481,000**

The District is very pleased with such a positive outcome from months of advanced planning, hard work and commitment on the part of the District's Board of Commissioners, staff and consultants. Challenging economy, tapping external resources and partnerships to promote sustainability in developing a more resilient source water supply system, is absolutely critical. Funding from grants like this allows the District to offer our customers even more value for their dollar.

The success of the District's grant pursuits would not be possible without the highly collaborative efforts of the SWRD Board of Commissioners and our partners from USDA-RD and Business Oregon-IFA. With their consideration and support of District improvements, we will continue to provide reliable safe drinking water to the Seal Rock community for generations to come.

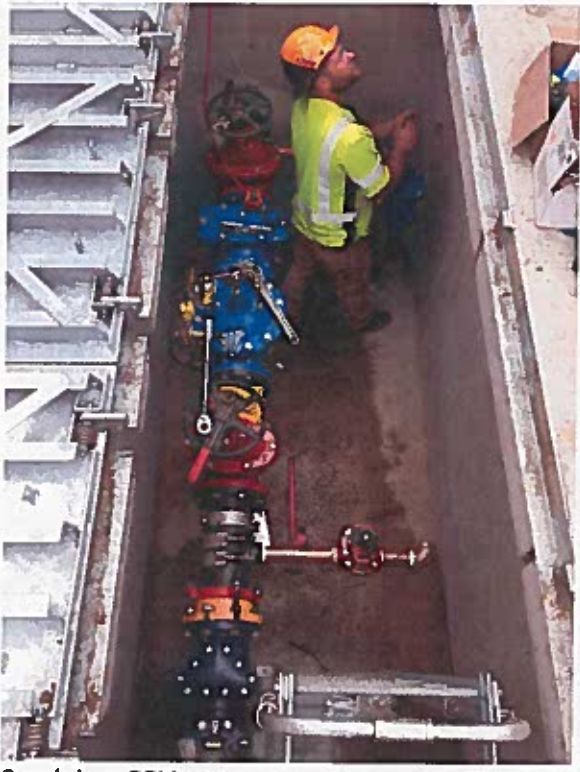
Phase-4 improvements project continues to move forward with several critical path tasks currently in progress:

- 100% final design and contract document have been completed by the engineer.
- Contract documents are being reviewed by USDA-RD in preparation for advertisement.

- District staff and representatives with USDA-RD are reviewing final finance information to satisfy USDA underwriting in preparation for receiving the draft Letter of Conditions (LOC).
- On March 26, 2019 the District received a letter provided by USDA-RD notifying the District that the source water project was eligible for financing.
- Staff is also working with representatives from USDA-RD, the District’s finance consultant, and Bond Counsel in preparation for Phase-4 interim financing.
- On April 4, 2019 the District received the USDA-RD Public Notice Announcing the Availability of an Environmental Assessment which was published locally beginning April 10, 2019.
- Final design is also in statutory review by the State of Oregon, Health Authority (OHA) Department.
- Lincoln County Conditional Use Permit process has completed the public comments period with no comments.
- Project review and approval by Oregon Health Authority has been received.

**PHASE-3 USDA-RD SYSTEM IMPROVEMENTS COMPLETED:**

Working with a local contractor, District crews recently completed installation of two new Pressure Reducing Valves (PRVs) in the south end of the system. New PRV’s were installed in the Sandpiper Community and the Bayshore Community. Included in the installation of PRVs are new meters which will be connected to the District’s smart meter technology and used to calculate non-revenue water loss. Installation of new PRVs completes phase-three improvements and allows the District to certify this project complete with USDA-RD representatives.



*Sandpiper PRV:*



*Bayshore PRV:*

**EMERGENCY WATER MAINLINE REPAIRS IN THE BAYSHORE COMMUNITY:**

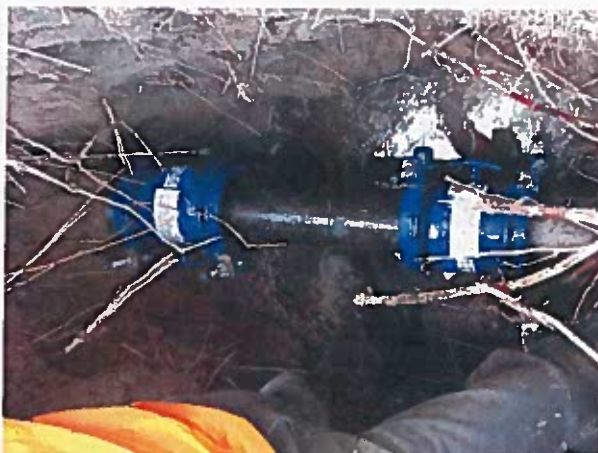
Recently District crews have responded to several emergency water main repairs in the south end of the system. Crews were called out on three separate occasions in response to mainline leaks in Bayshore and Highland communities.

In the early hours of June 14th Fire Districts in the region used Fire Hydrants located on Bayview Road while responding to a fire east of the Highland Community. For some unknown reason this affected water supply to the Highland Community, reducing the amount of water the system can supply to the community by 90%.

While crews worked to correct issues in the water distribution system that serves customers in the Highland Community, a 2-inch temporary supply line was connected to restore a limited amount of water to approximately 40-customers. The District notified customers in the Highland community to please conserve water until permanent repairs could be completed and water was restored to full system volume.

After investigating the system further, crews discovered an old original inline single check valve buried outside the Bayshore pump station near the road, which had collapsed severely restricting the delivery of water to the North Highland Community. Crews completed permanent repairs by removing the check valve that is no longer needed in the system.

Again, on June 26<sup>th</sup> crews were dispatched to a report of no water on Canoe Street in Bayshore. This is the second leak this month in this area. Crews discovered that the 4-inch mainline serving this area had ruptured. Condition of the pipe is extremely poor and is likely more widespread. Crews are evaluating the option of replacing short sections of mainline on Canoe and Cunard Street using internal forces to facilitate permanent repair.



Cano Street Waterline June 26, 2019:

Temporary Repair June 26, 2019:

**OTHER NOTABLE ACTIVITIES FOR THE MONTH INCLUDE:**

- Attended Mid-Coast Integrated Water Resources Coordinating Committee meeting on June 11th.
- Reviewed Easement and access agreements related to Phase-4 improvements.
- Coordinated replacement of two PRVs in the Bayshore and Sandpiper Communities.

- Completed the review of the permit application for the Joint (404) Oregon Department of State Lands and the Corps of Engineers on May 15th.
- Attended on site Beaver Creek water quality field data collection meeting with consultants.
- Coordinated with representative from Sen. Arnie Roblan's office in support of this year's annual Coastal Caucus.
- At the request of the Newport City Manager, attended the Newport City Council Work Session on June 17<sup>th</sup>.
- Met with Bond Counsel and Financial Consultant to discuss USDA-RD funding on June 24<sup>th</sup>.
- Met with engineers and consultants to Phase-4 improvements schedule on June 25<sup>th</sup>.
- Filed crew attended PRV calibration training in Bayshore and Sandpiper on June 27<sup>th</sup>.
- Assisted City of Newport and OWRD in interviewing Planning Coordinator candidates on June 27<sup>th</sup> and July 11<sup>th</sup>.
- Staff met with a representative from Kozy Acres Water District to discuss District operations on June 27<sup>th</sup>.
- Met with representatives from USDA-RD to discuss Phase-4 funding and LOC on July 2nd.



PHONE: 503-402-1320  
FAX: 503-402-1331

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PORTLAND, OR 97201  
WWW.HAWKINS.COM

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SACRAMENTO  
SAN FRANCISCO  
PORTLAND  
ANN ARBOR

July 1, 2019

**Via Email: adenlinger@srwd.org**  
Adam Denlinger  
General Manager  
Seal Rock Water District

Dear Adam:

Thank you for selecting Hawkins Delafield & Wood LLP to act as bond counsel to Seal Rock Water District (the "District") in connection with the proposed Revenue Bonds with USDA (the "Financing"). To this end, we submit for your approval the following provisions governing our engagement. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. We are available to answer any questions that you may have concerning these provisions, or any modifications that you may wish to suggest. We at Hawkins are pleased to have the opportunity to serve the District.

1. *Client; Limited Scope of Representation.* Our client in this matter will be the District. We will be engaged hereunder to render legal advice to the District as its bond counsel or special counsel, including the following:

- (1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Financing Opinion") regarding the validity and binding effect of the Financing, the source of payment and security for the Financing, and excludability of interest on the Financing from gross income for federal and for state of Oregon income tax purposes.
- (2) Prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Financing, coordinate the authorization and execution of such documents, and review enabling legislation.
- (3) Assist the District in seeking from other governmental authorities such approvals, permissions, and exemptions as are necessary or appropriate in connection with the authorization, issuance and delivery of the Financing, except that we will not be responsible for any required Blue Sky filings.

- (4) Review and respond to specific legal issues raised by the District that relate to and arise out of the District's structuring of the Financing.
- (5) If applicable, review those sections of the official statement, private placement memorandum or other form of offering or disclosure document to be disseminated in connection with the sale or placement of the Financing involving a description of the legal authority and documents authorizing the Financing.
- (6) Assist the District in presenting information to bond rating, organizations and providers of credit enhancement relating to legal issues affecting the issuance of the Financing.
- (7) If applicable, draft the continuing disclosure undertaking of the District.

Our Financing Opinion will be addressed to the District and will be based on facts and law existing as of its date. In rendering our Financing Opinion we will rely upon the certified proceedings and other representations and certifications of public officials, counsel for and representatives of the District, the lender of the Financing, and other persons, furnished to us without any undertaking by us to verify the same by independent investigation, and we will assume continuing compliance by the District and all other participants in the transaction with applicable laws relating to the Financing. During the course of this engagement, we will rely on the District to provide us with complete and timely information on all developments pertaining to any aspect of the Financing and their security. We understand that the District will direct members of its staff and other employees to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Among other things, our duties do not include:

- (a) Except as described in paragraph (5) above, assisting in the preparation or review of an official statement or any other disclosure document with respect to the Financing, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the official statement or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.
- (b) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- (c) Preparing blue sky or investments surveys with respect to the Financing.
- (d) Drafting state constitutional or legislative amendments.

- (e) Pursuing test cases or other litigation such as contested validation proceedings.
- (f) Making an investigation or expressing any view as to the creditworthiness or financial strength of the District or any other party being or having been contracted with by the District or the Financing.
- (g) Opining on a continuing disclosure undertaking pertaining to the Financing or, after Closing, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking.
- (h) Representing the District in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (i) After Closing, providing continuing advice to the District or any other party concerning any actions necessary to assure that interest paid on the Financing will continue to be excludable from gross income for federal or for State income tax purposes (e.g., our engagement does not include rebate calculations for the Financing).
- (j) Addressing any other matter not specifically set forth above that is not required to render our Financing Opinion.

It is expressly agreed that the District shall not request the firm to provide predictions or advice regarding, and that the firm shall provide no predictions or advice and owes the District no duty regarding, the financial structuring or feasibility of any arrangement nor any predictions or advice as to the ability or likelihood of any other party actually performing their obligations relating thereto.

We understand that the District has a general counsel. Such general counsel will be asked to advise upon the District's general corporate matters and such matters are not included in the scope of our retainer hereunder. As bond counsel or special counsel, we shall be entitled to rely upon the opinions of and representations by such general counsel.

In expressing its opinion, the firm does not represent, warrant or guarantee that a court will not invalidate either any of the procedures or contracts being utilized in connection with the issuance of the Financing, nor does the firm represent, warrant or guarantee the actual performance rendered by participants in any transaction with the District.

It is also expressly agreed that (i) our client for purposes of this representation is the District and not any of its officers or employees, members, creditors, bondholders, or any other entities having any interest in the District or in which the District has an interest, and (ii) accordingly, this engagement will not establish an attorney-client relationship between the firm and any such individual, member or other entity.



16

2. *Term of Engagement.* Either the District or the firm may terminate this engagement at any time for any reason, subject on our part to applicable rules of professional conduct. In the event that we terminate the engagement, we will take such steps as are reasonably practicable to protect the District's interests in matters within the scope of this engagement. In the event of termination of this engagement for any reason, the firm will be paid for services satisfactorily rendered by the firm up to the date of termination, and for any post-termination services requested by the District in connection with the termination.

3. *Conclusion of Representation; Retention and Disposition of Documents.* At the District's request, its papers and property will be returned to it or delivered to successor counsel, as it may direct, promptly upon receipt of payment of outstanding fees and expenses. Our own files pertaining to this engagement will be retained by the firm. These firm files include, for example, firm administrative records, time and expense reports, and accounting records, as well as internal lawyer's work product such as drafts, notes, internal memoranda, and legal and factual research prepared by or for the internal use of lawyers. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such documents or other materials retained by us within a reasonable time after the termination of this engagement.

4. *Post-Engagement Matters.* After completion of this engagement, changes may occur in applicable laws or regulations, or in administrative District or judicial interpretations thereof, that could have an impact upon issues as to which we have advised the District during the course of this engagement. Unless you subsequently engage us, after completion of this engagement, to provide additional advice on such issues, the firm has no continuing obligation to advise you with respect to any such future legal developments.

5. *Fees and Expenses.* We will charge the District a fixed fee of \$15,000 for our bond counsel services. Such fees will be paid from Bond proceeds at Closing and will not be due if the issue does not close.

Fees and expenses of others (such as consultants, appraisers and other counsel retained by you) will not be paid by us, and should be billed directly to you. Arrangements for billing and payment for services of others should be made between you and the other parties.

6. *Consent to Conflict; Non-reliance upon Hawkins Representations.* The firm from time to time has represented, currently represents, and may in the future represent, underwriters and lenders in municipal financings involving other issuers. The District consents to the firm simultaneously representing such other parties and the District. The District acknowledges and agrees that it has not relied upon any firm representations or statements of any kind in deciding to give its consent. Instead, it has consulted with other independent counsel and that it has exclusively relied upon such other counsel in deciding to consent.

7. *Attorney-Client Privilege.* In recent years, several courts have said that when a firm reviews its compliance with professional conduct rules or other law in the representation of a client, the firm may not be able to claim attorney-client privilege for its

July 1, 2019  
Page 5

review unless the firm withdraws from representing the particular client before conducting the review or the client agrees that the firm can assert privilege for any such review. We believe it is in the interest of our clients that the firm have the protection of the privilege in connection with internal reviews of its work for you. The District agrees that any communications between the lawyers and staff working on the District's matter and the lawyers at the firm who may be reviewing that work for compliance with professional conduct rules or other law will be protected by the firm's own attorney-client privilege and that any such review will not constitute a conflict between our interests and your interests.

8. *Client Responsibilities.* The District agrees to cooperate fully with us and to provide promptly all information known or available to the District relevant to our representation. The District also agrees to pay our statements for services and expenses in accordance with paragraph 5 above.

9. *Fully Integrated Agreement; Merger; No Oral Amendments or Modifications.* This agreement is intended as a complete integration of the terms of this engagement and, as such, all prior understandings, representations, warranties, and agreements are fully and completely merged herein.

Of course, you may limit or expand the scope of our representation from time to time, provided that any such expansion is agreed to by each of us and memorialized in a supplement hereto.

We are pleased to have this opportunity to once again work with the District. I trust that you will not hesitate to call me if you have any questions or comments during the course of this engagement.

Very truly yours,

*Hawkins Delafield & Wood LLP*



Agreed and Accepted:

Seal Rock Water District, Oregon

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**RESOLUTION NO. 0719-01**

**A RESOLUTION OF SEAL ROCK WATER DISTRICT, OREGON,  
AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS FOR A  
TOTAL OF NOT TO EXCEED \$2,600,000, AND PROVIDING FOR  
PUBLICATION OF NOTICE.**

The Board of Commissioners (the "Board") of the Seal Rock Water District, Oregon (the "District"), finds:

- A. It is financially feasible and in the District's best interests to finance or refinance improvements to the District's water system, including providing a primary source of water for the District (collectively, the "Project").
- B. The District is authorized to finance or refinance the Project by issuing revenue bonds pursuant to Oregon Revised Statutes 287A.150 (the "Act").
- C. The District anticipates financing or refinancing all or a portion of the Project through a revenue bond issued to the United States of America Department of Agriculture in an amount not to exceed \$2,600,000.

The Board of Commissioners of the Seal Rock Water District, Oregon, resolves:

**Section 1. Revenue Bonds Authorized.** The District is hereby authorized to issue water revenue bonds in an aggregate principal amount not to exceed \$2,600,000. Prior to selling the bonds the Board shall establish by resolution:

- (a) The manner of sale of the bonds and whether the bonds will be sold in one or more series;
- (b) The outstanding borrowings to be refunded with the bonds, if any;
- (c) The repayment schedule, prepayment provisions, any reserve requirements, and all other provisions related to the bonds;
- (d) The covenants which the District will make with bondowners regarding the use of the bond proceeds and the operation of the water system;
- (e) The revenues to be pledged to payment of the bonds and any restrictions related to issuing additional borrowings secured by water system revenues; and
- (f) Any other terms, conditions or covenants regarding the bonds, the Project or the revenues which are necessary or desirable to effect the sale of the bonds.

**Section 2. Notice; Procedure.**

- (a) No bonds may be sold, and no purchase agreement for the bonds may be executed, until at least sixty (60) days after publication of the Notice of Revenue Bond Authorization, which is attached to this resolution as Exhibit A (the "Notice"). The Notice shall specify the last date on which petitions may be submitted, and shall be published in at least one newspaper of

general circulation within the boundaries of the District in the same manner as are other public notices of the District.

(b) If petitions for an election, containing valid signatures of not less than five percent (5%) of the District's electors, are received within the time indicated in the Notice, the question of issuing the bonds shall be placed on the ballot at the next legally available election date. If such petitions are received, no bonds may be sold until this resolution and the question of issuing the bonds is approved by a majority of the electors of the District who vote on that question.

**Section 3. Bonds Payable Solely from Revenues.**

The bonds shall not be general obligations of the District, nor a charge upon its tax revenues, but shall be payable solely from the revenues which the District pledges to payment of the bonds pursuant to ORS 287A.150(5) and the resolution to be adopted by the District pursuant to Section 1 of this resolution, which is expected to be net revenues of the District's water system.

**Section 4. Reimbursement.**

The District hereby declares its official intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse itself for expenditures it makes for the Project with the proceeds of a future financing.

ADOPTED by the Board of Commissioners of the Seal Rock Water District, Oregon, this 11th day of July, 2019.

**SEAL ROCK WATER DISTRICT, OREGON**

\_\_\_\_\_  
Mr. John Garcia, President of the Board

ATTEST:

\_\_\_\_\_  
Mr. Glen Morris, Treasurer of the Board

**EXHIBIT A**

**Notice of Revenue Bond Authorization**

NOTICE IS HEREBY GIVEN that the Seal Rock Water District, Oregon (the "District"), adopted Resolution No. 0719-01 on July 11, 2019, authorizing the issuance of revenue bonds. The bonds will be issued to finance or refinance improvements to the District's water system, including providing a primary source of water for the District (collectively, the "Project").

The Board of Commissioners may establish by subsequent resolution all terms, conditions and covenants regarding the bonds and the revenues which are necessary or desirable to effect the sale of the bonds.

The District estimates that the bonds will be issued in an aggregate principal amount of not to exceed \$2,600,000; bond principal and interest are expected to be paid from revenues of the District's water system. The bonds will not be general obligations of the District, nor a charge upon its tax revenues, but will be payable solely from the revenues which the District pledges to the payment of the bonds, which is expected to be net revenues of the District's water system.

If written petitions, signed by not less than five percent (5%) of the District's electors, are filed at the Office of the District on or before September 18, 2019 (the 61st day after the date of publication of the notice), the questions of issuing the revenue bonds shall be placed on the ballot at the next legally available election date.

The resolution authorizing the bonds is available for inspection at the Office of the District. The Office of the District is located at 1037 NW Grebe Street, Seal Rock, Oregon 97376.

The bonds will be issued and sold under Oregon Revised Statutes (ORS) 287.150; this Notice is published pursuant to ORS 287A.150(4).

**BY ORDER OF THE BOARD OF  
COMMISSIONERS OF SEAL ROCK WATER  
DISTRICT, OREGON.**

**RESOLUTION NO. 0719-02**

A RESOLUTION OF THE SEAL ROCK WATER DISTRICT, OREGON,  
AUTHORIZING A BORROWING TO PROVIDE INTERIM FINANCING IN  
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,096,000

The Board of Commissioners (the "Board") of the Seal Rock Water District, Oregon, resolves:

WHEREAS, the Seal Rock Water District (the "District") seeks to finance capital costs to the District's water system as described in Measure No. 21-140, approved by the voters of the District at an election held on November 8, 2011 (the "GO Projects"), and to finance improvements to the District's water system as described in Resolution No. 0719-01 adopted by the Board on July 11, 2019 (the "Revenue Bond Projects," and together with the GO Projects, the "Projects");

WHEREAS, the District is authorized to issue general obligation bonds to finance the GO Projects in an amount not to exceed \$15,000,000 pursuant to Measure No. 21-140, and has \$6,549,000 in authority remaining under that Measure;

WHEREAS, the Board adopted Resolution No. 0719-01 approving the issuance of revenue bonds in an amount not to exceed \$2,600,000 pursuant to Oregon Revised Statutes Section 287A.150 (the "Statute"), to fund the Revenue Bond Projects;

WHEREAS, the United States of America, acting through the United States Department of Agriculture Rural Development ("Rural Development"), an agency of the federal government, appropriated funds in an amount not to exceed \$6,549,000 to loan amounts to the District for the GO Projects and in an amount not to exceed \$2,547,000 to loan amounts to the District for the Revenue Bond Projects, and requires the District to obtain interim financing to finance the Projects;

WHEREAS, the District has an outstanding line of credit with Cashmere Valley Bank to finance Revenue Bond Projects (the "Outstanding Line") and it may be beneficial to the District to refinance the Outstanding Line with the interim financing authorized by this Resolution;

WHEREAS, the District is authorized by ORS 271.390 to enter into financing agreements to finance or refinance real or personal property that the Board determines is needed, so long as the estimated weighted average life of each financing agreement does not exceed the estimated dollar weighted average life of the property that is financed or refinanced by such financing agreement; and

WHEREAS, the Board hereby determines that the Projects are needed, and that it is desirable to borrow up to \$9,096,000 to provide interim financing for the Projects pursuant to ORS 271.390;

NOW, THEREFORE, THE BOARD OF THE SEAL ROCK WATER DISTRICT, OREGON, RESOLVES AS FOLLOWS:

**Section 1. Authorization.** The District hereby authorizes a borrowing under ORS 271.390 (the "Loan") in a principal amount of not more than \$9,096,000. The Loan may be in the form of one or more financing agreements, lines of credit, notes or other structures. Proceeds of the Loan may be used to pay costs of the Projects, to refinance the Outstanding Line, and to pay costs related to the Loan and the refinancing, including interest on the Loan and the Outstanding Line.

**Section 2. Security.** The Loan may constitute an unconditional obligation of the District, which is payable from all lawfully available funds of the District. The District Official may pledge the District's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the District's lawfully available funds, to make the payments due under the Loan. The Loan may also be secured by a lien on the proceeds of the Revenue Bonds, the proceeds of the GO Bonds, the unspent proceeds of the Loan, and water system revenues.

**Section 3. Delegation.** The President of the Board, the Board Treasurer, or a person designated by either of those officers to act on behalf of the District pursuant to this resolution (each of whom is referred to in this resolution as a "District Official") may, on behalf of the District and without further action by the Board:

- (i) Issue the Loan from time to time in one more series;
- (ii) Determine whether to refinance the Outstanding Line and take action to prepay that borrowing if desirable;
- (iii) Select one or more purchasers and negotiate the sale of each series of the Loan with those purchasers;
- (iv) Establish the final principal amount, interest rates, payment schedule, covenants and other terms for each series of the Loan, subject to the limitations of this Resolution;
- (v) Determine the security for each series of the Loan subject to the limitations of this Resolution;
- (vi) Enter into additional covenants for the benefit of the purchaser of each series of the Loan that the District Official determines are desirable to obtain favorable terms of each series of the Loan;
- (vii) Execute and deliver one or more loan agreements, credit facilities, notes, declarations, or other documents that memorialize the terms of each series of the Loan;
- (viii) Renew, extend or refinance each series of the Loan;
- (ix) Enter into covenants to maintain the excludability of interest on each series of the Loan from gross income under the Internal Revenue Code of 1986, as amended (the "Code");
- (x) Designate each series as a "qualified tax-exempt obligation" under Section 265(b) of the Code, if applicable;

- (xi) Execute all Loan documents and take any other actions that a District Official determines are reasonably required to carry out this Resolution.

**Section 4. Reimbursement Declaration.** The District formally declares its intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse the District from the proceeds of a borrowing for expenditures it has made or will make for the Project, whether such reimbursement is made from the proceeds of the Loan or from the proceeds of the permanent financing for the Project expected to be provided by Rural Development.

ADOPTED by the Board of Commissioners of the Seal Rock Water District, Oregon this 11th day of July, 2019.

**SEAL ROCK WATER DISTRICT, OREGON**

\_\_\_\_\_  
Mr. John Garcia, President of the Board

ATTEST:

\_\_\_\_\_  
Mr. Glen Morris, Treasurer of the Board



**LOAN RESOLUTION**  
(Public Bodies)

A RESOLUTION OF THE \_\_\_\_\_ Board of Commissioners

OF THE \_\_\_\_\_ Seal Rock Water District

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

\_\_\_\_\_ Beaver Creek Water Source Improvements

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

WHEREAS, it is necessary for the \_\_\_\_\_ Seal Rock Water District

(Public Body)

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

\_\_\_\_\_ Two Million Five Hundred Forty-Seven Thousand & 00/100

pursuant to the provisions of \_\_\_\_\_ ORS Chapter 198 \_\_\_\_\_; and

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

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

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

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 0

under the terms offered by the Government; that the Board of Commissioners

and General Manager of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was:                      Yeas \_\_\_\_\_                      Nays \_\_\_\_\_                      Absent \_\_\_\_\_

IN WITNESS WHEREOF, the Board of Commissioners of the

Seal Rock Water District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this \_\_\_\_\_, \_\_\_\_\_ day of \_\_\_\_\_ 2019

(SEAL) \_\_\_\_\_  
By \_\_\_\_\_

Attest: \_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_

**CERTIFICATION TO BE EXECUTED AT LOAN CLOSING**

I, the undersigned, as \_\_\_\_\_ of the Seal Rock Water District

hereby certify that the \_\_\_\_\_ of such Association is composed of \_\_\_\_\_ members, of whom, \_\_\_\_\_ constituting a quorum, were present at a meeting thereof duly called and held on the \_\_\_\_\_ day of \_\_\_\_\_ ; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of \_\_\_\_\_ , the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_

Title \_\_\_\_\_

**LOAN RESOLUTION**  
(Public Bodies)

A RESOLUTION OF THE Board of Commissioners

OF THE Seal Rock Water District

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

Beaver Creek Water Source Improvements

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

WHEREAS, it is necessary for the Seal Rock Water District

*(Public Body)*

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

Six Million Five Hundred Forty-Nine Thousand & 00/100

pursuant to the provisions of ORS Chapter 198; and

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

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

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

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 2,799,500.00

under the terms offered by the Government; that the Board of Commissioners

and General Manager of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was:                      Yeas \_\_\_\_\_                      Nays \_\_\_\_\_                      Absent \_\_\_\_\_

IN WITNESS WHEREOF, the Board of Commissioners of the

Seal Rock Water District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this \_\_\_\_\_, \_\_\_\_\_ day of 2019

(SEAL) \_\_\_\_\_  
By \_\_\_\_\_

Attest: \_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_

**CERTIFICATION TO BE EXECUTED AT LOAN CLOSING**

I, the undersigned, as \_\_\_\_\_ of the Seal Rock Water District

hereby certify that the \_\_\_\_\_ of such Association is composed of \_\_\_\_\_ members, of whom, \_\_\_\_\_ constituting a quorum, were present at a meeting thereof duly called and held on the \_\_\_\_\_ day of \_\_\_\_\_ ; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of \_\_\_\_\_, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_

REQUEST FOR OBLIGATION OF FUNDS

<b>INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED ( )</b> Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.					
<b>1. CASE NUMBER</b> ST CO BORROWER ID 43-021-*****4185		<b>LOAN NUMBER</b>		<b>FISCAL YEAR</b> 2019	
<b>2. BORROWER NAME</b> Seal Rock Water District			<b>3. NUMBER NAME FIELDS</b> (1, 2, or 3 from Item 2)		
			<b>4. STATE NAME</b> Oregon		
			<b>5. COUNTY NAME</b> Lincoln		
<b>GENERAL BORROWER/LOAN INFORMATION</b>					
<b>6. RACE/ETHNIC CLASSIFICATION</b> 1 - WHITE 2 - BLACK 3 - ASIAN 4 - HISPANIC 5 - API		<b>7. TYPE OF APPLICANT</b> 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4 - PUBLIC BODY 5 - ASSOC OF FARMERS 6 - ORG OF FARMERS 7 - NONPROFIT-SECULAR 8 - NONPROFIT-FAITH BASED 9 - INDIAN TRIBE 10 - PUBLIC COLLEGE/UNIVERSITY 11 - OTHER		<b>8. COLLATERAL CODE</b> 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONLY 5 - LIVESTOCK ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT	
<b>9. EMPLOYEE RELATIONSHIP CODE</b> 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC		<b>10. SEX CODE</b> 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY		<b>11. MARITAL STATUS</b> 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	
<b>12. VETERAN CODE</b> 1 - YES 2 - NO		<b>13. CREDIT REPORT</b> 1 - YES 2 - NO			
<b>14. DIRECT PAYMENT</b> 2 (See FMI)		<b>15. TYPE OF PAYMENT</b> 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY		<b>16. FEE INSPECTION</b> 1 - YES 2 - NO	
<b>17. COMMUNITY SIZE</b> 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		<b>18. USE OF FUNDS CODE</b> (See FMI)			
<b>COMPLETE FOR OBLIGATION OF FUNDS</b>					
<b>19. TYPE OF ASSISTANCE</b> 067 (See FMI)		<b>20. PURPOSE CODE</b> 1		<b>21. SOURCE OF FUNDS</b>	
<b>22. TYPE OF ACTION</b> 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION		1			
<b>23. TYPE OF SUBMISSION</b> 1 - INITIAL 2 - SUBSEQUENT		<b>24. AMOUNT OF LOAN</b> 6,549,000.0		<b>25. AMOUNT OF GRANT</b> 2,799,500	
<b>26. AMOUNT OF IMMEDIATE ADVANCE</b>		<b>27. DATE OF APPROVAL</b> MO DAY YR		<b>28. INTEREST RATE</b> 2.75 %	
				<b>29. REPAYMENT TERMS</b> 25	
<b>COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS</b>					
<b>30. PROFIT TYPE</b> 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT					
<b>COMPLETE FOR EM LOANS ONLY</b>			<b>COMPLETE FOR CREDIT SALE-ASSUMPTION</b>		
<b>31. DISASTER DESIGNATION NUMBER</b> (See FMI)			<b>32. TYPE OF SALE</b> 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN		
<b>FINANCE OFFICE USE ONLY</b>			<b>COMPLETE FOR FP LOANS ONLY</b>		
<b>33. OBLIGATION DATE</b> MO DA YR			<b>34. BEGINNING FARMER/RANCHER</b> (See FMI)		

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder    COPY 1 - Finance Office    COPY 2 - Applicant/Lender    COPY 3 - State Office

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0062. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

- 1. RUS Instruction 1780;
- 2. The Letter of Conditions dated 7/2/2019 and amendments thereto;
- 3. Office of General Counsel (OGC) Closing Instructions.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. YES NO

WARNING: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date July 2nd, 20 19

*A. Denlinger*  
Adam Denlinger, General Manager  
(Signature of Applicant)

Date \_\_\_\_\_, 20 \_\_\_\_\_

(Signature of Co-Applicant)

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Samuel Goldstein

Date Approved: \_\_\_\_\_

Title: Community Programs Director, Portland OR

38. TO THE APPLICANT: As of this date \_\_\_\_\_, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.



REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED ( )  
Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.

1. CASE NUMBER ST CO BORROWER ID 43-021-*****4185		LOAN NUMBER	FISCAL YEAR 2019
2. BORROWER NAME Seal Rock Water District		3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
		4. STATE NAME Oregon	
		5. COUNTY NAME Lincoln	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - API 3 - ASIAN		7. TYPE OF APPLICANT 1 - INDIVIDUAL 8 - ORG OF FARMERS 2 - PARTNERSHIP 7 - NONPROFIT-SECULAR 3 - CORPORATION 9 - NONPROFIT-FAITH BASED 4 - PUBLIC BODY 10 - INDIAN TRIBE 5 - ASSOC OF FARMERS 11 - OTHER 6 - PUBLIC COLLEGE/UNIVERSITY		8. COLLATERAL CODE 1 - REAL ESTATE 4 - MACHINERY ONLY 2 - REAL ESTATE SECURED 5 - LIVESTOCK ONLY 3 - REAL ESTATE AND CHATTEL 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT 9 - CHATTEL ONLY		9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC	
10. SEX CODE 1 - MALE 2 - FEMALE		11. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)		12. VETERAN CODE 1 - YES 2 - NO		13. CREDIT REPORT 1 - YES 2 - NO	
14. DIRECT PAYMENT 2 (See FMI)		15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY		16. FEE INSPECTION 1 - YES 2 - NO			
17. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND NPO ONLY) 2 - OVER 10,000		18. USE OF FUNDS CODE (See FMI)					

COMPLETE FOR OBLIGATION OF FUNDS

19. TYPE OF ASSISTANCE 061 (See FMI)		20. PURPOSE CODE 1		21. SOURCE OF FUNDS		22. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION	
23. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT		24. AMOUNT OF LOAN 2,547,000.00		25. AMOUNT OF GRANT			
26. AMOUNT OF IMMEDIATE ADVANCE		27. DATE OF APPROVAL MO DAY YR		28. INTEREST RATE 2.75 %		29. REPAYMENT TERMS 30	

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

30. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
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COMPLETE FOR EM LOANS ONLY

COMPLETE FOR CREDIT SALE-ASSUMPTION

31. DISASTER DESIGNATION NUMBER (See FMI)		32. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN	
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FINANCE OFFICE USE ONLY

COMPLETE FOR FP LOANS ONLY

33. OBLIGATION DATE MO DA YR		34. BEGINNING FARMER/RANCHER (See FMI)	
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If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender COPY 3 - State Office

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0062. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

- 1. RUS Instruction 1780;
- 2. The Letter of Conditions dated 7/2/2019 and amendments thereto;
- 3. Office of General Counsel (OGC) Closing Instructions.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. \_\_\_\_\_ YES \_\_\_\_\_ NO

**WARNING:** Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date July 2nd, 20 19

A. Denlinger  
Adam Denlinger, General Manager  
*(Signature of Applicant)*

Date \_\_\_\_\_, 20 \_\_\_\_\_

*(Signature of Co-Applicant)*

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

*(Signature of Approving Official)*

Typed or Printed Name: Samuel Goldstein

Date Approved: \_\_\_\_\_

Title: Community Programs Director, Portland OR

38. TO THE APPLICANT: As of this date \_\_\_\_\_, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

Form RD 1942-46  
(Rev. 6-10)

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT

FORM APPROVED  
OMB NO. 0575-0015  
OMB NO. 0570-0062

**LETTER OF INTENT TO MEET CONDITIONS**

Date 07-02-2019

TO: United States Department of Agriculture

Rural Development

(Name of USDA Agency)

31978 N Lake Creek Drive  
Tangent, Oregon 97389

(USDA Agency Office Address)

We have reviewed and understand the conditions set forth in your letter dated 07-02-2019 . It is our intent to meet all of them not later than 08-30-2019 .

Seal Rock Water District

(Name of Association)

BY A. Denlinger

Adam Denlinger, General Manager

(Title)

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a persons is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0570-0062. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data. needed, and completing and reviewing the collection of information.*



United States Department of Agriculture

July 2, 2019

Adam Denlinger, General Manager  
Seal Rock Water District  
1037 NW Grebe Street  
Seal Rock, OR 97376

**SUBJECT:** Recipient Name: Seal Rock Water District  
Project Name: Beaver Creek Water Source Project- Phase IV  
Water Loan & Grant Application

RUS Loan (GO Bond):	\$ 6,549,000
RUS Loan (Revenue Bond):	\$ 2,547,000
<u>RUS Grant:</u>	<u>\$ 2,799,500</u>
Total RD Funding Package:	\$11,895,500

Dear Mr. Denlinger:

**LETTER OF CONDITIONS**

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the Application for Federal Assistance. The [loan and/or grant] will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of services, or any other significant changes this includes significant changes in the Borrower's financial condition, operation, organizational structure or executive leadership in the project or applicant must be reported to and approved by Rural Development (RD) by written amendment to this letter. **Any changes not approved by RD shall be cause for discontinuing processing of the application.**

All conditions set forth under Section III – Requirements Prior to Advertising for Bids must be met within 60 days of the date of this letter. If you have not met these conditions, the Agency reserves the right to discontinue the processing of your application.

If you agree to meet the conditions set forth in this letter and desire further consideration be given to your application, please complete and return the following forms within 15 days:

**Rural Development • Tangent Area Office**  
31978 N Lake Creek Drive • Tangent, OR 97389  
Voice: (541) 801-2682 • Fax: (855) 824-6180

USDA is an equal opportunity provider, employer, and lender.

To file a complaint of discrimination, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by mail at U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410; by fax at (202) 690-7442; or by email at [program.intake@usda.gov](mailto:program.intake@usda.gov).

Form RD 1942-46, "Letter of Intent to Meet Conditions"  
 Form RD 1940-1, "Request for Obligation of Funds"  
 RUS Bulletin 1780-12, "Water and Waste System Grant Agreement"

The loan and grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is signed by the approving official. Thus, this letter in itself does not constitute loan and/or grant approval, nor does it ensure that funds are or will be available for the project. When funds are available, the Form 1940-1 will be provided to you for your signature. After you sign and return the form to the Agency, the request will be processed and [loan/grant] funds will be approved and obligated.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. All parties may access information and regulations referenced in this letter at our website located at [www.rd.usda.gov](http://www.rd.usda.gov).

The conditions are as follows:

### **SECTION I - PROJECT DETAIL**

1. **Project Description** – Funds will be used to develop a new water intake on Beaver Creek, a membrane treatment plant, storage reservoirs, and raw and finished water pipelines. The Beaver Creek raw water pipeline will be a 14-inch high-density polyethylene (HDPE) following South Beaver Creek Road then North Beaver Creek Road, through private property to the treatment site. The proposed treatment facility will be located on the "Makai" site which is already owned by the District and selected because of its proximity to Beaver Creek, among other reasons. Treatment type will be a membrane filtration system which must meet the Oregon Health Authority's target microbial removal rates. The storage reservoirs will be a 500,000-gallon and 250,000-gallon welded steel tanks, 50-foot diameter tank constructed on the Makai site at the treatment facility. The finished water pipeline will be a 12-inch ductile iron line trenched to connect the new storage facility to the District's existing system.

Funds will also be used to refinance an existing line of credit from Cashmere Valley Bank.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER) as concurred with by the Agency.

2. **Project Funding** – The Agency is offering the following funding for your project:

Agency Loan (GO Bond) -	\$ 6,549,000
Agency Loan (Revenue Bond) -	\$ 2,547,000
Agency Grant -	\$ 2,799,500
<b>Total USDA Package</b>	<b>\$11,895,500</b>

This offer is based upon the following additional funding being obtained:

Business Oregon Loan/Grant-	\$ 3,481,000
<b>TOTAL PROJECT COST -</b>	<b>\$ 15,376,500</b>

This funding is offered based on the amounts stated above. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

3. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Total Budgeted:</u>
Construction	\$9,888,000
Engineering- Design	\$ 947,000
Engineering- Membrane Pre-purchase	\$ 35,000
Engineering- Bid Services	\$ 45,000
Engineering- Construction Services	\$ 380,000
Engineering- Start Up Support	\$ 20,000
Legal Services/Land Purchases	\$ 400,000
Geotechnical Site Investigation	\$ 51,000
Surveying	\$ 26,000
Permitting	\$ 170,000
Archeological	\$ 40,000
Bond Counsel Services	\$ 80,000
Interim Interest & Expense	\$ 360,000
Admin	\$ 12,000
Contingency (15%)	\$1,306,000
<u>Line of Credit Refinance</u>	<u>\$1,616,500</u>
<b>TOTAL</b>	<b>\$15,376,500</b>

Obligated loan or grant funds not needed to complete the proposed project will be deobligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

## **SECTION II – LOAN AND GRANT TERMS**

4. **Repayment** – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

- a. **General Obligation Bond Loan (\$6,549,000)**- Your loan will be scheduled for repayment over a period of 25 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 2.75% interest rate, which provides for an annual payment of \$365,697. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

- b. **Revenue Bond Loan (\$2,547,000)**- Your loan will be scheduled for repayment over a period of 30 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 2.75% interest rate, which provides for an annual payment of \$125,797. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

5. **Security** – The loans will be secured by a General Obligation Bond and a Revenue Bond, as follows:

- a. **General Obligation Bond Loan (\$6,549,000)**- General Obligation bond in the amount of \$6,549,000. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture, Rural Utility Service.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."] A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The bond resolution and Loan Resolution must be duly adopted and executed prior to loan closing.

The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

- b. **Revenue Bond Loan (\$2,547,000)**- Revenue bond in the amount of \$2,547,000. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture, Rural Utility Service.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."] A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The bond resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

6. **Electronic Payments** – Payments will be made on the day your payment is due through an electronic preauthorized debit system. You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing. It will allow for your payment to be electronically debited from your account on the day your payment is due.

7. **Construction Completion Timeframe** - All projects must be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit to the Agency a written request for extension of time with adequate justification of circumstances beyond your control. Requests for waivers beyond the initial extension will be submitted to the Assistant Administrator for concurrence decision.

8. **Disbursement of Agency Funds** - Agency funds will be disbursed into the borrower's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant Agreement must not be closed and funds must not be disbursed prior to loan funds except as specified in



RUS Instruction 1780.45(d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

Grant funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of \$500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

9. **Reserves** – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service should the need arise. The following reserves are required to be established as a condition of this loan:

- a. **Debt Service Reserve for General Obligation Bond (\$6,549,000)** – a debt service reserve is not required for General Obligation Bonds.
- b. **Debt Service Reserve for Revenue Bond (\$2,547,000)** – As a part of this Agency loan proposal, you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal \$1,048.31 per month; this amount should be deposited monthly until a total of \$125,797 has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully-funded amount is reached.

When funds are withdrawn during the life of the loan, deposits will commence at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal \$1,048.31 per month; this amount should be deposited monthly until a total of \$125,797 has been accumulated.

This reserve should be maintained in a separate bookkeeping account and proof of the reserve balance will be provided each year in the Balance Sheet and/or the Notes to the

Financial Statements in the Annual Audit report. This reserve is in addition to any existing or future reserve account obligations of the Owners.

10. **Short-Lived Asset Replacement Account** – The Owner shall establish and maintain a Short-Lived Asset Replacement Account. You must deposit an amount, no less than, \$112,564 into the short-lived asset replacement account annually for the life of the loan to pay for repairs and/or replacement of major system assets based on the preliminary engineering report schedule of short-lived assets. It is your responsibility to assess your facility’s short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs. Amounts in the account shall be used and disbursed only for the purpose of replacing facility assets with an estimated life of less than fifteen years. Approval by USDA is not required prior to the use of funds in this account.

Current assets can also be used to establish and maintain reserves for expected expenses, including but not limited to operation and maintenance, deferred interest during the construction period, and an asset management program.

**SECTION III – REQUIREMENTS PRIOR TO ADVERTISING FOR BIDS**

11. **Environmental Requirements** – At the conclusion of the proposal’s environmental review process, specific actions were determined necessary to avoid or minimize adverse environmental impacts. These mitigation measures must also appear in the Bid Documents, Construction Contracts and other financing instruments which offer RD’s commitment for this project. In addition, please send a copy of the mitigation measures to your engineer, or other representatives of the District, to help ensure that these measures are incorporated into the project development plans as appropriate. As outlined in the Final Approval of the Environmental Assessment Report dated April 8, 2019, the following actions are required for successful completion of the project and must be adhered to during project design and construction:

1. The Seal Rock Water District (District) shall obtain and comply with all required County, State, and federal permits, including mitigations measures.
2. An Inadvertent Discovery Plan (IDP) must be “in place” before construction begins. If earth disturbing activities during project construction uncover cultural materials (i.e. structural remains, historic artifacts, or prehistoric artifacts), the area around the discovery shall be secured, all work shall cease, and the appropriate authorities shall be contacted to discuss appropriate protocol for removal, inventory, and proper preservation of the resource(s). These authorities are: 1) RD State Environmental Coordinator (SEC) Michael Beyer, at (503) 414-3368; 2) the Oregon State Historic Preservation Office Archaeologist, Dennis Griffin, at (503) 986-0674. The RD SEC will notify any applicable tribal contacts.

- a. After an inadvertent discovery, some areas may be specified for close monitoring or "no work zones." Any such areas will be identified by the professional archaeologist to the Project Manager, Rural Development and appropriate Contractor's personnel.
3. If earth disturbing activities in any portion of the project area uncover human remains, all work shall cease immediately in accordance with Treatment of Native American Human Remains Discovered Inadvertently or through Criminal Investigations on Private and Public, State-Owned Lands in Oregon and ORS 97.740-.994 and 358.905-961. The area around the discovery shall be secured and the Lincoln County Coroner and RD SEC shall be notified immediately. The RD SEC shall notify the State Archeologist at SHPO and the appropriate tribes without delay.
  4. When disposing of excess, spoil, or other construction materials on public or private property, the ultimate recipient shall not fill in or otherwise convert wetlands or 100-year floodplain areas delineated on the latest Federal Emergency Management Agency (FEMA) floodplain maps.
  5. Applicant must certify that the use of Rural Development funds for the excavation, grading and backfilling for the raw water intake structure will not be utilized to drain, dredge, fill or level or otherwise manipulate wetland #3 at the intake structure site. This includes financial assistance for obtaining wetland permits.
  6. The wetlands identified as jurisdictional wetlands delineated for this project, within the project's area of potential effects (APE), must remain delineated and visible throughout construction. This will ensure all construction activity, including, but not limited to: staging areas, construction access roads, stockpile sites, bore pits, etc., remains outside the identified wetlands.
  7. USDA-RUS is requiring the Seal Rock Water District (applicant) incorporate all non-discretionary Terms and Conditions and Monitoring and Mitigation into the Beaver Creek Raw Water Supply Intake Project. Furthermore, RUS recommends the applicant incorporates all Conservation Measures as recommended in the Biological Opinion, dated April 3, 2019.
    - a. The following Monitoring and Mitigations and Terms and Conditions are directly from the National Marine Fisheries Service's Biological Opinion, dated April 3, 2019.
      - i. The District shall incorporate all Monitoring and Mitigations measures (six bullet points) under section 7 (page 8)
      - ii. The District shall incorporate all four (4) Terms and Conditions under section 2.9.4 (page 57) including the project completion report.

- iii. RUS recommends the applicant incorporates all Conservation Measures as recommended in section 2.10 of the Biological Opinion, dated April 3, 2019.

Note: USDA-RUS is not physically, financially or legally responsible or able to log, collect, document or submit reports to governmental agencies as indicated in section 2.9.4 "Terms and Conditions", item 4 of the Biological Opinion, dated April 3, 2019.

The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and or permits may apply or be required. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

**12. Engineering Services** – You have been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance," or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids, and must approve any modifications to this agreement.

**13. Contract Documents, Final Plans, and Specifications**

- a. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- b. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- c. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

**14. American Iron and Steel (AIS)** - Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater

system unless all of the iron and steel products used in the project are produced in the United States.

- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that—
  - a. applying the requirement would be inconsistent with the public interest;
  - b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
  - c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

**15. Legal Services** – You have been required to execute a legal services agreement with your attorney and bond counsel, if applicable, for any legal work needed in connection with this project. The agreement should stipulate an hourly rate for the work, with a "not to exceed" amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, "Legal Services Agreement," or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

**16. Property Rights** - Prior to advertising for bids, you and your legal counsel must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

- a. **Right-of-Way Map** – Your engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. **Form RD 442-20, "Right-of-Way Easement"** – This form may be used to obtain any necessary easements for the proposed project or a comparable method recommended by your attorney.
- c. **Form RD 442-21, "Right-of-Way Certificate"** – You will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.

- d. **Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"** – Your attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

You are responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

**17. System Policies, Procedures, Contracts, and Agreements** – The facility must be operated on a sound business plan. You must adopt policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

- a. **Conflict of Interest Policy** – Prior to obligation of funds, you must certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict or potential conflict to disclose the conflict/potential conflict; (2) a clause that prohibits interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated.

Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

- b. **Contracts for Other Services/Lease Agreement** – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements must be submitted prior to loan closing, with the exception of the conflict of interest policy, which must be in place prior to obligation of funds.

18. **Closing Instructions** – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Closing instructions must be obtained prior to advertising for bids.
19. **Interim Financing** – For all loans exceeding \$500,000, where loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be used to preclude the necessity for multiple advances of Agency loan funds. You must provide the Agency with a copy of the interim loan financing agreement for review prior to advertising for bids. The Agency approving official may make an exception when interim financing is cost prohibitive or unavailable. Grant funds from the Agency will be disbursed by multiple advances through electronic transfer of funds after interim financing or Agency loan funds are expended, in accordance with RUS Instruction 1780.45.
20. **Construction Account** – You must establish a construction account for all funds related to the project. Construction funds will be deposited with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. A separate account will not be required for Federal funds and other funds; however, the recipient must be able to separately identify, report, and account for all Federal funds, including the receipt, obligation and expenditure of funds. Financial institutions or depositories accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral, in accordance with 31 CFR Part 202. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. Your financial institution can provide additional guidance on collateral pledge requirements.
- Agency funds will be disbursed into the borrower's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.
21. **System Users** – This letter of conditions is based upon your indication at application that there will be at least 2,448 residential users, 152 non-residential users on the existing system when construction is completed.

Before the Agency can agree to the project being advertised for construction bids, you must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, you must provide the Agency with a written plan on how you will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

If you are relying on mandatory connection requirements, you must provide evidence of the authorizing ordinance or statute along with your user certification.

22. **Other Funding** – Prior to advertising for bids, you must provide evidence of applicant contributions and approval of other funding sources. This evidence should include a copy of the commitment letter from each source.

23. **Proposed Operating Budget** – You must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O&M), debt service, and reserves. Prior to advertising for bids, you must submit a proposed annual operating budget to the Agency which supports the operation, maintenance, debt service, and reserves, as well as your proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of your organization. Form RD 442-7, "Operating Budget," or similar format may be utilized for this purpose. It is expected that O&M will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system. This assistance is available free to your organization. If you are interested please contact our office for information.

24. **Permits** –The owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

25. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The VA/ERP documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe



drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

For new systems, see Section V of this letter of conditions. For VA/ERP requirements throughout the life of the loan, see Section VII. Technical assistance at no cost is available in preparing these documents.

26. **Bid Authorization** - Once all the conditions outlined in Section III of this letter have been met, the Agency will authorize you to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

#### **SECTION IV - REQUIREMENTS PRIOR TO START OF CONSTRUCTION**

27. **Bid Tabulation** – Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- a. **Cost Overruns**. If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.
- b. **Excess Funds**. If bids are lower than anticipated at time of obligation, excess funds must be deobligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be deobligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

28. **Contract Review** – Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

Once your attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for its concurrence. The Notice to Proceed cannot be issued until the Agency has concurred with the construction contracts.

29. **Final Rights-of-Way** – If any of the rights-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed. For projects involving the acquisition of land, you must provide evidence that you have clear title to the land prior to the issuance of the Notice to Proceed.

Final Title Work - Immediately after closing or prior to the start of construction, whichever comes first, a Title Insurance Policy must be provided for all existing real property related to the facility, now owned and to be acquired for this project.

30. **Insurance and Bonding Requirements** - Prior to the start of construction or loan closing, whichever occurs first, you must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

- a. **General Liability Insurance** – Include vehicular coverage.
- b. **Workers' Compensation** – In accordance with appropriate State laws.
- c. **Fidelity or Employee Dishonesty Bonds** – Include coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through blanket coverage providing protection for all appropriate workers. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The coverage may be increased during construction based on the anticipated monthly advances. After construction and throughout the life of the loan, the amount of coverage must be for at least the total annual debt service of all outstanding Agency loans. The Agency will be identified in the fidelity bond for receipt of notices. Form RD 440-24, "Position Fidelity Schedule Bond," or similar format may be used.
- d. **National Flood Insurance** - If the project involves acquisition or construction in designated special flood or mudslide prone areas, you must purchase a flood insurance policy at the time of loan closing.
- e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the

contractor(s), you must obtain real property insurance (fire and extended coverage) on all facilities identified above.

Insurance types described above are required to be continued throughout the life of the loan. See Section VII.

31. **Initial Compliance Review** – The Agency will conduct an initial compliance review of the borrower prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

### **SECTION V – REQUIREMENTS PRIOR TO LOAN CLOSING**

32. **Interim Financing** - Interim financing is being used. Loan closing will occur near the end of construction when interim funds are about to be completely disbursed. Documents detailed above from Sections II and III regarding security, electronic payments (Form 3550-28), and system policies, procedures, contracts, and agreements must be adopted and/or executed and submitted to the Agency prior to loan closing. In addition, the following items are required prior to closing:

33. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operation, and a certification that a VA is complete must be submitted within one year of the start of operation. Borrowers with existing systems must provide a certification that a VA and ERP are completed prior to authorization to advertise for bids. The VA/ERP documents are not submitted to the Agency. Technical assistance is available in preparing these documents at no cost to you. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

34. **Other Requirements** – All requirements contained in the Agency's closing instructions, as well as any requirements of your bond counsel and/or attorney, must be met prior to loan closing.

- a. **System for Award Management**. You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>. This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended. See Appendix A.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process

may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

- b. **Litigation.** You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator.** Evidence must be provided that your system has or will have, as defined by applicable State or Federal requirements, a certified operator available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

**SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION**

35. **Resident Inspector(s)** – Full-time inspection is required unless you request an exception. Such requests must be made in writing and the Agency must concur with the request. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the pre-construction conference.

36. **Preconstruction Conference** – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

37. **Inspections** - The Agency requires a pre-construction conference, pre-final and final inspections, and a warranty inspection. Your engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any warranty issues. The Agency will conduct an inspection with you of your records management system at the same time, and will continue to inspect the facility and your records system every three years for the life of the loan. See Section VII of this letter.

38. **Change Orders** – Prior Agency concurrence is required for all Change Orders.

39. **Payments** – Prior Agency concurrence is required for all Invoices and Partial Payment Estimates before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

**40. Use of Remaining Funds** – Applicant contribution and connection or tap fees will be the first funds expended in the project, followed by non-Agency sources of funds. Remaining funds may be considered in direct proportion to the amounts obtained from each source and handled as follows:

- a. Remaining funds may be used for eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
- b. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 60 days of final completion of project. Prior to actual cancellation, you and your attorney and engineer will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
- c. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.

**41. Technical, Managerial and Financial Capacity** - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the particular individual and the utility system. Technical assistance providers are available to provide this training for your organization, often at no cost. Contact the Agency for information.

**42. Reporting Requirements Related to Expenditure of Funds**

- a. **Financial Audit**– An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

- b. **Reporting Subawards and Executive Compensation** – You as a recipient of Federal funds and your first-tier contractors are required by 2 CFR Part 170 to report

disbursements to subrecipients in accordance with Appendix B of this letter and [www.fsrs.gov](http://www.fsrs.gov). Your Agency processing office can provide more information.

## **SECTION VII – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN**

43. **Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

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

44. **Graduation** - By accepting this loan, you are also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines you are able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, you will be requested to refinance. Your ability to refinance will be assessed every other year for those loans that are five years old or older.

45. **Security/Operational Inspections** – The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

46. **Annual Financial Reporting/Audit Requirements** – You are required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information and a rate schedule. Financial statements must be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and must include at a minimum a balance sheet and income and expense statement. The annual report will include separate reporting for each water and waste disposal facility, and itemize cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available at no cost with preparing financial reports.

The type of financial information that must be submitted is specified below:

- a. **Audits** – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended

from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

- b. **Financial Statements** -- If you expend less than \$750,000 in Federal financial assistance per fiscal year, you may submit financial statements in lieu of an audit which include at a minimum a balance sheet and an income and expense statement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of your fiscal year end.
- c. **Quarterly Reports** -- Quarterly Income and Expense Statements will be required until the processing office waives this requirement. You may use Form RD 442-2 or similar format to provide this information, and the reports are to be signed by the appropriate borrower official and submitted within 30 days of each quarter's end. The Agency will notify you in writing when the quarterly reports are no longer required.

47. **Annual Budget and Projected Cash Flow** - Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. With the submission of the annual budget, you will be required to provide a current rate schedule, and a current listing of the Board or Council members and their terms. The budget must be signed by the appropriate borrower official. Form RD 442-2 or similar format may be used.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system, as well as completing the annual budget. If you are interested, please contact our office for information.

48. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – You will be required to submit a certification to the servicing office every three years that the VA/ERP is current and covers all sites related to the facility. The documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

49. **Insurance**. You will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

50. **Statutory and National Policy Requirements** – As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy requirements, including but not limited to:

- a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.
- b. **Civil Rights Act of 1964** – All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
- d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.
- e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language



assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during regular compliance reviews.


51. **Compliance Reviews and Data Collection** – The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that you provide, you must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

**SECTION VIII – REMEDIES FOR NON-COMPLIANCE**

Non-compliance with the conditions in this letter or requirements of your security documents will be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes, and policies.

We look forward to working with you to complete this project. If you have any questions, please contact me at (541) 801-2682 or by e-mail at [holly.halligan@or.usda.gov](mailto:holly.halligan@or.usda.gov).

Sincerely,



Holly Halligan  
Area Specialist  
Tangent, Oregon

**Attachments**

- cc: Sam Goldstein, Portland, Community Programs Director
- Gulgun Mersereau, Hawkins & Delafield, Bond Counsel
- Paul Berg, Jacobs, Inc., Engineer

**FORMS and BULLETINS:**

- Form AD-3031 "Assurance Regarding Felony Convictions or Tax Delinquent Status for Corporate Applicants" – Item 29
- Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy" - Item 15
- Form RD 440-22, "Promissory Note" – Item 5
- Form RD 440-24, "Position Fidelity Schedule Bond" – Item 28
- Form RD 442-2, "Statement of Budget, Income and Equity" – Items 44 and 45
- Form RD 442-3, "Balance Sheet" – Item 44
- Form RD 442-7, "Operating Budget" – Item 21
- Form RD 442-20, "Right-of-Way Easement" – Item 14
- Form RD 442-21, "Right-of-Way Certificate" – Item 14
- Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" – Item 14
- Form RD 1927-9, "Preliminary Title Opinion" – Item 14
- Form RD 1927-10, "Final Title Opinion" – Item 27
- Form RD 1940-1, "Request for Obligation of Funds" – Pages 1 and 2
- Form RD 1942-8, "Resolution of Members or Stockholders" – Item 5
- Form RD 1942-46, "Letter of Intent to Meet Conditions" – Page 1
- Form RD 3550-28, "Authorization Agreement for Preauthorized Payments" – Items 6 and 30
- Form UCC-1, "Financing Statement" – Item 5
- Form UCC-1Ad, "UCC Financing Statement Addendum" – Item 5
- SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form" – Items 8 and 18
- RUS Bulletin 1780-7, "Legal Services Agreement" – Item 13
- RUS Bulletin 1780-9, "Water Users Agreement" - Items 15 and 19
- RUS Bulletin 1780-12, "Water and Waste System Grant Agreement" – Page 1 and Item 5
- RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance" – Items 11 and 12
- RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)" – Item 5
- RUS Bulletin 1780-28, "Loan Resolution Security Agreement" – Item 5

**Appendix A  
2 CFR Part 25**

**SYSTEM FOR AWARD MANAGEMENT AND UNIVERSAL IDENTIFIER REQUIREMENTS**

***A. Requirement for System for Award Management***

Unless you are exempted from this requirement under 2 CFR 25.110, you as the recipient must maintain the currency of your information in the SAM until you submit the final financial report required under this award or receive the final payment, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another appendix.

***B. Requirement for unique entity identifier***

If you are authorized to make subawards under this award, you:

1. Must notify potential subrecipients that no entity (*see* definition in paragraph C of this appendix) may receive a subaward from you unless the entity has provided its unique entity identifier to you.
2. May not make a subaward to an entity unless the entity has provided its unique entity identifier to you.

***C. Definitions***

For purposes of this appendix:

1. System for Award Management (SAM) means the Federal repository into which an entity must provide information required for the conduct of business as a recipient. Additional information about registration procedures may be found at the SAM Internet site (currently at <http://www.sam.gov>).
2. Unique entity identifier means the identifier required for SAM registration to uniquely identify business entities.
3. Entity, as it is used in this appendix, means all of the following, as defined at 2 CFR part 25, subpart C:
  - a. A Governmental organization, which is a State, local government, or Indian Tribe;
  - b. A foreign public entity;
  - c. A domestic or foreign nonprofit organization;
  - d. A domestic or foreign for-profit organization; and

- e. A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.

4. Subaward:

- a. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
- b. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see 2 CFR 200.330).
- c. A subaward may be provided through any legal agreement, including an agreement that you consider a contract.

5. Subrecipient means an entity that:

- a. Receives a subaward from you under this award; and
- b. Is accountable to you for the use of the Federal funds provided by the subaward.

**Appendix B  
2 CFR Part 170**

**Reporting Subawards and Executive Compensation**

**a. Reporting of first-tier subawards.**

1. **Applicability.** Unless you are exempt as provided in paragraph d. of this appendix, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity (see definitions in paragraph e. of this appendix).
2. **Where and when to report.**
  - i. You must report each obligating action described in paragraph a.1. of this appendix to <http://www.fsrs.gov>.
  - ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)
3. **What to report.** You must report the information about each obligating action listed in the submission instructions posted at <http://www.fsrs.gov>.

**b. Reporting Total Compensation of Recipient Executives.**

1. **Applicability and what to report.** You must report total compensation for each of your five most highly compensated executives for the preceding completed fiscal year, if—
  - i. the total Federal funding authorized to date under this award is \$25,000 or more;
  - ii. in the preceding fiscal year, you received—
    - (A) 80 percent or more of your annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and
    - (B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

iii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm>.)

2. Where and when to report. You must report executive total compensation described in paragraph b.1. of this appendix:

- i. As part of your registration profile at <https://www.sam.gov>.
- ii. By the end of the month following the month in which this award is made, and annually thereafter.

**c. Reporting of Total Compensation of Subrecipient Executives.**

1. Applicability and what to report. Unless you are exempt as provided in paragraph d. of this appendix, for each first-tier subrecipient under this award, you shall report the names and total compensation of each of the subrecipient's five most highly compensated executives for the subrecipient's preceding completed fiscal year, if—

i. in the subrecipient's preceding fiscal year, the subrecipient received—

(A) 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and

(B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts), and Federal financial assistance subject to the Transparency Act (and subawards); and

ii. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm>.)

2. Where and when to report. You must report subrecipient executive total compensation described in paragraph c.1. of this appendix:

- i. To the recipient.

- ii. By the end of the month following the month during which you make the subaward. For example, if a subaward is obligated on any date during the month of October of a given year (i.e., between October 1 and 31), you must report any required compensation information of the subrecipient by November 30 of that year.

**d. Exemptions**

If, in the previous tax year, you had gross income, from all sources, under \$300,000, you are exempt from the requirements to report:

- i. Subawards, and
- ii. The total compensation of the five most highly compensated executives of any subrecipient.

**e. Definitions. For purposes of this appendix:**

1. Entity means all of the following, as defined in 2 CFR part 25:
  - i. A Governmental organization, which is a State, local government, or Indian tribe;
  - ii. A foreign public entity;
  - iii. A domestic or foreign nonprofit organization;
  - iv. A domestic or foreign for-profit organization;
  - v. A Federal agency, but only as a subrecipient under an award or subaward to a non-Federal entity.
2. Executive means officers, managing partners, or any other employees in management positions.
3. Subaward:
  - i. This term means a legal instrument to provide support for the performance of any portion of the substantive project or program for which you received this award and that you as the recipient award to an eligible subrecipient.
  - ii. The term does not include your procurement of property and services needed to carry out the project or program (for further explanation, see Sec. \_\_ .210 of the attachment to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations").

- iii. A subaward may be provided through any legal agreement, including an agreement that you or a subrecipient considers a contract.
4. Subrecipient means an entity that:
- i. Receives a subaward from you (the recipient) under this award; and
  - ii. Is accountable to you for the use of the Federal funds provided by the subaward.
5. Total compensation means the cash and noncash dollar value earned by the executive during the recipient's or subrecipient's preceding fiscal year and includes the following (for more information see 17 CFR 229.402(c)(2)):
- i. Salary and bonus.
  - ii. Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Statement of Financial Accounting Standards No. 123 (Revised 2004) (FAS 123R), Shared Based Payments.
  - iii. Earnings for services under non-equity incentive plans. This does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
  - iv. Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
  - v. Above-market earnings on deferred compensation which is not tax-qualified.
  - vi. Other compensation, if the aggregate value of all such other compensation (e.g. severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property) for the executive exceeds \$10,000.



Amortization Schedule for use prior to closing

The following amortization schedule is unofficial and provided without representation as to its accuracy.

Due Date	EXTRA	Scheduled Payment			Unpaid Loan Balances			Daily Interest Accrual
	PAYMENT	Interest	Principal	Total	Interest	Principal	Total	
01/01/21						\$6,549,000.00	\$6,549,000.00	\$493.4178
1/1/2022	\$0.00	\$180,097.50	\$185,599.50	\$365,697.00		\$6,363,400.50	\$6,363,400.50	\$479.4343
1/1/2023	\$0.00	\$174,993.52	\$190,703.48	\$365,697.00		\$6,172,697.02	\$6,172,697.02	\$465.0662
1/1/2024	\$0.00	\$169,284.10	\$196,412.90	\$365,697.00		\$5,976,284.12	\$5,976,284.12	\$450.2680
1/1/2025	\$0.00	\$164,798.09	\$200,898.91	\$365,697.00		\$5,775,385.21	\$5,775,385.21	\$435.1318
1/1/2026	\$0.00	\$158,823.11	\$206,873.89	\$365,697.00		\$5,568,511.32	\$5,568,511.32	\$419.5454
1/1/2027	\$0.00	\$153,134.07	\$212,562.93	\$365,697.00		\$5,355,948.39	\$5,355,948.39	\$403.5304
1/1/2028	\$0.00	\$146,885.07	\$218,811.93	\$365,697.00		\$5,137,136.46	\$5,137,136.46	\$387.0445
1/1/2029	\$0.00	\$141,658.29	\$224,038.71	\$365,697.00		\$4,913,097.75	\$4,913,097.75	\$370.1649
1/1/2030	\$0.00	\$135,110.19	\$230,586.81	\$365,697.00		\$4,682,510.94	\$4,682,510.94	\$352.7919
1/1/2031	\$0.00	\$128,769.04	\$236,927.96	\$365,697.00		\$4,445,582.98	\$4,445,582.98	\$334.9412
1/1/2032	\$0.00	\$121,918.60	\$243,778.40	\$365,697.00		\$4,201,804.58	\$4,201,804.58	\$316.5743
1/1/2033	\$0.00	\$115,866.19	\$249,830.81	\$365,697.00		\$3,951,973.77	\$3,951,973.77	\$297.7514
1/1/2034	\$0.00	\$108,679.26	\$257,017.74	\$365,697.00		\$3,694,956.03	\$3,694,956.03	\$278.3871
1/1/2035	\$0.00	\$101,611.29	\$264,085.71	\$365,697.00		\$3,430,870.32	\$3,430,870.32	\$258.4902
1/1/2036	\$0.00	\$94,090.43	\$271,606.57	\$365,697.00		\$3,159,263.75	\$3,159,263.75	\$238.0267
1/1/2037	\$0.00	\$87,117.77	\$278,579.23	\$365,697.00		\$2,880,684.52	\$2,880,684.52	\$217.0379
1/1/2038	\$0.00	\$79,218.83	\$286,478.17	\$365,697.00		\$2,594,206.35	\$2,594,206.35	\$195.4539
1/1/2039	\$0.00	\$71,340.67	\$294,356.33	\$365,697.00		\$2,299,850.02	\$2,299,850.02	\$173.2764
1/1/2040	\$0.00	\$63,072.61	\$302,624.39	\$365,697.00		\$1,997,225.63	\$1,997,225.63	\$150.4759
1/1/2041	\$0.00	\$55,074.18	\$310,622.82	\$365,697.00		\$1,686,602.81	\$1,686,602.81	\$127.0728
1/1/2042	\$0.00	\$46,381.57	\$319,315.43	\$365,697.00		\$1,367,287.38	\$1,367,287.38	\$103.0148
1/1/2043	\$0.00	\$37,600.40	\$328,096.60	\$365,697.00		\$1,039,190.78	\$1,039,190.78	\$78.2952
1/1/2044	\$0.00	\$28,499.45	\$337,197.55	\$365,697.00		\$701,993.23	\$701,993.23	\$52.8899
1/1/2045	\$0.00	\$19,357.70	\$346,339.30	\$365,697.00		\$355,653.93	\$355,653.93	\$26.7958
1/1/2046	\$0.00	\$9,780.47	\$355,653.93	\$365,434.40		\$0.00	\$0.00	

Amortization Schedule for use prior to closing

The following amortization schedule is unofficial and provided without representation as to its accuracy.

Due Date	EXTRA	Scheduled Payment			Unpaid Loan Balances			Daily Interest Accrual
	PAYMENT	Interest	Principal	Total	Interest	Principal	Total	
01/01/21						\$2,547,000.00	\$2,547,000.00	\$191.8973
1/1/2022	\$0.00	\$70,042.51	\$55,754.49	\$125,797.00		\$2,491,245.51	\$2,491,245.51	\$187.6966
1/1/2023	\$0.00	\$68,509.26	\$57,287.74	\$125,797.00		\$2,433,957.77	\$2,433,957.77	\$183.3804
1/1/2024	\$0.00	\$66,750.47	\$59,046.53	\$125,797.00		\$2,374,911.24	\$2,374,911.24	\$178.9317
1/1/2025	\$0.00	\$65,489.00	\$60,308.00	\$125,797.00		\$2,314,603.24	\$2,314,603.24	\$174.3879
1/1/2026	\$0.00	\$63,651.58	\$62,145.42	\$125,797.00		\$2,252,457.82	\$2,252,457.82	\$169.7057
1/1/2027	\$0.00	\$61,942.58	\$63,854.42	\$125,797.00		\$2,188,603.40	\$2,188,603.40	\$164.8948
1/1/2028	\$0.00	\$60,021.71	\$65,775.29	\$125,797.00		\$2,122,828.11	\$2,122,828.11	\$159.9391
1/1/2029	\$0.00	\$58,537.71	\$67,259.29	\$125,797.00		\$2,055,568.82	\$2,055,568.82	\$154.8716
1/1/2030	\$0.00	\$56,528.13	\$69,268.87	\$125,797.00		\$1,986,299.95	\$1,986,299.95	\$149.6527
1/1/2031	\$0.00	\$54,623.24	\$71,173.76	\$125,797.00		\$1,915,126.19	\$1,915,126.19	\$144.2903
1/1/2032	\$0.00	\$52,521.67	\$73,275.33	\$125,797.00		\$1,841,850.86	\$1,841,850.86	\$138.7696
1/1/2033	\$0.00	\$50,789.67	\$75,007.33	\$125,797.00		\$1,766,843.53	\$1,766,843.53	\$133.1183
1/1/2034	\$0.00	\$48,588.18	\$77,208.82	\$125,797.00		\$1,689,634.71	\$1,689,634.71	\$127.3012
1/1/2035	\$0.00	\$46,464.94	\$79,332.06	\$125,797.00		\$1,610,302.65	\$1,610,302.65	\$121.3242
1/1/2036	\$0.00	\$44,162.01	\$81,634.99	\$125,797.00		\$1,528,667.66	\$1,528,667.66	\$115.1736
1/1/2037	\$0.00	\$42,153.54	\$83,643.46	\$125,797.00		\$1,445,024.20	\$1,445,024.20	\$108.8717
1/1/2038	\$0.00	\$39,738.17	\$86,058.83	\$125,797.00		\$1,358,965.37	\$1,358,965.37	\$102.3878
1/1/2039	\$0.00	\$37,371.55	\$88,425.45	\$125,797.00		\$1,270,539.92	\$1,270,539.92	\$95.7256
1/1/2040	\$0.00	\$34,844.12	\$90,952.88	\$125,797.00		\$1,179,587.04	\$1,179,587.04	\$88.8730
1/1/2041	\$0.00	\$32,527.52	\$93,269.48	\$125,797.00		\$1,086,317.56	\$1,086,317.56	\$81.8458
1/1/2042	\$0.00	\$29,873.72	\$95,923.28	\$125,797.00		\$990,394.28	\$990,394.28	\$74.6187
1/1/2043	\$0.00	\$27,235.83	\$98,561.17	\$125,797.00		\$891,833.11	\$891,833.11	\$67.1929
1/1/2044	\$0.00	\$24,458.22	\$101,338.78	\$125,797.00		\$790,494.33	\$790,494.33	\$59.5578
1/1/2045	\$0.00	\$21,798.15	\$103,998.85	\$125,797.00		\$686,495.48	\$686,495.48	\$51.7223
1/1/2046	\$0.00	\$18,878.64	\$106,918.36	\$125,797.00		\$579,577.12	\$579,577.12	\$43.6668
1/1/2047	\$0.00	\$15,938.38	\$109,858.62	\$125,797.00		\$469,718.50	\$469,718.50	\$35.3898
1/1/2048	\$0.00	\$12,881.89	\$112,915.11	\$125,797.00		\$356,803.39	\$356,803.39	\$26.8824
1/1/2049	\$0.00	\$9,838.96	\$115,958.04	\$125,797.00		\$240,845.35	\$240,845.35	\$18.1459
1/1/2050	\$0.00	\$6,623.25	\$119,173.75	\$125,797.00		\$121,671.60	\$121,671.60	\$9.1670
1/1/2051	\$0.00	\$3,345.96	\$121,671.60	\$125,017.56		\$0.00	\$0.00	



United States Department of Agriculture

Rural Development

Rural Utilities Service

1400 Independence Ave SW  
Washington, DC 20250  
Voice 202.720.9540  
Fax 202.720.1726

TO: State Directors/Acting State Directors

ATTN: Area Directors  
Area Specialist  
Utilities Program Directors

FROM: Chap Rupe  
Acting Administrator  
Rural Utilities Service

CHAD  
RUPE

Digitally signed by  
CHAD RUPE  
Date: 2019.06.27  
09:41:15 -04'00'

SUBJECT: Interest Rate Changes for Water and Waste Disposal Loans

Language in the Consolidated Farm and Rural Development Act requires that the poverty rate and the intermediate rate be determined based on the approval date of the loan. For those loans approved on or after May 23, 2008, the poverty rate will be set at 60 percent of the market rate and the intermediate rate set at 80 percent of the market rate, adjusted to the nearest one-eighth of one percent. Following are the new interest rates for water and waste disposal loans approved on or after May 23, 2008:

Poverty Line....decreased to.....2.125%  
Intermediate....decreased to.....2.750%  
Market.....decreased to.....3.500%

For loans approved but not closed on or before May 22, 2008, the poverty rate will remain fixed at 4.500 percent and the intermediate rate will continue to be set at one-half of the difference between the poverty line rate and the market rate. Following are the new interest rates for water and waste disposal loans approved on or before May 22, 2008:

Poverty Line... unchanged at.....4.500%  
Intermediate....decreased to.....4.000%  
Market .....decreased to.....3.500%

Due to the inversion of the rates, all loans may be obligated at the lower market rate for this quarter. These rates will be effective from July 1, 2019, through September 30, 2019.

EXPIRATION DATE:  
September 30, 2019

FILING INSTRUCTIONS:  
Administrative/Other Programs

**Interest Rate Changes for Water  
And Waste Disposal Loans**

Also, the rate for watershed protection and flood prevention loans and resource conservation and development loans is as follows:

CURRENT RATE	NEW RATE
4.250%	3.500%

Please notify appropriate personnel of these rates.

Sent by Electronic Mail on \_\_\_\_\_, at \_\_\_\_\_ by Policy and Analysis Staff. State Directors/Acting State Directors should advise other personnel as appropriate.

Interest Rate Changes for Water  
And Waste Disposal Loans

Unit	Initial and Date	Unit	Initial and Date
PAS	LINDA PRICE <small>Digitally signed by Linda Price Date: 2019.06.10 10:25:19 -0400</small>	DCFO	CONNIE UNGER <small>Digitally signed by CONNIE UNGER Date: 2019.06.10 10:28:02 -0400</small>
PAS	CONNIE UNGER <small>Digitally signed by CONNIE UNGER Date: 2019.06.10 14:11:00 -0400</small>		For Scott Williams

cc: Asst Sec-  
RUS -  
OEA -  
WEP -

PAS:LPrice:lp:692-0017:06/10/2019