

ORDINANCE NO. 132<sup>a</sup>

AN ORDINANCE PROVIDING FOR THE SUBMISSION TO THE BULKHEAD BOND, DOCK BOND AND LAND PURCHASE BOND HOLDERS OF A PROPOSITION FOR THE SETTLEMENT OF DEFAULT INTEREST PAYMENTS, AND PROVIDING FOR THE MANNER OF PAYMENT OF SAID DEFAULT INTEREST COUPONS ON SAID BONDS, AND DECLARING AN EMERGENCY.

WHEREAS, The bulkhead bonds and dock bonds and land purchase bonds issued by the City of Warrenton are now and have been since the year of 1925 in default insofar as the interest coupons are concerned; and,

WHEREAS, The City of Warrenton at the present time because of the greatly decreased assessed valuation of the City is unable to pay the interest coupons as they become due on said bonds; and,

WHEREAS, The City of Warrenton is now able to pay two per cent interest on said bonds from the date of default to the present time out of the funds available and belonging to the bulkhead, dock and land purchase funds; and,

WHEREAS, It is for the best interests of the city that some sort of a proposal be offered to the various holders of said bonds; and,

WHEREAS, In order to carry out such proposal of settlement, it is for the best interests of the city that some bank be appointed as trustee for the City of Warrenton in handling the settlement of said bond issues on a two per cent basis; and,

WHEREAS, In order to effectually carry out the proposed offer of compromise with the bondholders it is proper that the funds now available toward the payment of the delinquent interest on a two per cent basis be deposited with the Astoria Savings Bank, who shall act as trustee of said city, subject to the provisions hereinafter provided;

NOW, THEREFORE, The City of Warrenton does ordain as follows:

Section 1. That the Mayor, and Auditor and Police Judge of the City of Warrenton be and they are hereby instructed and empowered to sign and attest respectively the following proposal to the respective holders of bulkhead bonds, dock bonds and land purchase bonds of the City of Warrenton:

TO THE BONDHOLDERS OF THE CITY OF WARRENTON:

Warrenton, Oregon, \_\_\_\_\_, 1929.

Due to financial conditions beyond control of the City and its inhabitants, the City of Warrenton was compelled to default on the major part of the bonded indebtedness in November, 1925. The city liabilities are as follows:

GENERAL OBLIGATIONS

WATER BONDS - - - - -	\$150,000.00
At six per cent, 20 years, due Oct. 1, 1925. Interest payable April 1 and Oct. 1. Interest paid.	
BULKHEAD BONDS - - - - -	136,000.00
At six per cent, 20 years, due Nov. 1, 1938. Interest payable May 1 and Nov. 1. Interest due including Nov. 1, 1925.	
DOCK BONDS- - - - -	100,000.00
At six per cent, 20 years, due Nov. 15, 1939. Interest due May 15 and Nov. 15. Interest due Nov. 15, 1925 paid.	
LAND PURCHASE BONDS - - - - -	150,000.00
At six per cent, 20 years, due Nov. 15, 1939. Interest due May 15 and Nov. 15. Interest due Nov. 15, 1925, not paid.	
TOTAL MUNICIPAL BONDS - - - - -	\$536,000.00
Less Water Bonds which have been and are now practically self supporting	150,000.00
NET GENERAL BONDED DEBT	\$386,000.00

RECLAMATION BONDS

District No. 1 - - - - -	10,314.42
At six per cent, 10 years, due Sept. 1, 1931. Interest due Sept. and April each year. Interest due Sept. 1, 1925 not paid.	

District No. 2 - - - - -	\$17,126.44
At six per cent, 10 years, due Sept. 15, 1931. Interest payable March 15 and Sept. 15. March 15, 1926 not paid.	
District No. 3 - - - - -	12,474.34
At six per cent, 10 years, due Sept. 15, 1931. Int. payable Sept. 15 and Mar. 15 Interest due Sept. 15, 1925, not paid.	
TOTAL RECLAMATION BONDS - - - - -	\$39,915.20

SPECIAL IMPROVEMENT BONDS

Total Special Improvement Bonds - - -	12,483.44
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SPECIAL FUND WARRANTS

Outstanding - - - - -	6,929.69
Special districts assessed to defray costs and expenses of various improvements, making a total of the aforesaid amount.	

GENERAL FUND WARRANTS

Outstanding - - - - -	9,844.73
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TOTAL LIABILITIES      \$505,173.06

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The obligations above enumerated started on April 1, 1915, when the Water Bond issue was authorized and the last general obligation bond issue was made as of November 15, 1919.

At the time the above bonds were issued the indebtedness appeared both necessary and reasonable, the assessed valuation for the year 1920 being \$3,062,571.00 and the outlook bright for the city's growth.

Since that time, however, there has been a continuous decline in business activity and the property values until for the year 1926 the assessed valuation was \$1,676,502. Approximately one-half of this property is now in default of taxes. Since 1926 Clatsop County has foreclosed these tax liens, the property reverting to the county so that the assessed valuation for 1927 is \$976,877, and for 1928 \$909,825. The County Assessor states that an additional tax foreclosure sale now pending will reduce the assessed valuation of the City of Warrenton to approximately ~~\$816,350~~ for the year 1929. The delinquent tax liens due the City of Warrenton on the foreclosed property is in excess of \$218,000, out of which little, if anything, will be realized.

A correct idea of our tax income at present can be obtained from the following figures:

Taxes levied in 1927 on the 1926 assessment roll (val. \$1,676,502)	\$58,342.27
Taxes collected (41 per cent)	23,979.20
Taxes delinquent (59)per cent)	34,343.07

Taxes levied in 1928 on the 1927  
assessment roll (val. \$971,991)

\$ 37,512.76

Taxes collected ( 57 per cent)  
Taxes delinquent (43 per cent)

\$ 21,378.42  
\$ 16,134.34

The above amounts include money collected on prior years tax levies collected during 1927 and 1928.

The bonded indebtedness on which we are still making the interest payments when due is that of Water Bond issue and that payment has been made by using the interest fund created from tax levies and adding thereto the moneys received from the water rental account. However, it should be made perfectly clear that the Warrenton Water System today is in a serious condition and it will be necessary in the near future to use all available cash from the rental fund for replacement and repairs.

The City of Warrenton does not wish to repudiate its obligations, but under existing conditions cannot meet its debts in full. It desires to pay every dollar possible. The city feels that in its present condition the largest amount of interest it can pay is two per cent per annum and hereby offers to pay two per cent per annum interest on the \$386,000.00 bonds during the time the bonds have been in default.

Then from the dates above mentioned the City of Warrenton shall throughout the life of the three bond issues named, to-wit: Bulkhead Bonds, Land Purchase Bonds, Dock Bonds; pay interest at the rate of two per cent per annum payable semi-annually. Recently the tax-collecting dates in Oregon have been changed so that it will be advisable to make the semi-annual payments on the 15th days of January and July instead of as at present. All bonds with coupons attached covered by the three bond issues to be deposited with a trust company in Chicago and this company to have each coupon overprinted setting forth the new interest rate and conditions.

We believe that this adjustment will permit the city government to function and that with the promise of reasonable taxation necessary to meet the reduced rate of interest, if accepted by the bondholders, will tend not only to retain on the tax roll and in prompt tax-paying condition, the property which is now there and represented by the assessed valuation of \$909,825, but will result in considerable redemptions from the County which will hereafter increase the tax roll. By normal growth under reasonable tax conditions it is hoped values may increase to such an extent that by maturity of the outstanding bonds it will be possible to repay or refund the principal in full.

In explanation of our contention that it will be possible for us to pay two per cent interest on the bond issues enumerated, we wish to point out that it is believed that the \$909,825 assessed valuation is the taxpaying property that has supported the city budget throughout the past several years and it is fair to expect a revenue of better than 70 per cent of our annual levy from this property. We contend that a definite settlement of our existing interest default based on the plan we offer would reinstate confidence in local property, and with ownership confidence restored coupled with the resale by Clatsop County of much of the land acquired by them the assessed valuation of Warrenton would be on the ascendancy and the tax payments would likewise reach a better proportionate level. The combination of these circumstances should prove exceedingly beneficial to the community and have a good effect upon the value of all outstanding bonds.

If the foregoing is acceptable to the bondholders, there will be affixed to the bonds the agreement of the city substantially along the following lines:

1. That the reduction in interest will be predicated upon prompt payment of each coupon at its maturity, and failure to make such payment on the date due will automatically restore the original rate of six per cent.

2. That the city will levy a tax separate from all other taxes for the service of the compromising bonds with a definite minimum millage to be levied each year until the maturity of the bonds, regardless of the increased and assessed valuation, so as to produce in cash the amount of money required to pay interest on said bonds.

Funds in the amount necessary to pay all delinquent interest on the basis of two per cent per annum will be forwarded to the Continental Illinois Trust Company of Chicago, Illinois, with instructions as to procedure and manner of payment of interest and the overprinting of bonds and coupons.

The City has reached a point where it must rehabilitate its affairs immediately, and the bondholders are therefore urged not to delay in this matter, but to send in their bonds to the Continental Illinois Trust Company of Chicago, Illinois, at once.

And that said proposal hereinbefore set forth shall constitute an offer on the part of the City to settle the delinquent interest coupons on said bond issue.

Section 2. That the City Auditor and Police Judge is hereby ordered and directed to cause to be published in pamphlet form the above mentioned offer of settlement by the city, and that said offer of settlement as printed be distributed to the respective bondholders of said bond issues for their rejection or approval.

Section 3. That the City Auditor and Police Judge within thirty days after the passage of this ordinance be and he is hereby authorized to draw a warrant in the sum of <sup>29880</sup> \$26,020.00 in favor of <sup>24680</sup> the ~~Astoria Savings Bank~~ *Nation Bank of Commerce, Astoria Ore*, said sum to be drawn from the funds available in the interest funds of the Bulkhead, Deck and Land Purchase Bonds.

Section 4. That at the time the City Auditor and Police Judge transmits to the Astoria Savings Bank said warrant, the same shall be delivered together with an escrow agreement containing the following provisions:

You are hereby appointed to act as trustee for the City of Warrenton in the matter of settlement of its defaulted interest coupons on the Bulkhead, Dock and Land Purchase Bonds, and the sum of \$26,020.00 herewith placed in your hands to be held by you in trust for the use and benefit of all holders of Bulkhead, Dock and Land Purchase bonds issued by the City of Warrenton, who consent to the agreement hereinafter set forth.

You are further instructed to notify the Continental Illinois Trust Company of Chicago, Illinois, immediately upon the receipt of this agreement, as follows:

1. That there are now outstanding bonds issued by the City of Warrenton as follows:

Bulkhead Bonds in the sum of	\$136,000.00
Dock Bonds in the sum of	100,000.00
Land Purchase Bonds in the sum of	150,000.00

2. That you now hold the sum of \$26,020 to be disbursed among the holders of said bonds to be paid to said bondholders on the basis of one-third of the amount due on all of said past due coupons on said bonds.

3. That no bondholders shall be paid any money whatsoever upon said bonds until they have submitted said bonds to the Continental Illinois Trust Company with the agreement that they will accept one-third of the amount due on all past due coupons and also will accept two per cent interest instead of six per cent interest on said bonds, from date of default until date of maturity of said bonds, subject to the provision, however, that if the City of Warrenton defaults in the payment of any of the coupons as they become due hereafter, the said bonds shall automatically draw six per cent interest.

4. That all bondholders agreeing to accept this compromise must submit to the Continental Illinois Trust Company the bonds which they now hold, and all such bonds submitted to the Continental Illinois Trust Company shall be overprinted, stating on the face of said bonds that said bonds shall from date of default until date of maturity bear interest at the rate of two per cent instead of six per cent, and that the amount payable on said coupons shall be changed to conform with the new rate of interest which said bonds shall bear, and that the due date on said interest coupons shall be postponed from May and November respectively to July 15th and January 15th next following the respective due dates.

5. Upon the receipt by the Continental Illinois Trust Company of eighty per cent or more of the Bulkhead, Dock and Land Purchase bonds issued by the City of Warrenton, Oregon, who have agreed to accept two per cent interest on said bonds from date of default until date of maturity and who have agreed to accept one-third of the amount due on all past due coupons on said bonds, and upon causing said bonds to be overprinted as herein required, that you, the Astoria Savings Bank, will transmit to the Continental Illinois Trust Company a sufficient amount of money not to exceed the sum of \$26,020.00 to pay all of the past due coupons belonging to the bondholders who consent to accept

one-third of the amount due on said past due coupons as herein provided. Payment of said sum to be forwarded to the Continental Illinois Trust Company upon the receipt by you of the cancelled coupons, together with a certificate made by the Continental Illinois Trust Company to the effect that they have received eighty per cent or more of the bonds outstanding of said bond issues, and that they have <sup>-well</sup> overprinted all of said bonds and coupons so received by them in accordance with the instructions herein contained.

6. That this agreement may be revoked at any time after ninety days from date of this agreement by giving written notice of said revocation.

And you as the trustee for the City of Warrenton are further instructed that upon the receipt of notice from the Continental Illinois Trust Company of their fulfillment of the within escrow agreement, and the receipt of the cancelled coupons, together with the certificate required, that you are hereby authorized to transmit to the Continental Illinois Trust Company, the sum of money sufficient to pay said cancelled coupons on a basis of two per cent interest, not to exceed, however, the sum of \$26,020.00 herewith placed in your hands to carry out this proposed agreement.

And you as the trustee for the City of Warrenton are further instructed that the City of Warrenton may at any time after 120 days revoke this escrow agreement by giving ten days notice in writing to that effect, and upon such revocation the city shall be refunded the full amount of money remaining in your hands under this escrow agreement.

Section 5. Inasmuch as there is an urgent necessity that this ordinance be passed immediately in order to prevent any suit being brought against the City of Warrenton by the respective bondholders of the Bulkhead, Dock and Land Purchase bonds issued by the City of Warrenton; and inasmuch as the proposed settlement offered by the City of Warrenton will constitute a saving to the taxpayers of the City of Warrenton during the life of said bonds in the sum of over \$200,000.00; and inasmuch as the immediate passage of this ordinance will be of a great benefit to the City of Warrenton, and there is and exists an urgent necessity that this ordinance should take effect immediately, so that the welfare of the people of the City of Warrenton and its financial credit may be preserved, an emergency is declared to exist and this ordinance is to take effect immediately after its passage and approval of the Mayor of said city.

Passed by the Commission of the City of Warrenton  
this 18<sup>th</sup> day of April, A. D. 1929.

Approved by the Mayor of the City of Warrenton this  
18<sup>th</sup> day of April, A. D. 1929.

Don G. Malarkey  
Mayor of the City of Warrenton

Attest:

G. Clifford Barlow  
Auditor and Police Judge