

A RESOLUTION OF THE CITY OF LEBANON)
AUTHORIZING ITS LIMITED TAX PENSION) RESOLUTION NO. 02
POOL BOND, SERIES 2002.) FOR 2002

WHEREAS, the City is authorized by Chapter 945 of Oregon Laws 2001 (Senate Bill 134 of the 2001 Regular Session of the Oregon Legislative Assembly or the "Act") to issue limited tax bonds as defined in ORS 288.150 to finance its pension liability; and,

WHEREAS, the Act and ORS 288.150 permit the City to pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay those bonds; and,

WHEREAS, Section 24(2) of the Act provides "Notwithstanding any limitation on indebtedness or borrowing under state or local law, for the purpose of obtaining funds to pay the pension liability of a governmental unit, the governing body of a governmental unit may authorize and cause the issuance of limited tax bonds as defined in ORS 288.150..." and the Act therefore supercedes any limitations in the City's charter; and,

WHEREAS, the City has an unfunded pension liability to the Oregon Public Employees Retirement System ("OPERS") which was estimated to be \$1,737,685 as of December 31, 2000; and,

WHEREAS, OPERS requires the City to pay this unfunded liability over a period of years with interest at eight percent per annum; and,

WHEREAS, current interest rates in the bond market are below eight percent, creating the opportunity for the City to refinance its unfunded pension liability and reduce its costs; and,

WHEREAS, Seattle-Northwest Securities Corporation has developed a pension bond program which may reduce costs for participating governments; and,

WHEREAS, the pension bond program does not require the City to pay any portion of another government's pension bonds or liabilities to OPERS; now therefore,

THE CITY COUNCIL OF THE CITY OF LEBANON RESOLVES:

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"Additional Charges" means the fees and other charges of the Program Trustee, as defined in the Program Trust Agreement and any indemnity payments due under Section 6(3).

“Available General Funds” means: (i) all the City’s ad valorem property tax revenues received from levies under its permanent rate limit; and, (ii) all other unrestricted taxes, fees, charges, revenues and receipts of the City which Oregon law allows to be spent to make the Bond Payments.

“Bond Payments” means the principal and interest payments due under the Bond.

“Bond” means the City’s Limited Tax Pension Pool Bond, Series 2002, that is authorized by Section 2 of this Resolution.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange or the Program Trustee is closed.

“City” means the City of Lebanon, Oregon.

“City Official” means the City Administrator or Finance Director of the City, or the person designated by the City Administrator to act as City Official under this Resolution.

“Event of Default” refers to an Event of Default listed in Section 8(1) of this Resolution.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States, or any other security which the Program Trust Agreement allows to be used as a defeasance obligation.

“Outstanding” refers to all Bond Payments except Bond Payments that have been made or defeased pursuant to Section 9 of this Resolution.

“Payment Date” means a date on which Bond principal or interest are due, whether at maturity or prior prepayment.

“Program” means the pooled pension bond program which was developed by Seattle-Northwest Securities Corporation and is implemented through the Program Trust Agreement.

“Program Obligations” means the obligations issued by the Program Trustee under the Program Trust Agreement which are payable from the Bond Payments and similar pension bond payments issued by other participants in the pension bond program developed by Seattle-Northwest.

“Program Trust Agreement” means the Trust Agreement between the Program Trustee, the City and other issuers of pension bonds which are sold to the Program Trustee, in which the Program Trustee agrees to hold the Bond and distribute the Bond Payments to the owners of Program Obligations.

“Program Trustee” means Wells Fargo Bank Northwest, National Association, as trustee under the Program Trust Agreement, or its successors.

“Qualified Consultant” means an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the analysis of defeasance escrows, who is selected by the City.

“Resolution” means this Resolution, including any amendments made in accordance with Section 7 of this Resolution.

“Security Payments” means the payments described in Section 4(2) of this Resolution.

“Seattle-Northwest” means Seattle-Northwest Securities Corporation, the developer of the pension bond Program.

Section 2. Bond Authorized.

- (1) The City hereby authorizes the issuance, sale and delivery of its Limited Tax Pension Pool Bond, Series 2002, in accordance with this Resolution and in an amount which is sufficient to produce net proceeds which do not exceed the most recent estimate of the City’s unfunded pension liability to OPERS which the City receives from OPERS prior to selling the Bond, plus the costs of issuing and selling the Bond, including any costs of the Program Trustee. The Bond shall not be issued in an amount that exceeds the amount which is required to make a payment to OPERS which exceeds the most recent estimate of that liability which the City receives from OPERS prior to issuing the Bond, plus costs of issuing the Bond are participating in the Program.
- (2) The issuance of the Bond and the participation in the Program shall not obligate the City to pay any portion of another government’s pension bonds or liabilities to OPERS.
- (3) Bond proceeds shall be used to pay the City’s unfunded pension liability to OPERS and to pay costs of issuing and selling the Bond, including any costs of the Program Trustee.
- (4) The Bond shall be a “federally taxable bond” which bears interest that is not excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended. Interest will, however, be exempt from Oregon personal income taxation.
- (5) OPERS requires the City to pay this unfunded liability over a period of years with interest at a minimum of eight percent per annum. Refinancing that liability at a lower rate of interest should, therefore, produce savings for the City. To insure that the rate of interest on the Bond will be less than the rate of interest which OPERS is charging the City on its unfunded pension liability, the Bond shall not be sold at a true interest cost of more than 7.20% per annum.

Section 3. Delegation.

If the City Official determines to issue the Bond, the City Official is hereby directed, on behalf of the City and without further action by the Council, to:

- (1) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to the Bond or the Program Obligations.
- (2) Establish the Bond Payments and the estimated annual and total savings which result from issuing the Bond.
- (3) Establish the final principal amounts, maturity schedules, interest rates, sale prices and discount, prepayment terms, payment terms and dates, Security Payment terms, and other terms of the Bond.
- (4) Negotiate the terms of, and enter into a bond purchase agreement with Seattle-Northwest Securities Corporation which provides for the acquisition of the Bond by the Program Trustee.
- (5) Execute and deliver an intergovernmental agreement and the Program Trust Agreement, or an intergovernmental agreement which is combined with the Program Trust Agreement, which permits the Program Trustee to issue the Program Obligations and provides for the administration of funds held by the Program Trustee, and any other agreements or documents which may be required for participation in the pension bond program developed by Seattle-Northwest Securities Corporation. However, delivery of the Bond to the Program Trustee shall constitute execution of the Program Trust Agreement by the City, and the City shall be bound by the Program Trust Agreement upon delivery of the Bond to the Program Trustee.
- (6) Undertake to provide continuing disclosure for the Bond in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- (7) Apply for ratings on the Bond or the Program Obligations and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bond or the Program Obligations, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- (8) Execute and deliver the Bond to the Program Trustee.
- (9) Execute and deliver any agreements or certificates and take any other action in connection with the Bond which the City Official finds is desirable to permit the sale and issuance of the Bond in accordance with this Resolution.

Section 4. Security for Bond.

- (1) The City hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Bond. The Bond shall be a limited tax bond of the City as defined in ORS 288.150, and the City shall pay the Bond from its Available General Funds. The City is not authorized to levy additional taxes to pay the Bond.

- (2) The City shall, in addition, make the Security Payments as provided in the Bond.
- (3) This Resolution shall constitute a contract with the Trustee, and the owners of the Program Obligations shall be third-party beneficiaries of this contract.

Section 5. Prepayment.

The principal component of Bond Payments shall be subject to prepayment on the dates and at the prices established by the City Official pursuant to Section 3(2). To prepay any principal component of the Bond Payments the City must notify the Program Trustee in writing not less than 50 days prior to the prepayment date, and must deposit with the Program Trustee an amount sufficient to pay all Bond principal which is to be prepaid, plus accrued interest to the prepayment date, not less than 45 days before the prepayment date. The accrued interest payment shall be credited against the Security Payment due on that date. The Program Trustee may treat any amounts which are credited to a defeasance escrow and held by the Program Trustee to prepay Bond Payments as being deposited with the Program Trustee when the Bond Payments are defeased in accordance with Section 9(1)(A)(ii) of this Resolution.

Section 6. Covenants.

The City hereby covenants and agrees with the Owner of the Bond as follows:

- (1) The City shall promptly cause Security Payments and the principal, premium, if any, and interest on the Bond to be paid as they become due in accordance with the provisions of this Resolution and the Bond.
- (2) The City covenants for the benefit of the Program Trustee to pay the Additional Charges reasonably allocated to it by the Program Trustee, in accordance with the invoices for such Additional Charges which are provided by the Program Trustee pursuant to the Program Trust Agreement.
- (3) To the extent permitted by law, the City covenants and agrees to indemnify and save the Program Trustee harmless against any loss, expense or liability which is reasonably allocable to the City and which the Program Trustee may incur arising out of or in the exercise or performance of its duties and powers under the Program Trust Agreement relating to the Bond, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of the Program Trust Agreement in connection with the Bond, excluding any losses or expenses which are due to the Trustee's breach of fiduciary duties, negligence or willful misconduct. The obligations of the City under this Section 6(3) shall survive the resignation or removal of the Program Trustee under the Program Trust Agreement and the payment of the Program Obligations and discharge under the Program Trust Agreement. The damages claimed against the City shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, Oregon Revised Statutes Section 30.260, et seq., unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

Section 7. Amendment of Resolution.

The City may amend this Resolution only with the consent of the Program Trustee.

Section 8. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Resolution:
 - (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon prepayment after principal components of Bond Payments have been properly called for prepayment);
 - (B) Failure by the City to make any Security Payment within five Business Days after it is due;
 - (C) Failure by the City to observe and perform any covenant, condition or agreement which this Resolution requires the City to observe or perform for the benefit of the Program Trustee, which failure continues for a period of 60 days after written notice to the City by the Program Trustee specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 8(1)(C); or,
 - (D) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- (2) The Program Trustee may waive any Event of Default and its consequences, except an Event of Default described in Section 8(1)(A).
- (3) If an Event of Default occurs and is continuing the Program Trustee may exercise any remedy available at law or in equity; however, the Bond Payments shall not be subject to acceleration.
- (4) No remedy in this Resolution conferred upon or reserved to the Program Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Program Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required by this Resolution or by law.

Section 9. Defeasance.

- (1) The City may defease all or any portion of the Bond Payments in accordance with this Section 9. The City shall be obligated to pay any Bond Payments that are defeased in accordance with this Section 9 solely from the money and Government Obligations which are deposited in escrow pursuant to this Section 9, unless the amounts available in escrow are insufficient to make the Bond Payments. Bond Payments shall be deemed defeased if the City:
 - (A) irrevocably deposits money or noncallable Government Obligations in escrow:
 - (i) with an independent trustee or escrow agent which mature and pay interest in amounts which are calculated to be sufficient, without reinvestment, to make all the Security Payments associated with the Bond Payments which are to be defeased on their maturity dates, and to make any prepayments of Bond Payments described in Section 5 on the dates those prepayments are required to be made if any principal components of defeased Bond Payments are to be prepaid; or
 - (ii) with the Program Trustee which mature and pay interest in amounts which are calculated to be sufficient, without reinvestment, to make all the Bond Payments which are to be defeased on their maturity or prepayment dates; and,
 - (B) Provides irrevocable notice of any prepayments which are to occur in connection with the defeasance to the Program Trustee at least 50 days prior to the prepayment; and,
 - (C) files with the escrow agent or trustee an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the Security Payments and prepayments of Bond Payments described in Section 9(1)(A).
- (2) The City shall notify the Program Trustee promptly of any defeasance of Bond Payments.

Section 10. Form.

The Bond shall be issued as a single installment bond in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the City Official. The Bond shall be executed on behalf of the City with the manual signature of the City Official.

Section 11. Rules of Construction.

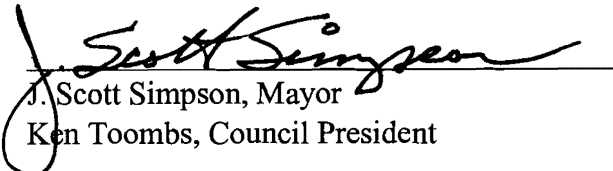
In determining the meaning of provisions of this Resolution, the following rules shall apply unless the context clearly requires application of a different meaning:

- (1) References to section numbers shall be construed as references to sections of this Resolution.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Section 12. Effective Date.

This resolution shall take effect on the date of its passage by the City Council.


Passed by the Council by a vote of 5 for and 0 against and approved by the Mayor this 6 day of February, 2002.



J. Scott Simpson, Mayor
Ken Toombs, Council President



ATTEST:



John E. Hitt, City Recorder

Exhibit A

Form of Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Linn
City of Lebanon, Oregon
Limited Tax Pension Pool Bond
Series 2002

Dated Date: _____

CUSIP Number: _____

Registered Owner: ----- WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION, as Trustee

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Lebanon, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner, which is WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION, as Trustee (the "Program Trustee") under the Trust Agreement among the Program Trustee and the issuers of pension bonds which is dated as of ___, 2002 (the "Program Trust Agreement"), the Principal Amount indicated above, in installments as provided below, together with thereon from the date hereof at the rates provided below, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of ___ and the first day of ___ in each year until maturity or prior prepayment, commencing _____.

| Date | Principal Amount | Interest Rate | |
|------|------------------|---------------|--|
| | | | |

To provide additional security, the City covenants to make the following payments (the "Security Payments") to the Program Trustee on the following dates in the following amounts:

| Date | Amount | Date | Amount |
|------|--------|------|--------|
| | | | |

Each Security Payment shall be credited against the Bond principal and interest payment which is due on fifteenth day following the Bond payment described above.

This Bond is the City's Limited Tax Pension Pool Bond, Series 2002 (the "Bond"). This Bond is issued for the purpose of financing the City's pension liability to the Oregon Public Employees Retirement System. This Bond is authorized and issued under City Resolution No. __ (the "Resolution") and the Chapter 945 of Oregon Laws 2001 and ORS 288.150, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City. Capitalized terms used in this Bond have the meanings defined for such terms in the Resolution.

This Bond is issued in conjunction with and subject to the terms and conditions of the Program Trust Agreement. The City's obligations under this Bond, the Program Trust Agreement and the Program are limited to paying the principal, interest and any premium on this Bond by making the Security Payments, and to paying the Additional Charges. The issuance of this Bond and the participation by the City in the Program shall not obligate the City to pay any portion of another government's pension bonds or liabilities to OPERS.

This Bond is a legal, valid and binding limited tax bond of the City which is enforceable against the City in accordance with its terms. The City's full faith and credit and taxing power within the limitations of

Sections 11 and 11b of Article XI of the Oregon Constitution are pledged for the punctual payment of the principal of and interest on this Bond. The City has covenanted to pay this Bond from its "Available General Funds" as defined in the Resolution. The City is not authorized to levy any additional taxes to pay this Bond. This Bond does not constitute a debt or indebtedness of Linn County, the State of Oregon, or any political subdivision thereof other than the City.

The principal components of the Bond Payments are subject to prepayment [insert prepayment provisions].

To prepay principal components of the Bond Payments the City must notify the Program Trustee in writing not less than 50 days prior to the prepayment date, and must deposit with the Program Trustee an amount sufficient to pay all principal which is to be prepaid, plus accrued interest to the prepayment date, not less than 45 days before the prepayment date.

The Bond may not be transferred to any person other than a successor Program Trustee.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon and the charter of the City and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the City Council of the City of Lebanon, Oregon, by Resolution duly passed, has caused this Bond to be signed by the facsimile or manual signature of its _____ and countersigned by the manual signature of its _____, all as of the date first above written.

City of Lebanon, Oregon

<<First Signer's Title>>

<<Second Signer's Title>>