

ORDINANCE BILL NO. 10

ORDINANCE NO. 1967

AN ORDINANCE OF THE CITY OF LEBANON, OREGON AUTHORIZING THE ISSUANCE AND SALE OF \$4,360,000 ADVANCE REFUNDING GENERAL OBLIGATION WATER BONDS; EXERCISE OF SPECIAL PURCHASE OPTION; APPROVING ESCROW DEPOSIT AGREEMENT; ESTABLISHING A RATE COVENANT; DESIGNATING A PAYING AGENT AND BOND REGISTRAR; AUTHORIZING THE PUBLICATION OF A NOTICE OF SALE; REPEALING CERTAIN ORDINANCE PROVISIONS AND DECLARING AN EMERGENCY.

Pursuant to Ordinance No. 1948, adopted by the Common Council of the City of Lebanon, Oregon on October 10, 1984, the City of Lebanon, Oregon (the "City") issued its General Obligation Water Bonds, Series 1984 ("Series 1984 Bonds") in the amount of \$4,535,000. The principal amount of \$4,535,000 of the Series 1984 Bonds is outstanding.

Oregon Revised Statutes 288.605 to 288.690, inclusive, authorizes the issuance of advance refunding bonds, without an election, in order to effect a savings discounted to present value to a public body or to effect a favorable reorganization of the permanent debt structure of the public body. A favorable reorganization of the permanent debt structure of the City of Lebanon, Oregon and significant savings in debt service may be obtained by the City by advance refunding the Series 1984 Bonds.

Pursuant to Resolution No. 2 of the Common Council an Advance Refunding Plan for the Series 1984 Bonds has been submitted to the office of the Oregon State Treasurer by Seattle-Northwest Securities Corporation of Seattle, Washington, the financial advisor to the City, (the "Financial Advisor") on behalf of the City of Lebanon, Oregon.

In addition to cost savings, the Advance Refunding Plan proposes to reorganize the permanent debt structure of the City by eliminating a Special Put Option by the registered owners of the Series 1984 Bonds that, if exercised, requires the City to purchase all of the outstanding Bonds on the effective date of the exercise of the option and remarket such Series 1984 Bonds at then bond market prices.

NOW, THEREFORE, to reduce debt service of the Series 1984 Bonds, resulting in cost savings for the benefit of the people of the City of Lebanon, Oregon and to favorably restructure the permanent debt of the City of Lebanon, Oregon, and subject to the review and authorization of the Oregon State Treasurer of the Advance Refunding Plan, it is necessary and desirable for the City

of Lebanon, Oregon to authorize the issuance and sale of Advance Refunding General Obligation Water Bonds, in the amount of \$4,360,000.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF LEBANON, OREGON ORDAIN AS FOLLOWS:

Section 1. Issuance of Advance Refunding Bonds. The Common Council of the City of Lebanon, Oregon does hereby authorize the issuance and public competitive sale of \$4,360,000 of Advance Refunding General Obligation Water Bonds (the "Advance Refunding Bonds"). The Advance Refunding Bonds are to be issued for the purpose of providing for the purchase of and the discharge of the Series 1984 Bonds and to pay the costs of issuance of the Advance Refunding Bonds. The Advance Refunding Bonds shall be serial negotiable bonds of the City and shall bear interest payable semi-annually on the first day of May and the first day of November, commencing November 1, 1985 until final maturity or sooner redemption. The Advance Refunding Bonds shall be payable in any funds which at the time of payment is legal tender for the payment of public and private debts within the United States of America.

Section 2. Maturity of Advance Refunding Bonds. The Advance Refunding Bonds shall be entitled "City of Lebanon, Oregon, Advance Refunding General Obligation Water Bonds", and shall bear the facsimile signature of the Mayor of the City and the manual or facsimile signature of the City Administrator. In addition, the Common Council does hereby request and authorize the Bond Registrar to execute the Certificate of Authentication as of the date of delivery of the Advance Refunding Bonds.

The Advance Refunding Bonds shall be issued in fully registered form, shall be in denominations of Five Thousand Dollars (\$5,000) each, or any integral multiple thereof, shall be issued as printed bonds, shall be dated as the City Administrator shall determine and shall be numbered sequentially beginning with R-1, and shall mature serially in annual installments on the first day of November, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1988	\$ 70,000	1999	\$175,000
1989	75,000	2000	190,000
1990	80,000	2001	210,000
1991	85,000	2002	230,000
1992	95,000	2003	250,000
1993	100,000	2004	275,000
1994	110,000	2005	305,000
1995	120,000	2006	335,000
1996	130,000	2007	370,000
1997	145,000	2008	405,000
1998	155,000	2009	450,000

Bidders may designate the Bonds maturing in the years 2001 and thereafter as Term Bonds, not exceeding two term maturities. Such Term Bonds to be subject to mandatory redemptions in the serial annual amounts as set forth above except as may be modified by change in the principal amounts as herein provided. Any Term Bonds so designated shall consist of the principal payments for two or more consecutive years and shall mature on the latest of such years. If no Term Bonds are designated in the successful bid, then the Bonds mature serially on the schedule above.

Section 3. Mandatory Redemption. If the successful bidder designates all or any part of the Bonds maturing in the years 2001 to 2009, inclusive, as Terms Bonds, then such Bonds shall be redeemed on November 1 in each of the years as specified by the successful bidder by lot within the Term Bond year at par value plus accrued interest to the date of redemption.

Section 4. Authorization of City Administrator to Modify Terms of Bond Issue. The Common Council does authorize the City Administrator, for the purposes of the sale of the Bonds, to modify the terms of the Bonds as to the date of the Bonds; principal amount; and serial maturity or term maturity of the Bonds, all upon the recommendations of Seattle Northwest Securities Corporation as Financial Consultant for the City.

Section 5. Change in Serial Maturities. The annual principal amounts of the Bond maturities may be modified in insubstantial amounts to provide for any estimated changes in the principal amount of Bonds as may be required for the purchase of sufficient Government Obligations for deposit into the Escrow Deposit Fund under the Escrow Deposit Agreement between the City and the Escrow Agent. Changes, if any, will be authorized by action of the Common Council immediately prior to the award of the bid.

Interested bidders shall contact the City's Financial Consultant the business day prior to the day of the receipt of bids for any changes in principal amount of the Bonds and, if so, as to changes in the scheduled serial maturities.

Section 6. Payment of Advance Refunding Bonds. The principal of the Advance Refunding Bonds shall be payable upon presentation of the Advance Refunding Bonds at maturity at the office of the Paying Agent in Portland, Oregon. Payment of each installment of interest due on May 1 and November 1 of each year shall be made by check or draft of the Paying Agent mailed to the registered owner of each Bond whose name and address appears on the registration books of the City maintained by the Paying Agent as of the close of business on the 15th day of the month next preceding the interest payment date.

Section 7. Designation of Paying Agent. The Common Council does appoint and designate the First Interstate Bank of Oregon, N.A. of Portland, Oregon, as the Paying Agent and Bond Registrar of

the Advance Refunding Bonds. The City Administrator is authorized to negotiate and execute on behalf of the City a Paying Agent and Bond Registrar Agreement. The Agreement shall provide for compliance with Oregon Administrative Rule 170-61-010.

Section 8. Transfer or Exchange of Advance Refunding Bonds. The Advance Refunding Bonds are transferable, or subject to exchange, for fully registered Bonds in the denomination of \$5,000, or integral multiples thereof by the registered owner thereof in person, or by the owner's attorney, duly authorized in writing, at the office of the Bond Registrar. The Paying Agent shall maintain a record of the names and addresses of the registered owners of the Advance Refunding Bonds. The records of registered bond ownership are not public records within the meaning of Oregon Revised Statutes 192.410(4).

All bonds issued upon transfer, or in exchange, for Advance Refunding Bonds shall be valid general obligations of the City evidencing the same debt and entitled to the same benefits as the Advance Refunding Bonds surrendered for such exchange or transfer. All fees, expenses and charges of the Paying Agent and of the Bond Registrar shall be payable by the City. The Bond Registrar shall not be required (1) to transfer or exchange any Bond after the close of business on the 15th day of the month next preceding any interest payment date, or (2) to transfer or exchange any Advance Refunding Bond called or being called for redemption.

Section 9. Compliance with Advance Refunding Plan. In accordance with the Advance Refunding Plan, the City does authorize that the maturing interest due on the Advance Refunding Bonds from date of issue to November 1, 1987 shall be payable from the Escrow Deposit Fund established by the Escrow Agent under the Escrow Deposit Agreement. That interest maturing on the Advance Refunding Bonds after November 1, 1987 and the principal thereof to final maturity, or sooner redemption, shall be payable from unlimited direct ad valorem tax levies and from the net revenues of the City's water utility system, being the same source of payment as for the Series 1984 Bonds.

That the maturing principal of and the interest due on the Series 1984 Bonds from date of issue to November 1, 1987 shall be payable from unlimited ad valorem tax levies and the net revenues of the City's water utilities system as provided in Ordinance No. 1948. On November 1, 1987, the City shall exercise the City's Special Purchase Option as provided in Ordinance No. 1948 and shall purchase the Series 1984 Bonds by applying the proceeds of the Escrow Deposit Fund, after payment of the interest on that date on the Advance Refunding Bonds. Upon consummation of the purchase of the Series 1984 Bonds, the City shall irrevocably cancel the Series 1984 Bonds and the debt represented thereby shall be deemed extinguished and discharged.

Section 10. Pledge of Tax Levy. The full faith and credit of the City are pledged to the successive owners of each of the Advance Refunding Bonds for the punctual payment of the principal of and interest on the Advance Refunding Bonds when due. The City hereby covenants with the owners of the Advance Refunding Bonds to levy annually, in sufficient amount less other revenues available therefore, as provided by law, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, without limitation, to pay the principal of and interest on the Advance Refunding Bonds promptly as they become due and payable.

Section 11. Rate Pledge and Covenant. Effective November 1, 1987, the City pledges to the payment of the Advance Refunding Bonds the water revenues of the City's water utility system, after payment of the operation and maintenance expenses including the administrative overhead of the utility system ("Net Revenues"). The City covenants and agrees that it shall impose and collect such water user fees and charges and shall revise its rate structure, from time to time, as shall be necessary in order that the water revenues of the water utility system will be sufficient at all times to provide for the operation and maintenance and administrative expenses of the water system including the water treatment plant, maintenance and administrative costs and to provide Net Revenues not less than one times each fiscal year annual debt service on the Advance Refunding Bonds. All use of the water system shall be subject to the full rates prescribed by the City, and no free use of the water system will be permitted.

Section 12. Exercise of Special Purchase Option and Repeal of Certain Provisions of Ordinance. The Common Council does now irrevocably exercise the City's Special Purchase Option as provided for in Section 15(b) of Ordinance No. 1948 such action to be effective November 1, 1987. Notice of the exercise of such purchase option shall be given in writing to the Registered Owner of the Series 1984 Bonds upon the closing of the sale of the Advance Refunding Bonds. The provisions of Section 15(c) of Ordinance No. 1948 are hereby repealed.

Section 13. Creation of Debt Service Fund. The City does authorize the creation of a Debt Service Fund and on November 1, 1987 shall deposit the funds remaining, if any, in the Debt Service Fund created by Ordinance No. 1948 and thereafter shall deposit monthly from the Net Revenues of the water utility system an amount not less than one-sixth (1/6) of the amount required to pay the interest due on the Advance Refunding Bonds on the next forthcoming interest payment date and a further amount not less than one-twelfth (1/12) of the amount required for the payment of the principal of the Advance Refunding Bonds to be retired at the next forthcoming principal maturity date. In determining the amounts required for the monthly deposits the City may consider any other sums then on deposit in the Debt Service Fund for the payment of principal of and interest on the Advance Refunding Bonds. The

funds so deposited are pledged irrevocably to be used only to pay the interest of and the principal on the Advance Refunding Bonds.

Section 14. Investment of Fund. The moneys in the Debt Service Fund shall be invested as prescribed by Oregon Revised Statutes 294.035 for the investment of surplus funds of political subdivisions. Earnings of the Debt Service Fund shall accrue to the Fund.

Section 15. Optional Redemption. The City reserves the right to call and redeem any or all of the outstanding Advance Refunding Bonds, as a whole or in part, in inverse numerical order of maturity and by lot within a maturity on any interest payment date on or after November 1, 1995 at par value plus accrued interest to the date of redemption. Notice of redemption shall be given as provided by law and by registered or certified mail to the registered owners of the Advance Refunding Bonds intended to be called for redemption thirty (30) days prior to the optional redemption date. The notice shall be mailed to the registered owner at the address of the registered owner appearing on the registration books of the City maintained by the Bond Registrar.

Section 16. Use of Proceeds. The proceeds of the sale of the Advance Refunding Bonds shall be applied as follows:

(a) As provided in the Escrow Deposit Agreement dated as of May 1, 1985 and executed by and between the City and First Interstate Bank of Oregon, N.A., as Escrow Agent, there shall be deposited in the Escrow Deposit Fund certain Government Obligations and cash initially transferred, sufficient in amount, that the maturing principal of and interest on such Government Obligations, together with other funds in the Escrow Deposit Fund, shall pay the interest on the Advance Refunding Bonds from date of issue to November 1, 1987 and the balance of the Escrow Deposit Fund shall pay the purchase price of the Series 1984 Bonds represented by the maturing principal of the outstanding Series 1984 Bonds as purchased pursuant to the exercise of the City's Special Purchase Option on November 1, 1987.

(b) The balance of the Advance Refunding Bonds proceeds shall be used first to pay administrative costs, expenses or fees incurred in the issuance of the Advance Refunding Bonds, and any remaining proceeds shall be deposited in the Debt Service Fund.

Section 17. Purchase of Government Obligations and Escrow Deposit Agreement. The Financial Advisor is authorized to purchase Government Obligations for the account of the Escrow Deposit Fund. The terms and provisions of the Escrow Deposit Agreement are approved and the City Administrator is authorized to execute the Escrow Deposit Agreement for and on behalf of the City.

Section 18. Sale of Advance Refunding Bonds. The City Administrator is authorized to establish a date of sale and to advertise the Advance Refunding Bonds for public sale at a price not less than 98% of par value thereof and accrued interest to date of delivery. The Notice of Sale shall be published as provided by law. The City reserves the right to reject any and all bids, and in all other respects the Notice shall comply with the provisions of Chapter 287 Oregon Revised Statutes, as amended. The bids for the Advance Refunding Bonds shall be based upon the true interest cost to the City. All rates bid must be in integral multiples of one-eighth or one-twentieth of one percent. All Advance Refunding Bonds of the same maturity must bear a single rate of interest from the date of issue to maturity. The interest rate named for any maturity of the Advance Refunding Bonds shall not be less than the interest rate named for the Advance Refunding Bonds of any prior maturity.

Section 19. Form of Advance Refunding Bonds. The Advance Refunding Bonds shall be issued substantially in the form as approved by the City Administrator.

Section 20. Printing of Advance Refunding Bonds. The City Administrator is authorized to contract for the printing of the Advance Refunding Bonds. The City Administrator may provide for the printing of, in addition to the original issue of Bonds, additional bonds to be printed in blank form as to registration and to be designated by appropriate number for the Bond Registrar for delivery to the registered owner upon transfer or exchange of Advance Refunding Bonds. The additional bonds shall be dated as approved by the City Administrator and shall be signed by the facsimile signature of the present Mayor of the City and by the facsimile signature of the present City Administrator and the Bond Registrar shall manually sign the Certificate of Authentication as of the date of the transfer of the Advance Refunding Bonds.

Section 21. Arbitrage. The proceeds of the Advance Refunding Bonds shall be used and invested in such manner that the Advance Refunding Bonds shall not become "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations issued thereunder.

Section 22. Bond Counsel. Messrs. Rankin, McMurry, VavRosky & Doherty, of Portland, Oregon are hereby appointed Bond Counsel for the issuance of the Advance Refunding Bonds.

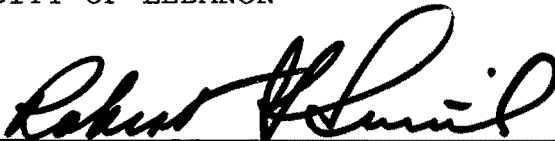
Section 23. Preliminary Official Statement. The City shall prepare, with the assistance of its financial advisor, a Preliminary Official Statement for the Advance Refunding Bonds, which shall be available for distribution to prospective bidders not later than the date on which the Notice of Bond Sale is first published. When advised by staff that the final Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained in the official statement not misleading in the light of the circumstances under which they are made, then the City Administrator is authorized to certify the accuracy of the Official Statement on behalf of the City.

Section 24. Execution of Closing Documents. The City Administrator is authorized to execute the Arbitrage Certificate and any and all additional documents which may be reasonably required to issue, sell and deliver the Advance Refunding Bonds.

Section 25. Emergency. Inasmuch as this Ordinance is necessary for the immediate preservation of the peace, health and safety of the City of Lebanon, Oregon, an emergency is hereby declared to exist and this Ordinance shall be in full force and effect immediately upon passage by the Council and approval by the Mayor.

Adopted by the Common Council in open session this 24th day of April, 1985.

CITY OF LEBANON



Mayor

ATTEST:



City Administrator