

RESOLUTION NO. 1221

A RESOLUTION AUTHORIZING FULL FAITH AND CREDIT PENSION BONDS

WHEREAS, the City of Prineville ("City") is authorized by ORS 238.692 to 238.698 to issue revenue bonds pursuant to ORS Chapter 287A to finance its pension liability as defined in ORS 238.692(1); and

WHEREAS, ORS 287A.315 permits 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 revenue bonds authorized by ORS 238.692 to 238.698 and ORS Chapter 287A; and

WHEREAS, the City has an unfunded actuarial liability ("UAL") to the State of Oregon Public Employees Retirement System ("PERS"); and

WHEREAS, the PERS' actuary has estimated that the City's net UAL to PERS as of September 1, 2013 is approximately \$3,840,374, and as of October 2, 2013 is \$3,866,775; and

WHEREAS, ECONorthwest, an economics consulting firm, has delivered a report entitled "Issuance of Pension Obligation Bonds, A Risk/Reward Analysis" which states that "the expected value to employers of a POB strategy is positive (in present value terms)"; and

WHEREAS, PERS requires the City to pay this UAL over a period of years with interest at PERS' assumed earnings rate, which is currently eight percent per annum, and the PERS board may change that assumed earnings rate to seven and three quarters percent per annum at their September board meeting; and

WHEREAS, current interest rates in the bond market are below the rate of return that PERS may receive in the future, creating the opportunity for the City to finance its unfunded pension liability and to reduce its costs;

NOW, THEREFORE, THE CITY OF PRINEVILLE RESOLVES:

SECTION 1. BONDS AUTHORIZED

(1) The City hereby authorizes the issuance, sale and delivery of its full faith and credit pension bonds ("Bonds") in accordance with this resolution and in an amount which does not exceed the amount necessary to produce net proceeds equal to the City's estimated UAL as of the expected closing date of the Bonds, plus estimated costs related to the Bonds and capitalized interest. The Bonds may be issued in one or more series.

(2) Bond proceeds may only be used to pay the City's pension liability to PERS, to pay interest on the Bonds for a period not to exceed three years, and to pay costs related to the Bonds.

(3) As required by the Internal Revenue Code of 1986, as amended, the Bonds shall be "federally taxable bonds" which bear interest that is not excludable from gross income under Section 103(a) of that code. Interest will, however, be exempt from Oregon personal income taxation.

(4) The Bonds shall not be sold at a true interest cost of more than 5.50% per annum. The City Manager, the Finance Manager or another City employee designated by the City Manager or the Finance

Manager (each of whom is referred to in this resolution as a "City Official") shall compare the cash flows required to pay the Bonds to the cash flows that are estimated to be required pay PERS for the City's UAL, consult with the City's financial advisor and the City's Finance Committee, and determine a Bond structure which a City Official estimates will be advantageous to the City.

SECTION 2. DELEGATION

Any City Official may, on behalf of the City, and without further action by the City Council:

(1) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to the Bonds.

(2) Enter into covenants for the benefit of owners of the Bonds that are intended to improve the terms under which the Bonds are issued.

(3) Apply for ratings on the Bonds and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.

(4) Negotiate the terms of and enter into a bond purchase agreement for the Bonds with Piper Jaffray - Seattle-Northwest Division, as underwriter, or a trustee for a pooled pension bond program.

(5) Establish the final principal amount, payment schedule, interest rates (subject to the limit in Section 1(4) of this resolution), sale price and discount, redemption terms, payment terms and dates, and other terms of the Bonds.

(6) Undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

(7) Approve and execute one or more bond declarations or similar documents, which describe the financial terms, administrative provisions and covenants for the Bonds.

(8) Issue any series of Bonds as part of a pooled pension borrowing program that is expected to produce savings for the City, and enter into any agreements and execute any documents are desirable to facilitate participation in that program.

(9) Execute and deliver the Bonds and any other agreements or other documents, and take any other action in connection with the Bonds, that a City Official finds is desirable to permit the sale and issuance of the Bonds in accordance with this Resolution.

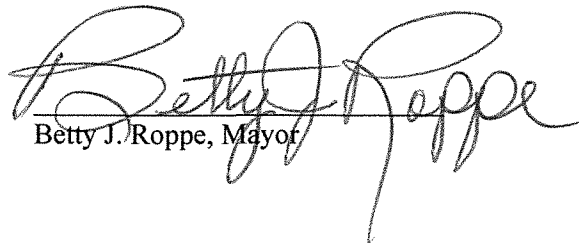
SECTION 3. SECURITY FOR BONDS

Pursuant to ORS 287A.315, 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 Bonds. The City is not authorized to levy additional taxes to pay the Bonds.

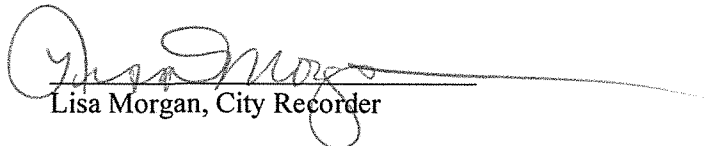
SECTION 4. EFFECTIVE DATE

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

Passed by the City Council this 27th day of August, 2013.


Betty J. Roppe, Mayor

ATTEST:


Lisa Morgan, City Recorder