RESOLUTION NO. 2215

A RESOLUTION OF THE COUNCIL OF THE CITY OF HERMISTON, UMATILLA COUNTY, OREGON, AUTHORIZING A FULL FAITH AND CREDIT PENSION OBLIGATION TO BE ISSUED IN ONE OR MORE SERIES.

WHEREAS, the Council of the City of Hermiston, Umatilla County, Oregon (the "City") is authorized by Oregon Revised Statutes ("ORS") 238.692 to 238.698, including any amendments thereto (the "Act"), to issue revenue bonds under ORS Chapter 287A to finance its pension liability; and

WHEREAS, the Act and ORS 287A.315 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 revenue bonds; and

WHEREAS, the City has an unfunded pension liability (the "Pension Liability") to the Oregon Public Employees Retirement System ("OPERS") estimated to be $15,445,054 as of January 6, 2022; and

WHEREAS, ORS 238.697 requires that the City (1) obtain a statistically based assessment from an independent economic or financial consulting firm regarding the likelihood that investment returns on bond proceeds will exceed the interest cost of the bonds under various market conditions and (2) make a report (the "Report") available to the general public that describes (a) the result of the assessment and (b) discloses whether the City has retained the services of an independent SEC-registered advisor; and

WHEREAS the Report is attached hereto as Exhibit A and the City has obtained an assessment (the "Assessment"), dated January 10, 2022, from ECONorthwest, an independent economic or financial consulting firm, which is attached to the Report; and

WHEREAS, the City understands that the Assessment is based on facts and assumptions that are subject to change, including market projections that are anticipated to be updated by the Oregon Investment Council in April, 2022 and that in order to help evaluate the potential risk in the absence of updated market information, the Assessment was revised to include higher borrowing rate assumptions to approximate less-favorable future market conditions; and

WHEREAS, current interest rates in the bond market are at or below 4.0% percent, creating the opportunity for the City to finance all or a portion of its unfunded pension liability and potentially reduce its costs.

THE COUNCIL OF THE CITY OF HERMISTON, UMATILLA COUNTY, OREGON RESOLVES AS FOLLOWS:

Section 1. Definitions.

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

"Bond" means the City's Full Faith and Credit Pension Obligation, Series 2022 that is authorized by Section 2 of this Resolution.

"Bond Payment Date" means a date on which a Bond Payment is due.

"Bond Payments" means the principal and interest payments, including accreted interest under any deferred interest bond, due under the Bond, and any prepayment premium which is due if Bond principal is prepaid.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"City" means the City of Hermiston, Umatilla County, Oregon, or its successors.

"City Official" means the City Manager or Finance Director of the City.

"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 of America or noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Qualified Consultant" means an independent certified public accountant or an independent municipal advisor 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.

"Special Counsel" means Mersereau Shannon LLP, Portland, Oregon

"State" means the State of Oregon, or any agency thereof.

"Underwriter" means Piper Sandler & Co., Portland, Oregon and any co-managers to be determined at their discretion.

Section 2. Bond Authorized.

(1) The City hereby authorizes the issuance, sale and delivery of its Bond, 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 Pension Liability as reported by the OPERS's actuary as of the expected date of the lump sum payment, plus the costs of issuing and selling the Bond.

(2) Bond proceeds shall be used to pay all or a portion of the City's unfunded pension

liability to OPERS and to pay costs of issuing and selling the Bond. The City may direct that a portion of the Bond proceeds be directly paid to OPERS after closing and a portion be retained by the City for payment to OPERS over time as directed by the City Official.

(3) 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.

(4) OPERS currently charges the City a rate of 6.9% percent per annum on its unfunded liability because that is the assumed rate of return that OPERS expects, over the long term, to earn on its investments. Issuing the Bond at a lower rate of interest and depositing proceeds at OPERS in a Side Account ("Side Account") may reduce costs for the City if the rate of return on the Bond proceeds deposited in the Side Account exceeds the borrowing costs. To maximize the potential for the rate of return on the OPERS fund to exceed the rate of interest on the Bond, the Bond shall not be sold at a true interest cost of more than 4.5% per annum.

(5) The City Official shall compare the cash flows required to pay the Bond to the 6.9% payroll rate credit currently estimated from the Side Account and determine a Bond structure which the City Official estimates will be advantageous to the City.

(6) This resolution's authority will not extend beyond December 31, 2022.

(7) The City Official is authorized to execute a letter to be sent to OPERS requesting the necessary payoff figures and to pay any fees required in connection therewith or, if such letter has been executed prior hereto, the Council hereby ratifies such action.

Section 3. Delegation.

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

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

(2) Establish the final principal amount, Bond Payment schedule, interest rates, sale price and discount, prepayment terms, payment terms and dates, and other terms of the Bond.

(3) Negotiate the terms of, and enter into a bond purchase agreement which provides for the sale of the Bond and, if required, execute a letter of intent prior to the sale.

(4) Deliver the Bond to the purchaser, provided the Bond shall be executed with the facsimile signatures of the Mayor and the City Recorder.

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

(6) Apply for ratings on the Bond and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bond, enter into agreements with the providers of credit

enhancement, and execute and deliver related documents.

(7) Execute and deliver any agreements or certificates and take any other action in connection with the Bond and OPERS administrative rules 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 shall pay the amounts due under the Bond from any and all of its legally available taxes, revenues and other funds as authorized by the Act. 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 amounts due under the Bond pursuant to ORS 287A.315.

(2) This Resolution shall constitute a contract with the owners of the Bond.

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).

Section 6. Covenants.

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

(1) The City shall promptly cause 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 not to merge, consolidate or dissolve unless the City's Bond has been defeased or the obligation for payment of the Bond has been assumed by the successor entity.

Section 7. Amendment of Resolution.

The City may amend this Resolution only with the consent of the owners of 51% of the outstanding principal of the Bond.

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) Except as provided in Section 8(1)(A) above, failure by the City to observe and perform any other covenant, condition or agreement which this Resolution requires the City to observe or perform, which failure continues for a period of 60 days after written notice to the City 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)(B); or,

(C) 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 owners of 51% of the outstanding principal of the Bond 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 owners of 51% of the outstanding principal of the Bond may exercise any remedy available at law or in equity; however, the Bond Payments shall not be subject to acceleration, and the City shall be responsible solely for its Bond Payments.

(4) No remedy in this Resolution 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.

Section 9. Defeasance.

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 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 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; and

(B) provides irrevocable notice of any prepayments which are to occur in connection with the defeasance to the independent trustee or escrow agent at least 50 days prior to the prepayment; and,

(C) files with the independent 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 Bond Payments and prepayments of Bond Payments described in Section 9(A).

Section 10. 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 11. Effective Date.

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

PASSED by the Common Council this 28th day of March, 2022.
SIGNED by the Mayor this 28th day of March, 2022.

____
Dr. David Drotzmann, MAYOR

ATTEST:

____
Lilly Alarcon-Strong, CMC, CITY RECORDER

Exhibit A

Report on Pension Bonds

Prior to the issuance of pension obligation bonds, the City of Hermiston, Umatilla County, Oregon (the "City") has obtained a statistically based assessment from ECONorthwest dated as of January 10, 2022 (the "Assessment") pursuant to ORS 238.697(1)(a)..

The City has prepared this report pursuant to ORS 238.697(1)(b) (the "Report").

In connection with the issuance of pension obligation bonds, the City has not retained the services of an independent municipal advisor registered with the Securities and Exchange Commission.

The Assessment is attached to this Report as Exhibit 1. Results of the Assessment are as follows:

We have reviewed in a public Council meeting the probability analysis of Pension Obligation Bond (POB) at true interest rates (TIC) of 2.5%, 3.5%, and 4.5%, along with the forecasted likelihood of 91.2%, 83.9%, and 73.7%, respectively, that the present value of the issuance would be greater than zero ($0). The ECONorthwest Executive Summary for this analysis discusses the potential risk, and likelihood of success, associated with issuing POBs with the intent of reducing overall pension costs. According to this analysis, the risks associated with such activity are primarily associated with the uncertainty about the performance of the assets once deposited into a side account, the asset allocation decisions made by trustees of the side account, and the interactions of these factors with POB strategy. ECONorthwest reached the provided conclusions after running 20,000 various scenarios of side account performance over time based on the three listed TIC of a potential POB. The rate relief, which is the present value (PV) measurement of the extent to which the rate relief will exceed bond debt service costs, and the probability this will occur were measured for each scenario (TIC of 2.5%, 3.5%, 4.5%) and then summarized in various charts provided by ECONorthwest in the Executive Summary.