

CITY OF HOMER
HOMER, ALASKA

ORDINANCE NO. 84-19

AN ORDINANCE OF THE CITY OF HOMER, IRREVOCABLY PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE OUTSTANDING GENERAL OBLIGATION BOND, 1970 OF THE CITY; ESTABLISHING A PLAN FOR THE DEFEASANCE OF SUCH BOND AND PROVIDING FOR THE IMPLEMENTATION OF SUCH PLAN.

WHEREAS, the City of Homer, Alaska (hereinafter called the "City"), by Ordinance No. 70-10 authorized the issuance of \$522,600 principal amount of its General Obligation Bond, 1970 (hereinafter called the "Bond") for the purpose of providing funds to pay a portion of the cost of acquiring a sewage collection and treatment system for the City; and

WHEREAS, Section 10 of Ordinance 70-10 provides that in the event that money and/or direct obligations of the United States of America, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds in accordance with their terms are set aside in the Bond Redemption Fund to effect such redemption or retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Redemption Fund for the payment of the principal and interest on the Bonds, and the Bonds and any appurtenant coupons shall cease to be entitled to any lien, benefit or security of [that] ordinance except the right to receive the funds so set aside and pledged, and the

January 1, 1990	10,000	5%
January 1, 1991	15,000	5%
January 1, 1992	15,000	5%
January 1, 1993	15,000	5%
January 1, 1994	15,000	5%
January 1, 1995	15,000	5%
January 1, 1996	15,000	5%
January 1, 1997	15,000	5%
January 1, 1998	15,000	5%
January 1, 1999	20,000	5%
January 1, 2000	20,000	5%
January 1, 2001	20,000	5%
January 1, 2002	20,000	5%
January 1, 2003	25,000	5%
January 1, 2004	25,000	5%
January 1, 2005	25,000	5%
January 1, 2006	25,000	5%
January 1, 2007	25,000	5%
January 1, 2008	25,000	5%
January 1, 2009	30,000	5%
January 1, 2010	30,000	5%

Section 2. There is hereby created a special account within the 1970 General Obligation Sewer Bond Redemption Fund to be known as the "1984 Defeasance Account." This defeasance account (hereinafter referred to as the "Defeasance Account")

shall be used solely for the purpose of paying the principal of and interest on the Defeased Bond.

Section 3. For the purpose of irrevocably providing for the payment of the principal of and interest on the Defeased Bond, the City shall deposit into the Defeasance Account substantially the cash and the direct obligation of the United States listed on Exhibit A attached hereto and incorporated by reference herein. If the United States Treasury Bond bearing interest of 10.375 percent and maturing on November 15, 2009, listed on Exhibit A is redeemed prior to its maturity then the City hereby irrevocably calls for redemption of the Defeased Bond on the first January 1 following redemption of such Treasury Bond.

Section 4. The City hereby finds and determines that the United States government obligation (or obligations) to be deposited in the Defeasance Account is a "direct obligation of the United States of America" (hereinafter "Government Obligation") and that the cash and Government Obligation listed on Exhibit A attached hereto will be sufficient to provide money to pay the principal of and interest on the Defeased Bond as the same shall become due. Provision for the payment of the Defeased Bond having been made by the pledge and deposit within the 1970 General Obligation Sewer Bond Redemption Fund of cash and the Government Obligation, the Defeased Bond shall cease to be outstanding pursuant to the ordinance authorizing its issuance and the covenants of such ordinances shall no longer be

applicable to such Bond except that such Bond shall be paid in accordance with its terms from the cash and the Government Obligation deposited in the Defeasance Account as provided herein.

No additional payments shall be made by the City into the 1970 General Obligation Sewer Bond Redemption Fund. Upon the irrevocable deposit of substantially the Government Obligation and cash listed on Exhibit A with the Defeasance Agent, all other money remaining in the 1970 General Obligation Sewer Bond Redemption Fund shall be deposited in such fund or funds as the Council shall by resolution provide.

Section 5. In order to carry out the provisions of the preceding sections, the City Treasurer of the City is authorized and directed to negotiate with a bank to act as a Trustee, and to enter into a Defeasance Agent Agreement providing for the irrevocable deposit of substantially the Government Obligation and cash listed on Exhibit A and setting forth the duties, obligations and responsibilities of the Defeasance Agent in connection with the payment of the Defeased Bond as provided herein. The Defeasance Agent Agreement shall be substantially in the form attached hereto as Exhibit B. In addition, the City Treasurer is authorized and directed to negotiate with an investment banking firm for the purchase, on behalf of the City, of substantially the Government Obligation listed on Exhibit A and to provide the necessary schedules setting forth the receipts from the Government Obligation and the disbursements to be made for the

payment of the principal of and interest on the Defeased Bond, and the resulting cash balances necessary to be maintained in the Defeasance Account.

Section 6. The City reserves the right to substitute other Government Obligations for the Government Obligation listed on Exhibit A in the event it determines to do so, upon compliance with the following conditions:

A. such substitution is accomplished pursuant to resolution of the City.

B. the obligations to be substituted are Government Obligations.

C. the substituted Government Obligations bear such interest and mature at such times and in such amounts as to fully replace the Government Obligation withdrawn and such substituted obligation together with remaining Government Obligations and cash are sufficient thereafter for the payment of the principal of and interest on the Defeased Bond as the same shall become due.

Section 7. Cash balances in the Defeasance Fund shall be invested in the manner set forth in the Defeasance Agent Agreement.

Section 8. The City Treasurer of the City is hereby authorized and directed to take such other actions and execute such other documents as may be required to effect the Defeasance of the Defeased Bond as provided herein.

CITY OF HOMER, ALASKA

By 
Mayor

ATTEST:

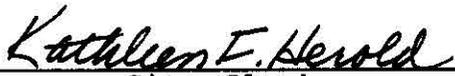

City Clerk

EXHIBIT A

U.S. GOVERNMENT OBLIGATION

<u>Name</u>	<u>Par Amount</u>	<u>Coupon Rate</u>	<u>Maturity</u>
Treasury Bond	\$318,000	10.375%	11/15/2009

Beginning Cash Deposit: \$18,000

EXHIBIT B

DEFEASANCE AGENT AGREEMENT

THIS AGREEMENT made and entered into as of the _____ day of _____, 1984, by and between CITY OF HOMER, ALASKA, (The "City"), and _____ (the "Defeasance Agent");

WITNESSETH:

Section 1. Recitals. The City has issued its General Obligation Bond, 1970 (the "1970 Bond"), in the principal amount of \$522,600 pursuant to Ordinance No. 70-10. Pursuant to Ordinance No. 84-19, the City has determined to provide for the payment of the outstanding 1970 Bond. The 1970 Bond matures and bears interest as follows:

<u>Maturity Years</u>	<u>Amounts</u>	<u>Interest Rate</u>
January 1, 1976	\$ 2,600	5%
January 1, 1977	5,000	5%
January 1, 1978	5,000	5%
January 1, 1979	5,000	5%
January 1, 1980	5,000	5%
January 1, 1981	5,000	5%
January 1, 1982	5,000	5%
January 1, 1983	10,000	5%
January 1, 1984	10,000	5%
January 1, 1985	10,000	5%
January 1, 1986	10,000	5%
January 1, 1987	10,000	5%

January 1, 1988	10,000	5%
January 1, 1989	10,000	5%
January 1, 1990	10,000	5%
January 1, 1991	15,000	5%
January 1, 1992	15,000	5%
January 1, 1993	15,000	5%
January 1, 1994	15,000	5%
January 1, 1995	15,000	5%
January 1, 1996	15,000	5%
January 1, 1997	15,000	5%
January 1, 1998	15,000	5%
January 1, 1999	20,000	5%
January 1, 2000	20,000	5%
January 1, 2001	20,000	5%
January 1, 2002	20,000	5%
January 1, 2003	25,000	5%
January 1, 2004	25,000	5%
January 1, 2005	25,000	5%
January 1, 2006	25,000	5%
January 1, 2007	25,000	5%
January 1, 2008	25,000	5%
January 1, 2009	30,000	5%
January 1, 2010	30,000	5%

The 1970 Bond is referred to herein as the "Defeased Bond."

Section 2. Provision for Payment of the Defeased Bond. To provide for the payment of the principal of and interest on the Defeased Bond, the City, as set forth in Ordinance No. 84-19 hereby agrees irrevocably to deposit with the Defeasance Agent in trust for the security and benefit of the holders and owners of the Defeased Bond, a direct obligation of the United States (hereinafter "Government Obligation") and cash as set forth in Exhibit A attached hereto and incorporated by reference herein.

On or before the delivery of the Government Obligation, the City agrees that it will cause to be delivered to the Defeasance Agent a schedule setting forth the receipts from the Government Obligation and the disbursements to be made for the payment of the principal of and interest on the Defeased Bond, and the resulting cash balances necessary to be maintained in the Defeasance Account created in Ordinance No. 84-19.

Section 3. Disbursements by the Defeasance Agent. The Defeasance Agent shall collect the principal of and interest on the Government Obligation deposited pursuant to this agreement and shall apply the proceeds derived therefrom to the payment of the principal of and interest on the Defeased Bond as the same shall become due. Moneys shall be transferred by the Defeasance Agent in a timely manner, to the holders of or the paying agents for the Defeased Bond in amounts sufficient for the payment of the principal of and interest on the Defeased Bond as the same shall become due. If the United States Treasury Bond bearing interest of 10.375 percent and maturing on November 15, 2009

listed on Exhibit A is redeemed prior to its maturity, then the City has irrevocably called for redemption of the 1970 Bond on the first January 1 following redemption of such Treasury Bond. Upon the maturity or redemption of such Treasury Bond, moneys shall be transferred by the Defeasance Agent in a timely manner to the holders of or the paying agent for the Defeased Bond in amounts sufficient to redeem the 1970 Bond and the remainder shall be transferred to the City Treasurer.

Section 4. Investment of Funds. Except as provided in Section 5, any money deposited with the Defeasance Agent for the benefit of the City, or received by the Defeasance Agent as payments of principal or interest on the Government Obligation prior to the time required to make payments of principal or interest on the Defeased Bond shall be invested and reinvested by the Defeasance Agent, subject to the following conditions:

A. investments shall be limited to "Government Obligations."

B. investments shall mature at or prior to the time which the money invested is required for the payment of principal of or interest on the Defeased Bond.

C. the Defeasance Agent shall make investments in accordance with instructions, if any, received from the City Treasurer not less than one (1) working day prior to the date funds are to be invested, except that in any case investments must comply with the limitations set forth in subparagraphs A and B above. Instructions from the City Treasurer shall be confirmed

in writing. In the event no instruction is received from the City at the time amounts are available for investment, the Defeasance Agent shall invest such amounts in such manner as it may determine (subject to conditions A and B above). In no event shall the Defeasance Agent be liable for failure to obtain optimum investment yields.

Amounts received as investment income as a result of investments made pursuant to this paragraph shall be remitted to the City Treasurer each January 1 and July 1 unless for any reason such amounts shall become necessary for the payment of the principal of or interest on the Defeased Bond.

Any moneys remaining in the hands of the Defeasance Agent derived from the Government Obligation or the income or proceeds thereof, after payment of all of the Defeased Bond, shall be paid to the City.

Section 5. Use of Float by Defeasance Agent. Money received by the Defeasance Agent as payments of interest on the Government Obligation do not have to be invested for the benefit of the City until the January 1 following receipt of such money.

Section 6. Reports and Safekeeping of Government Obligations. For as long as the Defeased Bond is outstanding, on or before the 20th day of each calendar quarter commencing with the 20th day of _____, the Defeasance Agent shall render a statement as of the preceding calendar quarter to the Treasurer of the City, which statement shall set forth the Government Obligations held by the Defeasance Agent, the amounts received by

the Defeasance Agent as principal of and interest on Government Obligation, the amount of cash delivered to the City Treasurer or otherwise, and the dates of such delivery, for the payment of the principal of and interest on the Defeased Bond as the same shall become due and any other transactions of the Defeasance Agent pertaining to its duties and obligations as set forth herein.

All Government Obligations, moneys and investment income deposited with or received by the Defeasance Agency pursuant to this agreement shall be subject to the trust created by this agreement and the Defeasance Agent shall be liable for the preservation and safekeeping thereof. The Defeasance Agent shall not be liable for any depreciation in value of any investments or moneys so deposited with the Defeasance Agent.

Section 7. Duties and Obligations of Defeasance Agent. The duties and obligations of the Defeasance Agent shall be as prescribed by the provisions of this agreement, and the Defeasance Agent shall not be liable except for the performance of its duties and obligations as set forth herein and in Ordinance No. 8449; and to act in good faith in the performance thereof.

The Defeasance Agent may consult with counsel of its choice and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or not taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

Section 8. Compensation of Defeasance Agent. For services provided in accordance herewith, the Defeasance Agent shall not be entitled to any fee or cost but shall be compensated solely out of the float of funds permitted in Section 5 herein.

CITY OF HOMER, ALASKA

By _____
City Treasurer

ATTEST:

Kathleen F. Herald
City Clerk

Bank

By _____