

MEMORANDUM

TO: The Honorable Mayor and City Council
FROM: Robert R. Lehnhardt, Director of Finance/Treasurer
DATE: September 7, 2021
SUBJECT: **Bond Parameters Ordinance – Taxable General Obligation Bonds, Series 2021**

Request

Adoption of the bond parameters ordinance for Taxable General Obligation Bonds, Series 2021.
Adoption of a resolution ratifying and approving the professional services and professional service providers necessary for carrying out the sale of Taxable General Obligation Bonds, Series 2021 (Regular Agenda New Business #3).

Strategic Priority

Financial Stability – Maintain structurally balanced budgets with a continued focus on operating expenditures and infrastructure investment. One of the goals is to identify expenditure reduction opportunities which included a specific initiative to analyze the unfunded liabilities of the City's Police and Firefighters' Pension Plans.

Background

In September 2020, staff initiated the analysis of the Police and Firefighters' Pension Plans' unfunded liabilities with the goal to identify funding options to reduce the unfunded liabilities and lessen the significant annual increases of City contributions to the pension plans. The analysis would identify specific strategies, benefits, and risks for each option and provide a recommendation on a viable financial strategy for the City. The goal of the analysis was to develop a funding strategy that achieves predictable annual payments while reducing long-term costs and achieve statutory required funding in both pension plans by 2041.

Police and Firefighters' Pension Plans – Statutory Requirement

Illinois Compiled Statutes (ILCS) require the Police and Firefighters' Pension Plans to be 90% funded by 2041. The City's annual funding contributions target is to achieve 100% funding by 2041.



Police and Firefighters’ Pension Plans – December 31, 2020, Funded Status

Based Foster & Foster’s (“Foster”) latest actuarial valuation report as of January 1, 2021, the Police Pension Plan had a funding ratio on December 31, 2020, of 64.33%, with an unfunded liability of \$38.3 million. For the Firefighters’ Pension Plan, the funding ratio was 78.28%, with an unfunded liability of \$11.5 million.

**Police and Firefighters’ Pension Plans
Funded Status (Accounting Basis)
December 31, 2020**

Plan	Valuation Date	Net Position	Total Pension Liability	Unfunded Liability/ (Surplus)	Funded Ratio
Police	12/31/2020	\$ 69,129,113	\$ 107,457,108	\$ 38,327,995	64.33%
Firefighters	12/31/2020	\$ 41,505,496	\$ 53,022,088	\$ 11,516,592	78.28%
Total		\$ 110,634,609	\$ 160,479,196	\$ 49,844,587	

Police and Firefighters’ Pension Plans - City Contributions

The following chart shows the City’s total pension contributions, excluding IMRF, have increased from \$3.0 million in FY 2016 to \$5.7 million in CY 2021, an increase of \$2.7 million (or 90.5%). The City has been able to manage these increases over the years, however the gap between General Fund operating revenues and operating expenses has narrowed over the years. This has placed significant pressure on other General Fund operating expenses and has impacted the funding to the Capital Projects Fund. Since FY 2016, total Police and Firefighters’ pension contributions as a percentage of total General Fund operating expenses have increased from 8.0% to 12.9%.

**Police and Firefighters’ Pension Plans
City Contributions**

Year	Police Pension Plan			Firefighters’ Pension Plan			Total Pension Plans			% of General Fund Oper. Exp.
	City Contribution	Annual Change Amount	Annual Change %	City Contribution	Annual Change Amount	Annual Change %	City Contribution	Annual Change Amount	Annual Change %	
FY 2016	\$ 2,000,982	\$ 39,898	2.0%	\$ 1,010,419	\$ (45,850)	-4.3%	\$ 3,011,401	\$ (5,952)	-0.2%	8.0%
FY 2017	2,378,653	377,671	18.9%	1,104,091	93,672	9.3%	3,482,744	471,343	15.7%	9.1%
FY 2018	2,744,782	366,129	15.4%	1,452,575	348,484	31.6%	4,197,357	714,613	20.5%	10.6%
SY 2018	2,933,100	188,318	6.9%	1,491,364	38,789	2.7%	4,424,464	227,107	5.4%	14.9%
CY 2019	2,989,971	56,871	1.9%	1,488,287	(3,077)	-0.2%	4,478,258	53,794	1.2%	10.8%
CY 2020	3,405,260	415,289	13.9%	1,717,043	228,756	15.4%	5,122,303	644,045	14.4%	12.0%
CY 2021	3,828,765	423,505	12.4%	1,908,482	191,439	11.1%	5,737,247	614,944	12.0%	12.9%
CY 2022	3,965,362	136,597	3.6%	1,845,963	(62,519)	-3.3%	5,811,325	74,078	1.3%	N/A

The City engaged four consultants with expertise in the fields of actuarial (Foster & Foster), investment (Marquette Associates), bond and disclosure counsel (Chapman and Cutler, LLP), and public finance (Robert W. Baird & Co.) to assist the City in developing achievable funding options.

The City held six public meetings considering pension funding options and the City Council considered the benefits and risks of the following financial strategy funding options:

- Continue current funding approach, “status quo”, per actuarial annual recommendations to achieve 100% funding by 2041.
- Make a one-time \$6.0 million contribution to the pension funds, with \$6.0 million coming from the excess reserves of the General Fund, while continuing to maintain the 40% General Fund fund balance policy.

- Make \$6.0 million in contribution payments to the pension funds spread over 5 years, addressing dollar cost averaging concerns, with \$6.0 million coming from the excess reserves of the General Fund, while continuing to maintain the 40% General Fund fund balance policy.
- Issue \$10.0 million non-taxable General Obligation Bonds with a 15-year level debt service structure for capital projects and make a \$10.0 million one-time contribution to pension plans with \$6.0 million coming from the excess reserves of the General Fund, while continuing to maintain the 40% fund balance policy, and \$4.0 million from the Capital Projects Fund.
- Issue \$52.0 million in taxable Pension Obligation Bonds (POB) to fund its unfunded liabilities (bring funded ratio to 100%) with a 20-year level debt service structure and an assumed bond rate of 2.46% vs. the plans' 6.75% investment return target.
- With all options, evaluate the impact of a 15-year open amortization period, lower payroll growth assumption, and dollar cost averaging of investments.

At the May 24, 2021, the majority of the City Council directed staff to move forward with the funding strategy of the issuance of a taxable POB to eliminate the entire unfunded liability of the pension plans and implement a dollar-cost averaging investment strategy to mitigate adverse market timing.

Current Projections

The analysis and projections on the Police and Firefighters' Pension Plans' unfunded liabilities provided at the previous meetings were based on Foster's most recent actuarial reports as of December 31, 2020. In order to ensure the City issues a bond amount that achieves as close as possible of 100% funding by the date of the delivery of the bond proceeds (week of October 25), Foster will provide estimates of the unfunded liabilities. As of June 30, 2021, Foster estimates the total unfunded liabilities is approximately \$45.3 million.

Robert W. Baird & Co. ("Baird") has provided an update on their POB analysis (Attachment A) which estimates the City issue \$46.8 million with a 19-year level debt service schedule at an assumed bond rate of 2.62%. Assuming the pension plans investments achieve a 6.75% rate of return over the life of the POBs, the estimated present value savings is \$17.6 million.

Method of Sale

In the past, the City has generally sold its bonds through a competitive sale process. In a competitive sale, the underwriter that offers the lowest true interest cost, including underwriting compensation, "wins" the transaction. This is different from a negotiated sale in that an underwriter is engaged early in the deal process and at the time of pricing, negotiates fair interest rate levels between the City and investors. Perhaps the most important responsibility of Baird is to monitor the market and ensure that the underwriter executes the sale at market interest rate levels.

Baird recommended a negotiated sale for the proposed issuance of POBs for the following principal reasons:

- Provides the City with bond structuring flexibility (e.g., select the shortest par call acceptable to investors at the time of pricing and adjust principal amortization to achieve the City's objectives); and
- Provides the City with timing flexibility (e.g., sell the bonds when market conditions are favorable and avoid competing Illinois transactions); and

- Allows the underwriter additional time to effectively market pension bonds (e.g., ample time to educate investors on pension bonds and the City's reasons for issuing them).

Based on an evaluation of seven firms, City staff and Baird has recommended selecting Stifel Nicolaus & Company, Inc. as senior managing underwriter (70% participation) and Piper Sandler & Company as co-managing underwriter (30% participation). Given the size of the City's proposed transaction, engaging two underwriters would enhance the distribution of the City's bonds to a wider universe of investors at no additional cost to the City. The two underwriters would split the proposed underwriting fee based on their level of participation (70%/30%).

Bond Parameters Ordinance

The attached bond parameters ordinance establishes the conditions (*Section 4. Bond Details*) that must be met in order for the City to issue and sell the bonds that achieve established minimum savings to the City.

Designated Officials

The ordinance also authorizes designated City officials (Mayor, City Manager, and Finance Director) to execute the necessary bond documents as long as the established conditions are met. Any two of the Designated Officials (one of whom shall be an elected official) can authorize the sale of the Bonds (*Section 14. Sale of Bonds; Bond Order; Official Statement*) on behalf of the City without further authorization or direction whatsoever from the City Council. The bond parameters ordinance also allows the City to sell the bonds at a time Baird feels market conditions are most favorable to the City. It is important to note that the ordinance authorizes the issuance of bonds within the specified parameters, but it does not require the bonds to be issued. Staff will evaluate the bond sale to ensure the established minimum savings is achieved prior to the execution of the necessary bond documents.

2021 Bond Issue Parameters

Maximum issue amount (inclusive of Budget Stabilization Fund): \$54,000,000

Budget Stabilization Fund maximum amount: \$2,000,000

Maximum maturity date: December 1, 2041

Authorization to sell Bonds expires: March 7, 2022

Maximum annual debt service levy: \$4,500,000

Maximum bond interest rate per annum: 4.00%

All-Inclusive true interest cost: 4.00%

Optional call dates: Allowed, will be set forth in the Bond Order

Designated Officials: Mayor, City Manager, and City Finance Director. Any two of the Designated Officials (one of whom shall be an elected official) can authorize the sale of the Bonds on behalf of the City without further authorization or direction whatsoever from the City Council.

Budget Stabilization Fund

Baird has recommended the City create a Budget Stabilization Fund (*Section 15 (B). Creation of Funds, Accounts and Appropriations; Special Covenant Regarding Use of Proceeds*) which is currently estimated to be funded with \$1.0 million in bond proceeds. The Budget Stabilization Fund would be utilized by the City to mitigate the budget impact on the City's annual contributions to the Pension Plans and used to offset short-term smoothed losses due to any annual investment performance below the 6.75% investment rate of return.

Dollar-Cost Averaging Investment Strategy

Staff had previously recommended the Police and Firefighters' Pension Plans implement a dollar-cost averaging investment strategy to mitigate the risk of investing a large dollar amount at once which could result in adverse market timing. Due to uncertainties associated the Police Officers' and Firefighters' Pension Investment Consolidation, staff has developed another financing strategy of having the bond proceeds contributed to the Police and Firefighters' Pension Plans in twelve (12) equal installments (*Section 15 (E). Creation of Funds, Accounts and Appropriations; Special Covenant Regarding Use of Proceeds*), with the first contribution occurring at the time of issuance of the bonds. The downside of this new approach is the City's Comprehensive Annual Financial Report and the Police & Firefighters' Actuarial Reports for the fiscal year ended December 31, 2021, will not reflect the unfunded liabilities being entirely eliminated since only two-twelfths (2/12) of the bond proceeds would be credited to the Police and Firefighters' Pension Plans by the end of the fiscal year

Bond Sale Timetable

Week of September 13: Conference call with rating agency.
Week of September 20: Post Preliminary Official Statement.
Week of October 4: Price Bonds and sign bond purchase agreement.
Week of October 11: Post Final Official Statement.
Week of October 25: Bond Closing and receipt of bond proceeds.

Recommendation

Attached for your consideration is a bond parameters ordinance providing for the issuance of Taxable General Obligation Bonds, Series 2021 for the purpose of funding all or a portion of the unfunded liability of the City's Police and Firefighters' Pension Funds and a budget stabilization fund. The ordinance was prepared by the City's bond counsel, Chapman and Cutler LLP, and reviewed by Baird.

If the City Council concurs, it is recommended that a motion be made to adopt the parameters ordinance providing for the issuance of not to exceed \$54,000,000 Taxable General Obligation Bonds, Series 2021, for the purpose of funding all or a portion of the unfunded liability of the City's Police and Firefighters' Pension Funds, a budget stabilization fund for such unfunded liability, the levy and collection of taxes to pay said bonds and authorizing the sale of said bonds to the purchasers thereof.

A resolution (Regular Agenda New Business #3) has also been prepared should the City Council approve the bond parameters ordinance setting forth the professional services and professional service providers necessary for carrying out the sale of Taxable General Obligation Bonds, Series 2021.

City of Wheaton, Illinois

Hypothetical Refunding of Police and Firefighters' Pension Fund UAALs Level Debt Service Scenario

Bond Year Ending December 1	Annual Payment to Amortize Unfunded Liabilities ⁽²⁾	Alternative Funding Method Level Debt Service Illustration ⁽¹⁾				Assumed Savings ⁽³⁾	Additional Budgeted Contribution ⁽⁴⁾	UAAL Balance ⁽²⁾	POB Balance
		Principal	Interest A/C% 2.62%	Net Total Debt Service					
							\$45,331,909	\$46,845,000	
2022	\$2,986,986	\$820,000	\$1,137,214	\$1,957,214	\$1,029,772	\$1,952,025	\$45,203,205	\$46,025,000	
2023	\$3,106,465	\$2,075,000	\$1,028,255	\$3,103,255	\$3,211		\$44,938,270	\$43,950,000	
2024	\$3,230,724	\$2,215,000	\$1,013,107	\$3,228,107	\$2,617		\$44,522,805	\$41,735,000	
2025	\$3,359,952	\$2,235,000	\$989,407	\$3,224,407	\$135,546		\$43,941,346	\$39,500,000	
2026	\$3,494,351	\$2,265,000	\$960,575	\$3,225,575	\$268,776		\$43,177,167	\$37,235,000	
2027	\$3,634,125	\$2,295,000	\$927,959	\$3,222,959	\$411,166		\$42,212,197	\$34,940,000	
2028	\$3,779,489	\$2,335,000	\$888,256	\$3,223,256	\$556,234		\$41,026,916	\$32,605,000	
2029	\$3,930,669	\$2,380,000	\$844,358	\$3,224,358	\$706,312		\$39,600,244	\$30,225,000	
2030	\$4,087,896	\$2,430,000	\$796,758	\$3,226,758	\$861,139		\$37,909,431	\$27,795,000	
2031	\$4,251,412	\$2,480,000	\$745,728	\$3,225,728	\$1,025,685		\$35,929,935	\$25,315,000	
2032	\$4,421,468	\$2,535,000	\$691,168	\$3,226,168	\$1,195,301		\$33,635,289	\$22,780,000	
2033	\$4,598,327	\$2,595,000	\$631,595	\$3,226,595	\$1,371,732		\$30,996,957	\$20,185,000	
2034	\$4,782,260	\$2,660,000	\$568,018	\$3,228,018	\$1,554,243		\$27,984,189	\$17,525,000	
2035	\$4,973,550	\$2,725,000	\$500,188	\$3,225,188	\$1,748,363		\$24,563,857	\$14,800,000	
2036	\$5,172,493	\$2,800,000	\$427,975	\$3,227,975	\$1,944,518		\$20,700,281	\$12,000,000	
2037	\$5,379,392	\$2,875,000	\$350,975	\$3,225,975	\$2,153,417		\$16,355,049	\$9,125,000	
2038	\$5,594,568	\$2,955,000	\$270,188	\$3,225,188	\$2,369,381		\$11,486,813	\$6,170,000	
2039	\$5,818,350	\$3,040,000	\$184,197	\$3,224,197	\$2,594,153		\$6,051,084	\$3,130,000	
2040	\$6,051,084	\$3,130,000	\$94,213	\$3,224,213	\$2,826,871		\$0	\$0	
	\$82,653,561	\$46,845,000	\$13,050,129	\$59,895,129	\$22,758,432	\$1,952,025			
<i>Assumed Unfunded Actuarial Accrued Liability Funded by POBs</i>					\$45,331,909				
<i>Assumed Present Value Savings @ Bond Rate.....</i>					\$17,592,335				
<i>Assumed PV Savings @ Bond Rate / UAAL.....</i>					38.81%				

(1) This illustration represents a mathematical calculation of potential interest cost savings, assuming hypothetical rates based on current rates for taxable general obligation bonds rated Aa1 as of August 23, 2021. Actual rates may vary. If actual rates are higher than those assumed, the interest cost savings would be lower. Assumes \$1 million deposit into a budget stabilization fund, delivery date of October 25, 2021, principal payments on December 1 and a first interest payment on June 1, 2022. Preliminary, subject to change.

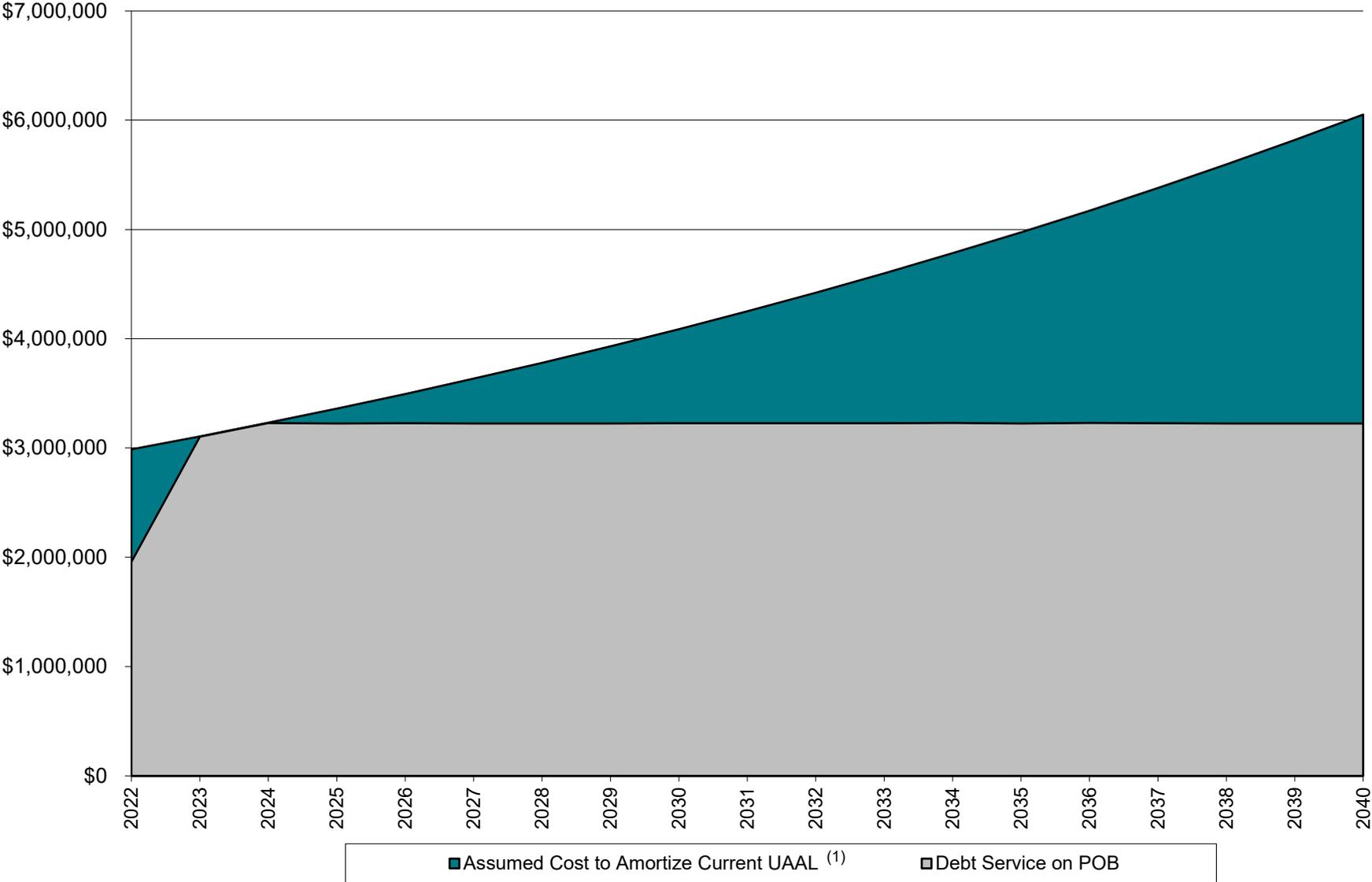
(2) Total UAAL, 4.00% payroll growth, 6.75% investment rate and 19 year repayment period are assumed in Foster & Foster's amortization schedules as of June 30, 2021. The UAAL payment is calculated as a constant percentage of payroll for covered employees. Preliminary, subject to change.

(3) Assumes actuarially projected results are achieved and bonds are issued as described.

(4) In addition to debt service on the POBs, the City will budget an annual contribution payment of \$1,952,025 towards the unfunded liability in 2022. POB proceeds will be transferred to the Pension Plans over a twelve month period to implement dollar cost averaging on investments. As a result, the City has estimated an additional contribution towards the UAAL over this period of time which offsets the estimated savings generated by the POBs in 2022.



Funding of Police & Firefighters' Pension Fund UAAL
Hypothetical Level Debt Service Illustration



(1) Assumes actuarially projected results are achieved.

ORDINANCE NUMBER O-2021-

AN ORDINANCE providing for the issuance of not to exceed \$54,000,000 Taxable General Obligation Bonds, Series 2021, of the City of Wheaton, DuPage County, Illinois, for the purpose of funding all or a portion of the unfunded liability of said City's Police and Firefighters' Pension Funds, a budget stabilization fund for such unfunded liability, the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds and authorizing the sale of said bonds to the purchasers thereof.

Adopted by the
City Council on the 7th day of
September, 2021.

ORDINANCE NUMBER O-2021-

AN ORDINANCE providing for the issuance of not to exceed \$54,000,000 Taxable General Obligation Bonds, Series 2021, of the City of Wheaton, DuPage County, Illinois, for the purpose of funding all or a portion of the unfunded liability of said City's Police and Firefighters' Pension Funds, a budget stabilization fund for such unfunded liability, the levy and collection of a direct annual tax for the payment of the principal of and interest on said bonds and authorizing the sale of said bonds to the purchasers thereof.

PREAMBLES

WHEREAS, pursuant to the provisions of Section 6 of Article VII of the Constitution of the State of Illinois (the "*Constitution*"), the City of Wheaton, DuPage County, Illinois (the "*City*"), is a home rule unit and may exercise any power or perform any function pertaining to its government and affairs including, but not limited to, the power to tax and to incur debt; and

WHEREAS, pursuant to the provisions of said Section 6, the City has the power to incur debt payable from ad valorem property tax receipts or from any other lawful source and maturing within 40 years from the time it is incurred without prior referendum approval; and

WHEREAS, the City's sworn police employees participate in the pension plan provided by the Police Pension Employees Retirement System (the "*Police Pension Fund*"), the same being a pension system established pursuant to Article 3 of the Illinois Pension Code, as amended (the "*Pension Code*"), which Police Pension Fund holds amounts deposited therewith, including investment earnings thereon, for the payment of the benefits earned by participants of the Police Pension Fund (the "*Police Pension Liability*"); and

WHEREAS, the City's sworn full-time firefighter employees participate in the pension plan provided by the Firefighters' Pension Employees Retirement System (the "*Firefighters' Pension Fund*") and collectively with the Police Pension Fund, the "*Pension Funds*"), the same being a pension system established pursuant to Article 4 of the Pension Code, which Firefighters' Pension

Fund holds amounts deposited therewith, including investment earnings thereon, for the payment of the benefits earned by participants of the Firefighters' Pension Fund (the "*Firefighters' Pension Liability*") and, together with the Police Pension Liability, the "*Pension Liabilities*" and each a "*Pension Liability*"); and

WHEREAS, under the Pension Code, the City is obligated to pay to the Pension Funds the amounts by which the respective Pension Liability of such Pension Fund exceeds the assets on hand in such Pension Fund, the amount of said difference being the Unfunded Actuarial Accrued Liability and referred to herein as the "*UAAL*"; and

WHEREAS, the City Council of the City (the "*Corporate Authorities*") hereby provides that the amount of the aggregate UAAL shall be determined prior to the issuance of the hereinafter defined Bonds by Foster & Foster Consulting Actuaries, Inc., an independent actuarial consulting firm; and

WHEREAS, the Corporate Authorities deem it advisable for the health, safety, welfare and convenience of the residents and taxpayers of the City to borrow not to exceed \$54,000,000 at this time for the purpose of funding all or a portion of the UAAL (the "*Pension Funding*"), providing a budget stabilization fund for the Pension Liabilities (the "*Budget Stabilization Fund*") and paying expenses incidental thereto, including capitalized interest, which borrowing shall be evidenced by the issuance of taxable general obligation bonds of the City.

NOW THEREFORE Be It Ordained by the City Council of the City of Wheaton, DuPage County, Illinois, in the exercise of its home rule powers, as follows:

Section 1. Definitions. Words and terms used in this Ordinance shall have the meanings given them, unless the context or use clearly indicates another or different meaning is intended. Words and terms defined in the singular may be used in the plural and vice-versa. Reference to

any gender shall be deemed to include the other and also inanimate persons, such as corporations, where applicable.

A. The following words and terms are as defined in the preambles hereto.

Budget Stabilization Fund

Constitution

Corporate Authorities

Firefighters' Pension Fund

Firefighters' Pension Liability

Pension Code

Pension Funds

Pension Funding

Pension Liabilities

Pension Liability

Police Pension Fund

Police Pension Liability

UAAL (Unfunded Actuarial Accrued Liability)

City

B. The following words and terms are defined as set forth.

“Act” means the Illinois Municipal Code, as supplemented and amended; the Local Government Debt Reform Act, as amended; and also the home rule powers of the City under Section 6 of Article VII of the Illinois Constitution of 1970; and in the event of conflict between the provisions of the code and home rule powers, the home rule powers shall be deemed to supersede the provisions of the code.

“Bond Account” means the Bond Account established and defined in this Ordinance.

“Bond Moneys” means the Pledged Taxes and any other moneys deposited into the Bond Account and investment income earned in the Bond Account.

“Bond Order” means a Bond Order as authorized to be executed by all of the Designated Officials of the City as provided in this Ordinance by which the final terms of a series of the Bonds will be established.

“Bond Purchase Agreement” means each Bond Purchase Agreement, by and between the City and the Purchaser, for a series of the Bonds, as authorized to be executed by any two of the Designated Officials of the City as provided in this Ordinance.

“Bond Register” means the books of the City kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

“Bond Registrar” means the bond registrar and paying agent for the Bonds, the same being a bank or trust company authorized to do business in the State of Illinois as set forth in a Bond Order, having the powers and duties as herein set forth, or a successor thereto or a successor designated as bond registrar and paying agent hereunder.

“Bonds” means the not to exceed \$54,000,000 Taxable General Obligation Bonds, Series 2021, authorized to be issued by this Ordinance (with such other series designations or descriptions as may be set forth in a Bond Order).

“Book Entry Form” means the form of the Bonds as fully registered and available in physical form only to the Depository.

“County” means The County of DuPage, Illinois.

“County Clerk” means the County Clerk of the County.

“*Depository*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, its successors, or a successor depository qualified to clear securities under applicable state and federal laws.

“*Designated Officials*” means the Mayor, the City Manager and the Finance Director of the City.

“*General Fund*” means the primary operating fund of the City, as defined and further described in the City’s comprehensive annual financial report for the fiscal year ended December 31, 2020.

“*Municipal Bond Insurance Policy*” means a policy or surety contract guaranteeing to the registered owners of Bonds the payment of the principal of and interest on the Bonds.

“*Ordinance*” means this Ordinance, numbered as set forth on the title page, and passed by the Corporate Authorities on the 7th day of September, 2021.

“*Pledged Taxes*” means the real property taxes levied to pay the bonds as described and levied in of this Ordinance.

“*Purchaser*” means (a) the best bidder for the Bonds at a competitive sale conducted by Robert W. Baird & Co. Incorporated, Naperville, Illinois, as municipal advisor of the City (“*Baird*”) or (b) one or more banks or financial institutions (i) authorized to do business in the State of Illinois or (ii) listed in the Dealers & Underwriters or Municipal Derivatives sections of the most recent edition of The Bond Buyer’s Municipal Marketplace; provided, however that the Purchaser as set forth in (b) shall only be selected upon receipt by the City of the written recommendation of Baird that the sale of the Bonds on a negotiated or private placement basis to the Purchaser is in the best interests of the City because of (i) the pricing of the Bonds by the Purchaser, (ii) then current market conditions or (iii) the timing of the sale of the Bonds.

“*Record Date*” means the 15th day of the month preceding any regular or other interest payment date occurring on the first day of any month and 15 days preceding any interest payment date occasioned by the redemption of Bonds on other than the first day of a month.

“*Term Bonds*” means Bonds subject to mandatory redemption by operation of the Bond Account and designated as term bonds herein.

C. Definitions also appear in the above preambles or in specific sections, as appearing below. The table of contents preceding and the headings in this Ordinance are for the convenience of the reader and are not a part of this Ordinance.

Section 2. Incorporation of Preambles. The Corporate Authorities hereby find that all of the recitals contained in the preambles to this Ordinance are true, correct and complete and do incorporate them into this Ordinance by this reference.

Section 3. Determination to Issue Bonds. It is necessary and in the best interests of the City for the public health, safety, welfare and convenience to provide for the Pension Funding, to fund the Budget Stabilization Fund, to pay all necessary or advisable related costs, including an amount for capitalized interest on the Bonds, and to borrow money and issue the Bonds for the purpose of paying a part of such costs. It is hereby found and determined that such borrowing of money is for a proper public purpose or purposes and is in the public interest, and is authorized pursuant to the Act; and these findings and determinations shall be deemed conclusive.

Section 4. Bond Details. There shall be issued and sold the Bonds in the aggregate principal amount of not to exceed \$54,000,000. The Bonds shall each be designated “*Taxable General Obligation Bond, Series 2021*” (or such other designation as set forth in a Bond Order); be dated as of the date of delivery as may be set forth in a Bond Order (the “*Dated Date*”); and shall also bear the date of authentication thereof. The Bonds may be issued in one or more series,

with a separate Bond Order to be executed in connection with each series of the Bonds as described in this Ordinance, shall be fully registered and in Book Entry Form, shall be in denominations of \$5,000 or integral multiples thereof (but no single Bond shall represent principal maturing on more than one date), shall be numbered consecutively in such fashion as shall be determined by the Bond Registrar, and shall mature serially or as Term Bonds on December 1 of the years and in the amounts and bearing interest at the rates percent per annum (subject to the right of prior redemption hereinafter stated) as shall be set forth in a Bond Order; *provided, however*, that (a) the final maturity of the Bonds shall be not later than December 1, 2041, (b) the maximum interest rate on the Bonds shall not exceed 4.00% per annum, (c) the all-inclusive true interest cost on the Bonds shall not exceed 4.00% and (d) the maximum tax levy for the Bonds in any given year shall not exceed \$4,500,000. Each Bond shall bear interest from the later of its Dated Date as defined or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on the date as shall be provided in a Bond Order. Interest on each Bond shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the applicable Record Date and mailed to the registered owner of the Bond as shown in the Bond Register or at such other address furnished in writing by such Registered Owner, or as otherwise may be agreed with the Depository. The principal of or redemption price due on the Bonds shall be payable in lawful money of the United States of America upon presentation at the office so maintained for such purpose in Chicago, Illinois, of the Bond Registrar, or at successor Bond Registrar or locality.

Section 5. Book Entry Provisions. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of the Depository or a designee or nominee of the Depository (such depository or nominee being the “*Book Entry Owner*”). Except as otherwise expressly provided, all of the outstanding Bonds from time to time shall be registered in the Bond Register in the name of the Book Entry Owner (and accordingly in Book Entry Form as such term is used in this Ordinance). Any City officer, as representative of the City, is hereby authorized, empowered, and directed to execute and deliver or utilize a previously executed and delivered Representations Letter substantially in the form common in the municipal securities industry, or with such changes therein as the officer executing the Representations Letter on behalf of the City shall approve, his or her execution thereof to constitute conclusive evidence of approval of such changes, as shall be necessary to effectuate Book Entry Form. Without limiting the generality of the authority given with respect to entering into such Representations Letter, it may contain provisions relating to (a) payment procedures, (b) transfers of the Bonds or of beneficial interests therein, (c) redemption notices and procedures unique to the Depository, (d) additional notices or communications, and (e) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices. With respect to Bonds registered in the Bond Register in the name of the Book Entry Owner, none of the City, its officers, or the Bond Registrar shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which the Depository holds Bonds from time to time as securities depository (each such broker-dealer, bank, or other financial institution being referred to herein as a “*Depository Participant*”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, the City, its officers, and the Bond

Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Book Entry Owner, or any Depository Participant with respect to any ownership interest in the Bonds, (b) the delivery to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register or as otherwise expressly provided in the Representations Letter, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. In the event that (a) the City determines that the Depository is incapable of discharging its responsibilities described herein and in the Representations Letter, (b) the agreement among the City, the Bond Registrar, and the Depository evidenced by the Representations Letter shall be terminated for any reason, or (c) the City determines that it is in the best interests of the City or of the beneficial owners of the Bonds either that they be able to obtain certificated Bonds or that another depository is preferable, the City shall notify the Depository and the Depository shall notify the Depository Participants of the availability of Bond certificates, and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Book Entry Owner. Alternatively, at such time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a system accommodating Book Entry Form, as may be acceptable to the City, or such depository's agent or designee, but if the City does not select such alternate book entry system, then the Bonds shall be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 6. Execution; Authentication. The Bonds shall be executed on behalf of the City by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk, as they may determine, and shall be impressed or imprinted with the corporate seal or facsimile seal of the City. In case any such officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All Bonds shall have thereon a certificate of authentication, substantially in the form provided, duly executed by the Bond Registrar as authenticating agent of the City and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance.

Section 7. Redemption. (a) *Optional Redemption.* All or a portion of the Bonds, if any, due on and after the date, if any, specified in a Bond Order shall be subject to redemption prior to maturity at the option of the City from any available funds, as a whole or in part, and if in part in integral multiples of \$5,000 in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by the Bond Registrar), on the date specified in a Bond Order, if any, and on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption.

(b) *Make-Whole Optional Redemption.* All or a portion of the Bonds, if any, may be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date, at a redemption price based upon a formula designed to compensate the owner of the Bonds to be redeemed based upon prevailing market conditions on the date fixed for redemption, commonly

known as a “make-whole” redemption price (the “*Make-Whole Redemption Price*”), as set forth in a Bond Order. At the time of sale of the Bonds, the Designated Officials shall determine the provisions of the formula to be used to establish any Make-Whole Redemption Prices.

(c) *Mandatory Redemption.* The Bonds maturing on the date or dates, if any, indicated in a Bond Order for the Bonds are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the Bond Registrar, at a redemption price of par plus accrued interest to the redemption date for the Bonds, on the dates and in the principal amounts, if any, as indicated in a Bond Order.

The principal amounts of Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Bond Registrar may, and if directed by the Corporate Authorities shall, purchase Bonds required to be retired on such mandatory redemption date. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

(d) *General.* The Bonds shall be redeemed only in the principal amount of \$5,000 and integral multiples thereof. The City shall, at least forty-five (45) days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar) notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single series and maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from the Bonds of such series and maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided* that such lottery shall

provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall make such selection upon the earlier of the irrevocable deposit of funds with an escrow agent sufficient to pay the redemption price of the Bonds to be redeemed or the time of the giving of official notice of redemption.

The Bond Registrar shall promptly notify the City in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Section 8. Redemption Procedure. Unless waived by any holder of Bonds to be redeemed, notice of the call for any such redemption shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar, and
- (6) such other information then required by custom, practice or industry standard.

Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed at the option of the City shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal.

If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

Section 9. Registration and Exchange or Transfer of Bonds; Persons Treated as Owners. The City shall cause books (the “*Bond Register*”) for the registration and for the transfer of the Bonds as provided in this Ordinance to be kept at the office maintained for such purpose of the Bond Registrar, which is hereby constituted and appointed the registrar of the City for the Bonds. The City is authorized to prepare, and the Bond Registrar or such other agent as the City may designate shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds. Subject to the provisions of this Ordinance relating to the Bonds in Book Entry Form, any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender for transfer or exchange of any Bond at the office of the Bond Registrar maintained for such purpose, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Bond Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the registered owner, a new fully registered Bond or Bonds of like tenor, of the same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has been called for redemption. The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond; *provided, however,* that the principal amount of Bonds of each maturity authenticated by the Bond Registrar shall not at any one time

exceed the authorized principal amount of Bonds for such maturity less the amount of such Bonds which have been paid. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Section 10. Form of Bonds. The Bonds shall be in substantially the form hereinafter set forth; *provided, however,* that if the text of the Bonds is to be printed in its entirety on the front side of the Bonds, then the second paragraph on the front side and the legend “See Reverse Side for Additional Provisions” shall be omitted and the text of paragraphs set forth for the reverse side shall be inserted immediately after the first paragraph.

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interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by said Bond Registrar at the close of business on the applicable Record Date. The applicable record date shall be the 15th day of the month preceding any regular or other interest payment date occurring on the first day of any month and 15 days preceding any interest payment date occasioned by the redemption of Bonds on other than the first day of a month. Interest shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books, or at such other address furnished in writing by such Registered Owner to the Bond Registrar. For the prompt payment of this Bond both principal and interest at maturity, the full faith, credit and resources of the City are hereby irrevocably pledged.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution and Laws of the State of Illinois to exist or to be done precedent to and in the issuance of this Bond, have existed and have been properly done, happened, and been performed in regular and due form and time as required by law; that the indebtedness of the City, represented by the Bonds, and including all other indebtedness of the City, howsoever evidenced or incurred, does not exceed any constitutional or statutory or other lawful limitation; and that provision has been made for the collection of a direct annual tax, in addition to all other taxes, on all of the taxable property in the City sufficient to pay the interest hereon as the same falls due and also to pay and discharge the principal hereof at maturity. For the prompt payment of this Bond, both principal and interest, at maturity, and the levy of taxes sufficient therefor, the full faith, credit and resources

of the City are hereby irrevocably pledged. Amounts to the credit of the Budget Stabilization Fund are not pledged to the payment of the Bonds.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN WITNESS WHEREOF the City of Wheaton, DuPage County, Illinois, by its City Council, has caused this Bond to be executed by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, all as appearing hereon and as of the Dated Date identified above.

Mayor, City of Wheaton
DuPage County, Illinois

ATTEST:

City Clerk, City of Wheaton
DuPage County, Illinois

[SEAL]

Bond Registrar and Paying Agent:

[FORM OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the Taxable General Obligation Bonds, Series 2021[___], of the City of Wheaton, DuPage County, Illinois.

Date of Authentication:

_____, 202_

as Bond Registrar

By _____
Authorized Officer

[FORM OF BONDS - REVERSE SIDE]

This bond is one of a series of bonds (the “*Bonds*”) in the aggregate principal amount of \$54,000,000 issued by the City for the purpose of paying a part of the costs of a certain Pension Funding and a Budget Stabilization Fund and of paying expenses incidental thereto, including capitalized interest, all as described and defined in the ordinance authorizing the Bonds (the “*Ordinance*”), pursuant to and in all respects in compliance with the applicable provisions of the Illinois Municipal Code, as supplemented and amended; the Local Government Debt Reform Act (of Illinois), as amended; and as further supplemented and, where necessary, superseded, by the powers of the City as a home rule unit under the provisions of Section 6 of Article VII of the Illinois Constitution of 1970; and with the Ordinance, which has been duly passed by the City Council of the City on the 7th day of September, 2021, and approved by the Mayor.

[Optional and Mandatory Redemption provisions to be inserted as applicable.]

This Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Ordinance. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business

on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has been called for redemption.

The City and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the City and the Bond Registrar shall not be affected by any notice to the contrary.

[FORM OF ASSIGNMENT]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Here insert Social Security Number,
Employer Identification Number or
other Identifying Number

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint

as attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed: _____

NOTICE: The signature to this transfer and assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Section 11. Security for the Bonds. The Bonds are a general obligation of the City, for which the full faith and credit of the City are irrevocably pledged, and are payable from the levy of the Pledged Taxes on all of the taxable property in the City, without limitation as to rate or amount.

Section 12. Tax Levy; Abatements. For the purpose of providing funds required to pay the interest on the Bonds promptly when and as the same falls due, and to pay and discharge the principal thereof at maturity and as subject to mandatory redemption, *there is hereby levied upon all of the taxable property within the City, in the years for which any of the Bonds are outstanding, a direct annual tax sufficient for that purpose. Such levy shall be fully set forth in a Bond Order.* The Pledged Taxes and other moneys on deposit (collectively, the “*Bond Moneys*”) in a Bond Account hereunder and allocable to any of the Bonds shall be applied to pay principal of and interest on such Bonds as follows:

A. Bond Moneys shall be applied to the payment of interest when due and principal or redemption price when due at maturity or as redeemed pursuant to mandatory redemption from such Bond Account, or

B. On or before 65 days preceding a mandatory redemption date, and provided notice is given to the Bond Registrar on or before said 65th day preceding a mandatory redemption date, Bond Moneys up to the amount of the redemption requirement on such mandatory redemption date plus interest due on Term Bonds on such date may be applied (1) to the purchase of Term Bonds of the maturity for which such mandatory redemption requirement was established at prices (including commissions and charges, if any) not exceeding par and accrued interest to such mandatory redemption date or (2) to the redemption of such Bonds, without premium, pursuant to optional redemption provisions applicable thereto. Upon the purchase or redemption of Term Bonds of any maturity

pursuant to this paragraph (B), an amount equal to the principal amount of such Bonds or applicable portion thereof so purchased or redeemed shall be deducted from the mandatory redemption requirement as provided for Term Bonds of such maturity, first, in the current year of such requirement, until the requirement for the current year has been fully met, and then in any order of payment on the Term Bonds as due at maturity or subject to mandatory redemption in any year as the City shall at such time determine.

Interest or principal coming due at any time when there are insufficient funds on hand from the Pledged Taxes to pay the same shall be paid promptly when due from current funds on hand in advance of the collection of the Pledged Taxes herein levied; and when the Pledged Taxes shall have been collected, reimbursement shall be made to said funds in the amount so advanced. The City covenants and agrees with the purchasers and registered owners of the Bonds that so long as any of the Bonds remains outstanding, the City will take no action or fail to take any action which in any way would adversely affect the ability of the City to levy and collect the foregoing tax levy. The City and its officers will comply with all present and future applicable laws in order to assure that the Pledged Taxes may be levied, extended and collected as provided herein and deposited into the Bond Account. Whenever other funds from any lawful source are made available for the purpose of paying any principal of or interest on the Bonds so as to enable the abatement of the taxes levied herein for the payment of same, the Corporate Authorities shall, by proper proceedings, direct the deposit of such funds into the Bond Account and further shall direct the abatement of the taxes by the amount so deposited. The City covenants and agrees that it will not direct the abatement of taxes until money has been deposited into the Bond Account in the amount of such abatement. A certified copy or other notification of any such proceedings abating taxes may then be filed with the County Clerk in a timely manner to effect such abatement.

Section 13. Filing with County Clerk. Promptly, after this Ordinance becomes effective, and upon the execution of a Bond Order, a copy hereof, certified by the City Clerk, shall be filed with the County Clerk, along with such Bond Order. Thereupon, the County Clerk shall in and for each of the years provided, ascertain the rate percent required to produce the aggregate Pledged Taxes levied in each of such years; and the County Clerk shall extend the same for collection on the tax books in connection with other taxes levied in such years in and by the City for general corporate purposes of the City; and in each of those years such annual tax shall be levied and collected by and for and on behalf of the City in like manner as taxes for general corporate purposes for such years are levied and collected, without limit as to rate or amount, and in addition to and in excess of all other taxes.

Section 14. Sale of Bonds; Bond Order; Official Statement. Any two of the Designated Officials are hereby authorized to proceed, without any further authorization or direction whatsoever from the Corporate Authorities, to sell and deliver all or a part of the Bonds upon the terms as prescribed in this Section, pursuant to a Bond Order. The Bonds shall be sold and delivered to the Purchaser at the price of not less than 96% of the par value of the principal amount thereof (exclusive of any original issue discount or premium), plus accrued interest, if any, to the date of delivery. Nothing in this Section shall require the Designated Officials to sell any Bonds if in their judgment the conditions in the bond markets shall have markedly deteriorated from the time of adoption hereof, but the Designated Officials shall have the authority to sell all or a portion of the Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section shall have been met. Upon the sale of the Bonds, and except as otherwise provided herein, each of the Designated Officials and any other officials of the City as shall be appropriate, shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds as may be necessary, including, without limitation, a Bond Order, Preliminary

Official Statement, Official Statement, Bond Purchase Agreement, and closing documents. At the time of the execution and delivery of the Bond Purchase Agreement, the Designated Officials shall find and determine that no person holding any office of the City either by election or appointment, is in any manner financially interested either directly, in his or her own name, or indirectly in the name of any other person, association, trust or corporation in said agreement with the Purchaser for the purchase of the Bonds.

The distribution of the Preliminary Official Statement relating to the Bonds substantially in the form presented before this meeting is hereby in all respects authorized and approved, and the proposed use by the Purchaser of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is hereby approved. A Bond Purchase Agreement for the sale of the Bonds to the Purchaser is hereby in all respects authorized and approved. The officer(s) designated to sign the Bond Purchase Agreement are hereby authorized to execute the same, and their execution shall constitute full and complete approval of all necessary or appropriate completions and revisions as shall appear therein. Upon the sale of any series of the Bonds, the Designated Officials shall prepare a Bond Order for such series of the Bonds, which shall include the pertinent details of sale as provided herein, and such shall be entered into the records of the City and made available to the Corporate Authorities at a regular public meeting thereof. The Designated Officials shall also file with the County Clerk a Bond Order or like document including a statement of taxes. The authority to sell the Bonds pursuant to a Bond Order as herein provided shall expire on March 7, 2022.

Section 15. Creation of Funds, Accounts and Appropriations; Special Covenant Regarding Use of Proceeds.

A. There is hereby created the “*Taxable General Obligation Bonds, Series 2021, Bond Account*” (the “*Bond Account*”), which shall be the account for the payment of principal of and

interest on the Bonds. Accrued interest and premium, if any, received upon delivery of the Bonds, shall be deposited into the Bond Account and be applied to pay first interest coming due on the Bonds. In addition, but only to the extent as provided in a Bond Order, a sum of Bond proceeds as may be sufficient so as to provide for the payment of interest on the Bonds up to and including the date which is three years after the date of issuance of a series of the Bonds (or for any shorter period as determined), shall be set aside into the Bond Account at the time of the delivery of such series of the Bonds.

B. There is hereby created the Budget Stabilization Fund, designated the “Police and Firefighters’ Pensions Budget Stabilization Fund” of the City. The Corporate Authorities may, at their discretion, withdraw funds from the Budget Stabilization Fund and deposit such funds in the Police Pension Fund and/or the Firefighters’ Pension Fund. The Budget Stabilization Fund shall be initially funded with proceeds of the Bonds as described in paragraph E below. Proceeds of the Bonds deposited into the Budget Stabilization Fund shall be used to pay the Liability or other amounts due to the Police Pension Fund and/or the Firefighters’ Pension Fund in accordance with the schedule set forth in paragraph E below. The Corporate Authorities may from time to time, at their discretion, deposit (or subsequently withdraw) other lawfully available funds of the City into the Budget Stabilization Fund. Amounts to the credit of the Budget Stabilization Fund are not pledged to the payment of the Bonds.

Amounts remaining in the Budget Stabilization Fund immediately prior to the final payment of principal and interest on the Bonds shall be transferred out of the Budget Stabilization Fund and used for the following purposes in the following order: (1) to make the final debt service payment on the Bonds, (2) to pay any remaining UAAL with respect to the Pension Funds and (3) to be deposited into the Pension Funds, as directed by the Corporate Authorities.

C. The Pledged Taxes shall either be deposited into the Bond Account and used solely and only for paying the principal of and interest on the Bonds or be used to reimburse a fund or account from which advances to the Bond Account may have been made to pay principal of or interest on the Bonds prior to receipt of Pledged Taxes. Interest income or investment profit earned in the Bond Account shall be retained in the Bond Account for payment of the principal of or interest on the Bonds on the interest payment date next after such interest or profit is received or, to the extent lawful, transferred to such other fund as may be determined. The City hereby pledges, as equal and ratable security for the Bonds, all present and future proceeds of the Pledged Taxes on deposit in the Bond Account for the sole benefit of the registered owners of the Bonds, subject to the reserved right noted to transfer certain interest income or investment profit earned in the Bond Account to other funds.

D. The amount necessary from the proceeds of the Bonds shall be either used to pay expenses directly at the time of issuance of the Bonds or be deposited into a separate account, hereby created, designated the “*Series 2021 Expense Account*” to be used to pay expenses of issuance of the Bonds. Disbursements from such account shall be made from time to time as necessary. Moneys not disbursed from such Expense Account within six (6) months shall be transferred by the Treasurer for deposit into the Bond Fund, and any deficiencies in the Expense Account shall be paid from other lawfully available City funds.

E. The remaining proceeds of the Bonds are hereby appropriated to (i) fund the Police Pension Liability and the Firefighters’ Pension Liability and (ii) fund the Budget Stabilization Fund in the amount set forth in the Bond Order (not to exceed \$2,000,000). The amounts deposited on the date of the delivery of the Bonds into the Police Pension Fund, the Firefighters’ Pension Fund, the Budget Stabilization Fund and the General Fund, shall be set forth in a Bond Order, provided, however, that with respect to the amounts to be deposited into the Pension Funds and

the General Fund on the date of the delivery of the Bonds, eleven-twelfths (11/12) of the sale proceeds of the Bonds to be used to fund the Pension Liabilities shall be deposited into the General Fund (for the restricted use described below) and one-twelfth (1/12) of such proceeds shall be paid to the Pension Funds (in such percentages allocated between the Police Pension Fund and the Firefighters' Pension Fund as set forth in the Bond Order). On or about the first business day of the second month following the date of delivery of the Bonds, and in furtherance of the findings of the Corporate Authorities that it is in the best interests of the City and its residents to deposit proceeds of the Bonds into the Pension Funds over a period of time and not all at once, one eleventh (1/11) of the remaining proceeds of the Bonds to be used to fund the Pension Liabilities shall be paid from the General Fund to the Pension Funds in furtherance of such purpose. Such monthly payments from the General Fund to the Pension Funds shall continue on or about the first business day of each month until such time as such funds are fully transferred, all except as otherwise provided in a Bond Order or as required by law. At the time of the issuance of the Bonds, the costs of issuance of the Bonds may be paid by the Purchaser on behalf of the City from the sale proceeds of the Bonds.

F. The City does hereby specially covenant with the Purchaser and with the registered owners or holders of the Bonds from time to time that so long as any of the Bonds are outstanding, the City will hold and apply the Bond proceeds (other than proceeds used to fund the Budget Stabilization Fund and to pay costs of issuance of the Bonds) exclusively for the Pension Funding.

Section 16. Defeasance. Any Bond or Bonds which (a) are paid and canceled, (b) which have matured and for which sufficient sums been deposited with the Bond Registrar to pay all principal and interest due thereon, or (c) for which sufficient funds and Defeasance Obligations have been deposited with the Bond Registrar or similar institution to pay, taking into account investment earnings on such obligations, all principal of and interest on such Bond or Bonds when

due at maturity or as called for redemption, pursuant to an irrevocable escrow or trust agreement, shall cease to have any lien on or right to receive or be paid from the Pledged Taxes and shall no longer have the benefits of any covenant for the registered owners of outstanding Bonds as set forth herein as such relates to lien and security of the outstanding Bonds. All covenants relative to the payment, registration, transfer, and exchange; are expressly continued for all Bonds whether outstanding Bonds or not. For purposes of this section, “*Defeasance Obligations*” means (a) direct and general full faith and credit obligations of the United States Treasury (“*Directs*”), (b) certificates of participation or trust receipts in trusts comprised wholly of Directs or (c) other obligations unconditionally guaranteed as to timely payment by the United States Treasury.

Section 17. Duties of Bond Registrar. If requested by the Bond Registrar, the Mayor and City Clerk are authorized to execute the Bond Registrar’s standard form of agreement between the City and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder which may include the following:

- (a) to act as bond registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the City upon request, but otherwise to keep such list confidential;
- (c) to give notice of redemption of the Bonds as provided herein;
- (d) to cancel and/or destroy Bonds which have been paid at maturity or submitted for exchange or transfer;
- (e) to furnish the City at least annually a certificate with respect to Bonds cancelled and/or destroyed; and
- (f) to furnish the City at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds.

Section 18. Continuing Disclosure Undertaking. The Mayor or City Treasurer is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Undertaking

(the “*Continuing Disclosure Undertaking*”) in connection with the issuance of the Bonds, with such provisions therein as he or she shall approve, his or her execution thereof to constitute conclusive evidence of his or her approval of such provisions. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding on the City and the officers, employees and agents of the City, and the officers, employees and agents of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking.

Section 19. Municipal Bond Insurance Policy. The Designated Officials are hereby expressly authorized to sell the Bonds subject to the provisions of a Municipal Bond Insurance Policy. In such event, so long as such Municipal Bond Insurance Policy shall be in full force and effect, the City and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the Bonds, subrogation of the rights of the bondholders to the issuer of such policy when holding Bonds, amendment hereof, or other terms, as approved by any one or more of the Designated Officials on advice of counsel, his, her or their approval to constitute full and complete acceptance by the City of such terms and provisions under authority of this section.

Section 20. Publication of Ordinance. A full, true and complete copy of this Ordinance shall be published within ten days after passage in pamphlet form by authority of the Corporate Authorities.

Section 21. This Ordinance is a Contract. The provisions of this Ordinance, as supplemented by all Bond Orders, shall constitute a contract between the City and the registered owners of the Bonds, and no changes, additions or alterations of any kind shall be made hereto, except as herein provided.

Section 22. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 23. Superseder and Effective Date. All ordinances, resolutions and orders, or parts thereof, or any other provision of the City Code, in conflict with this Ordinance, are to the extent of such conflict hereby superseded; and this Ordinance shall be in full force and effect immediately upon its passage and approval.

ADOPTED: September 7, 2021

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED: September 7, 2021

Mayor, City of Wheaton
DuPage County, Illinois

Attest:

City Clerk, City of Wheaton
DuPage County, Illinois

RECORDED In City Records: September 7, 2021.