

ORDINANCE No.

Authorize water revenue bonds to finance water system capital improvements (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City is authorized to issue revenue bonds for any public purpose under ORS 287A.150. Revenue bonds issued under ORS 287A.150 may be payable from all or any portion of the water system revenues of the City.
2. The City may authorize revenue bonds under ORS 287A.150 by nonemergency ordinance. The City may not sell those revenue bonds until that nonemergency ordinance takes effect. If a nonemergency ordinance authorizing the revenue bonds is referred, the ordinance will not take effect and the City may not sell the revenue bonds authorized by that ordinance unless the voters approve those revenue bonds.
3. The City now finds it financially feasible and in the best interests of the City to authorize the issuance and sale of revenue bonds under ORS 287A.150 to finance the additions and improvements to the water system that are described in this paragraph. The additions and improvements that may be financed with revenue bonds authorized by this ordinance (the "Capital Improvements") include additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support.
4. It is desirable to obtain \$75 million of bonding authority to finance Capital Improvements under the Act, plus the additional amounts that are reasonably required to finance costs related to the water revenue bonds, including but not limited to the costs of funding debt service reserves for those bonds.
5. The bonds described in this ordinance will be secured solely by the net revenues of the City's water system and amounts related to that water system.
6. The City has previously enacted Ordinance No. 174241. That ordinance, as amended (the "Master First Lien Water System Revenue Bond Ordinance") provides the terms under which the City may issue revenue bonds that are secured by a first lien on the net revenues of the City's water system (the "First Lien Bonds").
7. On September 21, 2006, the City executed its Master Second Lien Water System Revenue Bond Declaration (the "Master Second Lien Declaration"). The Master Second Lien Declaration provides the terms under which the City may issue revenue bonds that are secured by a second lien on the net revenues of the City's water system (the "Second Lien Bonds").
8. The City adopts this ordinance to obtain the authority to issue and to authorize the sale of a principal amount of water revenue bonds that is sufficient to provide net

proceeds of \$75 million to finance the Capital Improvements under the Act, plus the additional amounts that are reasonably required to finance costs related to the water revenue bonds, including the costs of funding debt service reserves for those bonds.

NOW, THEREFORE, the Council directs:

- A. Authorization of Bonds. The Council hereby authorizes the issuance of a principal amount of water revenue bonds that is sufficient to provide net proceeds of \$75 million to finance the Capital Improvements under the Act, plus the additional amounts that the Debt Manager determines are reasonably required to finance costs related to the water revenue bonds, including but not limited to the costs of funding debt service reserves for those bonds (the "Bonds"). No series of Bonds may be sold and no purchase agreement for any series of Bonds may be executed until this ordinance takes effect. This ordinance will take effect thirty days after it is enacted unless it is referred. If this ordinance is referred this ordinance will not take effect and the City may not sell the Bonds unless the voters approve the Bonds.
- B. Security for Bonds. The Bonds shall be special obligations of the City that are secured solely by the net revenues of the water system and other amounts related to the city's water system that the City commits to pay the Bonds.
- C. Sale of Bonds; Delegation. When this ordinance takes effect the City's Debt Manager, City Treasurer, Chief Financial Officer of the Bureau of Financial Services, Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this ordinance (each of whom is referred to in this ordinance as a "Debt Manager") may, on behalf of the City:
 1. Provide that the Bonds may be issued in one or more series, any of which may be First Lien Bonds or Second Lien Bonds, and any of which may be sold at different times.
 2. Present to Council proposed amendments to the Master First Lien Water System Revenue Bond Ordinance that the Debt Manager determines may be advantageous to the City, and make amendments to the Master Second Lien Declaration that the Debt Manager determines may be advantageous to the City.
 3. Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for each series of the Bonds.
 4. Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for each series of the Bonds, and either publish a notice of sale, receive bids and award the sale of each series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters or

commercial banks and negotiate the sale of any series with those underwriters or commercial banks.

5. Undertake to provide continuing disclosure for each series of the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
6. Apply for and purchase municipal bond insurance, reserve sureties or other forms of credit enhancements for each series of the Bonds, and enter into related agreements.
7. Finalize the terms of, execute and deliver bond declarations that describe the terms of each series of the Bonds. The bond declarations may also contain covenants for the benefit of the owners of the Bonds, insurers of the Bonds and providers of reserve sureties.
8. Appoint and enter into agreements with escrow agents, paying agents, verification agents and other professionals and service providers for the Bonds.
9. Enter into covenants to maintain the excludability of interest on each series of the Bonds from gross income under the Internal Revenue Code of 1986, as amended.
10. Provide that any Bonds may be issued as taxable bonds that are eligible for federal interest subsidies ("Interest Subsidy Bonds"), if the Interest Subsidy Bonds are estimated to reduce the City's interest expense below the estimated interest expense of traditional, tax-exempt bonds, and if federal law at the time Bonds are issued allows Bonds to be issued as Interest Subsidy Bonds.
11. Issue, sell and deliver the Bonds as provided in this ordinance.
12. Execute any documents and take any other action in connection with the Bonds which the Debt Manager finds will be advantageous to the City.

D. Rate Covenants.

1. First Lien Bond Rate Covenant. The City covenants for the benefit of the owners of all First Lien Bonds that are sold under the authority of this ordinance that the City shall, beginning on the date those First Lien Bonds are issued, charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues at least equal to one hundred twenty five percent (125.00%) of Annual Debt Service due in that Fiscal Year, with those First Lien Bonds treated as Outstanding. Capitalized terms used in this Section 1.D.1 that are not defined in this ordinance shall have the meanings defined for those terms in the Master First Lien Water System Revenue Bond Ordinance.

2. Second Lien Bond Rate Covenant. The City covenants for the benefit of the Owners of all Second Lien Bonds that are sold under the authority of this ordinance that the City shall, beginning on the date those Second Lien Bonds are issued, charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate: (a) Stabilized Net Revenues each Fiscal Year at least equal to one hundred ten percent (110.00%) of Combined Annual Debt Service due in that Fiscal Year; and (b) Net Revenues each Fiscal Year at least equal to one hundred percent (100%) of Combined Annual Debt Service due in that Fiscal Year, with those Second Lien Bonds treated as Outstanding. Capitalized terms used in this Section 1.D.2 that are not defined in this ordinance shall have the meanings defined for those terms in the Master Second Lien Declaration.

Passed by the Council, JUN 13 2012

Mayor Sam Adams

Prepared by: Bond Counsel: Jonas Biery

Date Prepared: May 22, 2012

JB

LAVONNE GRIFFIN-VALADE
Auditor of the City of Portland

By


Deputy

Agenda No. **185418**
ORDINANCE NO.
 Title

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<p>INTRODUCED BY Commissioner/Auditor: Mayor Sam Adams</p>	<p>CLERK USE: DATE FILED <u>JUN 01 2012</u></p>
<p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Adams <i>[Signature]</i></p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p>	<p align="center">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p>
<p>BUREAU APPROVAL</p> <p>Bureau: Financial Services <i>[Signature]</i> Bureau Head: Rich Goward</p> <p>Prepared by: Jonas Biery <i>[Signature]</i> Date Prepared: May 22, 2012</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date June 6, 2012</p> <p>City Attorney Approval</p>	<p>ACTION TAKEN:</p> <p align="center">JUN 06 2012 PASSED TO SECOND READING JUN 13 2012 9:30 A.M.</p>

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>5 min.</u> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	<input checked="" type="checkbox"/>	
2. Fish	2. Fish	<input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman	<input checked="" type="checkbox"/>	
4. Leonard	4. Leonard	<input checked="" type="checkbox"/>	
Adams	Adams	<input checked="" type="checkbox"/>	