

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator B. Jonas Biery, Debt Manager ^{IB}		2. Telephone No. (503) 823-4222	3. Bureau/Office/Dept : OMF/Debt Management
4a. To be filed (date): November 20, 2012	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to Commissioner's office and FPD Budget Analyst: November 16, 2012
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

Authorize revenue bonds for the lighting efficiency program (Ordinance)

2) Purpose of the Proposed Legislation:

The Ordinance authorizes the City to issue limited tax revenue bonds, qualified energy conservation bonds or a combination of both (the "Bonds") in an amount sufficient to provide up to \$18.5 million for costs of the Lighting Efficiency Program which includes street lights, pole purchase and other outdoor lighting systems (the "Project") plus an additional amount sufficient to pay costs related to the bonds.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|---|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input checked="" type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT**4) Revenue:** Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

The bureau will recognize \$6.5 million of bond proceeds. Additionally, savings is expected as a result of replacing existing lights with higher efficiency LED lights (see "Expenses" below).

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

While the final amount and maturity of the Bonds will not be determined until the sale date, based on current market conditions, annual debt service on the first phase of the Bonds (\$6.5 million) is expected to be about \$300,000 in the first year and increase to about \$660,000 over the remaining 11 years. Savings produced by implementation of the first phase of the Project is expected to equal or exceed debt service costs on the first phase of the Bonds. Future phases of Bonds will be structured so that additional Project savings will equal or exceed additional debt service costs. Upon full Project implementation, total savings is projected to exceed \$20 million over the 24-year useful life of the Project. A separate ordinance will address the use of the savings beyond what is necessary to service the debt.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No positions will be eliminated or created as a result of this Ordinance.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No positions will be eliminated or created in the future as a result of this Ordinance.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

The changes in appropriations related to the first phase (\$6.5 million) of this financing were approved in the Fall BMP. Subsequent appropriation will be handled in future budget actions.

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

- ☐ **YES:** Please proceed to Question #9.
☒ **NO:** Please, explain why below; and proceed to Question #10.

This ordinance is carrying out an administrative function.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No future public involvement is expected beyond the 30-day referral period for this Ordinance.



Richard F. Goward Jr.,
BUREAU DIRECTOR



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Jack D. Graham, Chief Administrative Officer

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185837

DATE: November 16, 2012
TO: Mayor Sam Adams
FROM: Jonas Biery, Debt Manager ^{JB}
RE: Authorize revenue bonds for the lighting efficiency program (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. **INTENDED FILING DATE:** November 20, 2012
2. **REQUESTED COUNCIL AGENDA DATE:** November 28, 2012
3. **CONTACT NAME & NUMBER:** Jonas Biery, Debt Manager, x3-4222
4. **PLACE ON:** CONSENT X REGULAR
5. **BUDGET IMPACT STATEMENT ATTACHED:** X Y N N/A
6. (3) **ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED:** Yes No ✓ N/A

7. **BACKGROUND/ANALYSIS**

Introduction and History – Attached is an Ordinance for Council first reading and consideration on November 28, 2012. The Ordinance authorizes the City to issue limited tax revenue bonds, qualified energy conservation bonds or a combination of both (the “Bonds”) in an amount sufficient to provide up to \$18.5 million for costs of the Lighting Efficiency Program which includes street lights, pole purchase and other outdoor lighting systems (the “Project”) plus an additional amount sufficient to pay costs related to the bonds.

Operation and maintenance of street lighting is paid from an annual general fund transfer. The Project will convert the City’s street lights and other outdoor lighting systems to Light-Emitting Diodes (LED) and controls, which will lower energy consumption and reduce maintenance costs. The Project will convert about 46,700 lights and is expected to be fully implemented over 3 to 5 years. The Project will be divided into two or more phases; the first phase will be approximately \$6.5 million as approved in the Fall BMP. The size and scope of subsequent phases will be determined as the Project progresses and budget authority to complete the phases will be requested at that time. The operation and maintenance savings as a result of installing the more efficient lights is expected to offset – and eventually exceed – the cost of debt service as described below.

If approved, this authorization will permit the issuance of bonds to fund all phases of the Project. Should subsequent phases of the Project not be approved by Council through the budget process, bonds for future phases will not be issued.

The City is authorized by ORS Chapters 287A to obtain long-term financing for the costs of the Project. The Bonds will be secured by a pledge of the City’s Available General Funds, which are defined as all taxes and other legally available general funds of the City. The street lighting program is currently funded by a transfer

from the general fund to PBOT. It is expected that the Bonds will be repaid from savings to the general fund as a result of energy efficiency and reduced maintenance costs. If the savings should prove insufficient to completely service the debt, then any difference will be made up from existing resources of the street lighting program or from the Bureau of Transportation.

The Ordinance delegates to the Debt Manager certain tasks including preparing and executing one or more Bond Declarations; establishing the final principal amounts, maturity schedules, interest rates, and other terms related to the sale of the Bonds; purchasing municipal bond insurance or other forms of credit enhancement; and executing documents.

If approved by the Council, the City expects to sell Bonds for the first phase of the Project through a competitive bidding process in the first quarter of calendar year 2013.

Legal Issues – If the Ordinance is approved by the City Council after its second reading, a 30-day referral period begins. No bonds may be sold and no purchase agreement for any bonds may be executed until the referral period has expired and this Ordinance takes effect. If the Ordinance is referred, the City may not sell the Bonds unless the voters approve this Ordinance.

Link to Current City Policies – The proposed financing is being done in conformance with the City's debt policy.

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – None

8. FINANCIAL IMPACT

While the final amount and maturity of the Bonds will not be determined until the sale date, based on current market conditions, annual debt service on the first phase of the Bonds (\$6.5 million) is expected to be about \$300,000 in the first year and increase to about \$660,000 over the remaining 11 years. Savings produced by implementation of the first phase of the Project is expected to equal or exceed debt service costs on the first phase of the Bonds. Future phases of Bonds will be structured so that additional Project savings will equal or exceed additional debt service costs. Upon full Project implementation, total savings is projected to exceed \$20 million over the 24-year useful life of the Project.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve the Ordinance in order to provide funding for the Project.