

**ORDINANCE No.** 188798

Authorize up to \$250 million of new money sewer revenue bonds to finance sewer system capital improvements and authorize refunding of outstanding bonds (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City is authorized to issue revenue bonds for a public purpose under ORS 287A.150 and related statutes (the "Act"). Revenue bonds issued under the Act may be payable from all or any portion of the sewer system revenues of the City. The City is also authorized to issue revenue bonds to refund revenue bonds pursuant to ORS 287A.360 to 287A.375.
2. The City may authorize revenue bonds under the Act by nonemergency ordinance. The City may not sell the revenue bonds under the Act until the period for referral of the nonemergency ordinance authorizing the revenue bonds has expired. If a nonemergency ordinance authorizing the revenue bonds is referred, the City may not sell the revenue bonds unless the voters approve the revenue bonds.
3. The City now finds it financially feasible and in the best interests of the City to authorize the issuance of revenue bonds under the Act in order to finance capital assets of the sewer system, including construction, replacement, rehabilitation or other improvements to real and personal property owned, operated, used, or maintained by the City for sewage disposal or sewage purification within or without the corporate limits of the City, including but not limited to, all methods of storm drainage, intercepting sewers, diversion sewers, relieving or interconnection sewers, sewers to separate storm and sanitary sewage, pump or ejector stations and equipment, and plants for treatment, processing and disposal of sewage (collectively, the "System Improvements").
4. It may be desirable to obtain interim financing for the System Improvements, and to secure that interim financing with a lien on the net revenues of the City's sewer system that is subordinate to outstanding City sewer revenue bonds.
5. The City has issued sewer revenue bonds that are secured by a first lien on the net revenues of the City's sewer system ("First Lien Bonds") pursuant to the Master First Lien Sewer System Revenue Bond Declaration dated as of June 29, 2016, as amended and supplemented pursuant to its terms (the "Master First Lien Sewer Revenue Bond Declaration"). The City has also issued sewer revenue bonds that are secured by a second lien on the net revenues of the City's sewer system ("Second Lien Bonds") as provided in the Second Amended and Restated Master Second Lien Sewer System Revenue Bond Declaration dated as of June 29, 2016, as amended and supplemented pursuant to its terms (the "Master Second Lien Sewer Revenue Bond Declaration").
6. The City adopts this ordinance to authorize the issuance and sale of sewer revenue bonds in an amount sufficient to produce net proceeds of up to \$250 million for costs of System Improvements, to refund sewer revenue bonds that are issued to provide interim

financing, and to refund sewer revenue bonds that produce debt service savings or achieve a favorable reorganization of outstanding bonds, if conditions warrant.

NOW, THEREFORE, the Council directs:

a. Issuance of Bonds for System Improvements.

1. The City hereby authorizes the issuance of revenue bonds pursuant to ORS 287A.150 in an amount that is sufficient to provide net proceeds of up to \$250 million to pay for costs of System Improvements, plus additional amounts that are required to fund bond reserves for bonds authorized by Section 1.a.1 and Section 1.b of this ordinance and to pay costs related to the financings. The City estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$250 million. The bonds shall be issued and sold in accordance with the Act.
2. The bonds authorized by this ordinance shall be special obligations of the City that are payable solely from sewer system revenues.
3. No bonds authorized by Section 1.a.1 of this ordinance may be sold and no purchase agreement for any of those bonds may be executed until the period for referral of this nonemergency ordinance has expired. If this ordinance is referred, the City may not sell the bonds authorized by Section 1.a.1 of this ordinance unless the voters approve those bonds.

b. Issuance of Refunding Bonds. The City hereby authorizes the issuance of refunding bonds pursuant to applicable Oregon statutes to refinance (1) any revenue bonds that are issued pursuant to Section 1.a.1 of this ordinance to provide interim financing, and (2) any of the City's outstanding sewer bonds to obtain debt service savings or to achieve a favorable reorganization of outstanding bonds, if conditions warrant. The refunding bonds authorized by this Section 1.b may be issued in an aggregate principal amount sufficient to refund any sewer revenue bonds selected by the Debt Manager pursuant to Section 1.c.7 of this ordinance, plus amounts required to pay costs related to the refunding bonds.

c. Delegation. After this ordinance takes effect the City's Debt Manager, the Chief Financial Officer and Director of the Bureau of Revenue and Financial Services, the 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 (any of whom is referred to in this ordinance as a "Debt Manager") may, on behalf of the City and without further action by the Council:

1. Issue the revenue bonds authorized by this ordinance (the "2018 Bonds") in one or more series, which may be sold at different times, and issue any series of 2018 Bonds as First Lien Bonds or as Second Lien Bonds.

2. Issue the 2018 Bonds as short or intermediate term bonds to provide interim financing for System Improvements and enter into lines of credit or similar documents which permit the City to draw 2018 Bond proceeds over time.
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 2018 Bonds.
4. Subject to the limits of this ordinance, establish the final principal amounts, lien status, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record dates and other terms for each series of 2018 Bonds and either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters or lenders and negotiate the sale of that series with those underwriters or lenders and execute and deliver a bond purchase agreement with those underwriters or lenders in connection with such sale.
5. Prepare, execute and deliver one or more bond declarations or other documents or agreements that will specify the terms under which the 2018 Bonds are issued and the administrative provisions that apply to the 2018 Bonds. The bond declarations or other documents or agreements may also contain covenants for the benefit of the owners of the 2018 Bonds and any credit enhancement providers.
6. Amend or reserve the ability to make changes to the Master First Lien Sewer Revenue Bond Declaration and amend or reserve the ability to amend the Master Second Lien Sewer Revenue Bond Declaration to facilitate the issuance of the 2018 Bonds and future sewer revenue bonds.
7. Select sewer revenue bonds to be refunded, refund any 2018 Bonds that are issued to provide interim financing with other short, intermediate or long-term term bonds, and call, refund and defease any sewer revenue bonds that produce net debt service savings or a favorable reorganization of bonds that is in the City's best financial interest, and submit one or more advance refunding plans.
8. Undertake to provide continuing disclosure for any series of 2018 Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
9. Apply for and purchase municipal bond insurance, reserve sureties or other forms of credit enhancements for any series of 2018 Bonds, and enter into related agreements.
10. Appoint and enter into agreements with escrow agents, paying agents, verification agents and other professionals and service providers for the 2018 Bonds.

11. Issue any qualifying series of 2018 Bonds as “tax-exempt bonds” bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, (the “Code”) and enter into covenants for the benefit of the owners of those series to maintain the excludability of interest on those series from gross income under the Code.
  12. If the federal government approves subsidy payments or tax credits for municipal bonds and those subsidies or tax credits are estimated to reduce the net debt service payments for the 2018 Bonds, issue any series of 2018 Bonds as eligible for those federal subsidies or tax credits, and enter into related covenants to maintain the eligibility of such series of 2018 Bonds for those subsidies or tax credits.
  13. Issue any series of 2018 Bonds as “taxable bonds” bearing interest that is includable in gross income under the Code.
  14. Designate any series of 2018 Bonds as “green bonds” if applicable.
  15. Execute any documents and take any other action in connection with the 2018 Bonds which the Debt Manager finds will be advantageous to the City.
- d. Compliance with the Master First Lien Sewer Revenue Bond Declaration.
1. The covenants in this section are made to comply with the requirements of the Master First Lien Sewer Revenue Bond Declaration. Capitalized terms used in this section shall have the meanings defined for those terms in the Master First Lien Sewer Revenue Bond Declaration.
  2. The bonds authorized by this ordinance that are issued as Parity Obligations pursuant to the Master First Lien Sewer Revenue Bond Declaration (the “2018 First Lien Bonds”) shall not be issued until the City complies with all applicable requirements of the Master First Lien Sewer Revenue Bond Declaration.
  3. The balance in the Reserve Account at closing of the 2018 First Lien Bonds shall be made equal to the Required Reserve for all outstanding Bonds, including the proposed 2018 First Lien Bonds, as required by the Master First Lien Sewer Revenue Bond Declaration.
  4. The City covenants to operate the Sewer System so that:
    - i. Net Revenues (without adjustment for payments to or withdrawals from the Rate Stabilization Fund) in each fiscal year are projected to be at least equal to the sum of all payments due under any Reserve Equivalent, plus all debt service due on outstanding First Lien Bonds (including the 2018 First Lien Bonds) in that fiscal year; and

- ii. Net Revenues (after adjustments for payments to and withdrawals from the Rate Stabilization Fund) in each fiscal year are projected to be at least equal to the sum of all payments due under any Reserve Equivalent, plus 1.20 times the debt service due on all outstanding First Lien Bonds (including the 2018 First Lien Bonds) in that fiscal year.

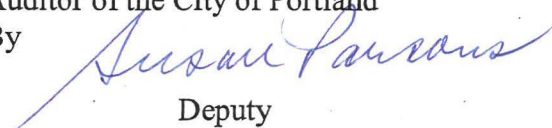
Passed by the Council, JAN 31 2018

Mayor Ted Wheeler

Prepared by: Bond Counsel: Eric Johansen

Date Prepared: January 9, 2018

**Mary Hull Caballero**  
Auditor of the City of Portland  
By

  
Deputy



79-103  
 Agenda No.  
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 Title

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<p><b>INTRODUCED BY</b>          Commissioner/Auditor:  <b>Mayor Ted Wheeler</b></p>	<p>CLERK USE: DATE FILED <u>JAN 16 2018</u></p>
<p><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance &amp; Administration - Wheeler <i>HC</i></p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Eudaly</p>	<p style="text-align: right;">Mary Hull Caballero          Auditor of the City of Portland</p> <p>By: <i>[Signature]</i>          Deputy</p>
<p><b>BUREAU APPROVAL</b></p> <p>Bureau: Office of Management and Finance/Revenue &amp; Fin Services          CAO: Tom Rinehart <i>[Signature]</i>          CFO: Jennifer Cooperman <i>[Signature]</i></p> <p>Prepared by: Bond Counsel Eric Johansen <i>[Signature]</i>          Date Prepared: 1/9/2018</p>	<p><b>ACTION TAKEN:</b></p> <p style="text-align: center;">JAN 24 2018 PASSED TO SECOND READING JAN 31 2018 9:30 A.M.</p>
<p><b>Impact Statement</b></p> <p>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p>	
<p><b>Portland Policy Document</b></p> <p>If "Yes" requires City Policy paragraph stated in document.</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	
<p><b>City Auditor Office Approval:</b>          required for Code Ordinances</p>	
<p><b>City Attorney Approval:</b>          required for contract, code, easement, franchise, comp plan, charter</p>	
<p>Council Meeting Date <b>1/24/2018</b></p>	

<p style="text-align: center;"><b>AGENDA</b></p> <p><b>TIME CERTAIN</b> <input type="checkbox"/></p> <p>Start time: _____</p> <p><b>Total amount of time needed:</b> _____          (for presentation, testimony and discussion)</p> <p><b>CONSENT</b> <input type="checkbox"/></p> <p><b>REGULAR</b> <input checked="" type="checkbox"/> <i>\$20 min</i></p> <p><b>Total amount of time needed:</b> <u>5 minutes</u>          (for presentation, testimony and discussion)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 30%;">FOUR-FIFTHS AGENDA</th> <th colspan="2">COMMISSIONERS VOTED AS FOLLOWS:</th> </tr> <tr> <th></th> <th>YEAS</th> <th>NAYS</th> </tr> <tr> <td>1. Fritz</td> <td style="text-align: center;">1. Fritz <input checked="" type="checkbox"/></td> <td></td> </tr> <tr> <td>2. Fish</td> <td style="text-align: center;">2. Fish <input checked="" type="checkbox"/></td> <td></td> </tr> <tr> <td>3. Saltzman</td> <td style="text-align: center;">3. Saltzman <input checked="" type="checkbox"/></td> <td></td> </tr> <tr> <td>4. Eudaly</td> <td style="text-align: center;">4. Eudaly <input checked="" type="checkbox"/></td> <td></td> </tr> <tr> <td>Wheeler</td> <td style="text-align: center;">Wheeler <input checked="" type="checkbox"/></td> <td></td> </tr> </table>	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. Eudaly	4. Eudaly <input checked="" type="checkbox"/>		Wheeler	Wheeler <input checked="" type="checkbox"/>	
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