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191012

Ordinance

## Authorize sewer revenue bonds to finance sewer system capital improvements for amount not to exceed \$440 million and to refund outstanding bonds

Passed

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

Introduced by

[Mayor Ted Wheeler](#)

Bureau

[Management and Finance;](#)[Revenue and Financial Services](#)

Contact

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Debt Manager

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

September 28, 2022

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 enacts this ordinance to authorize the issuance and sale of sewer revenue bonds in an amount sufficient to produce net proceeds of up to \$425 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 \$425 million to pay for costs of System Improvements, plus additional amounts that are required to fund bond reserves for bonds authorized by this 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 \$440 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 revenue 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 "2022 Bonds") in one or more series, which may be sold at different times, and issue any series of 2022 Bonds as First Lien Bonds or as Second Lien Bonds.
2. Issue the 2022 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 2022 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 2022 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 2022 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 bond purchase agreements, including forward delivery bond purchase agreements, with those underwriters or lenders in connection with such sales.
5. Prepare, execute and deliver one or more bond declarations or other documents or agreements that will specify the terms under which the 2022 Bonds are issued and the administrative provisions that apply to the 2022 Bonds. The related bond declarations or other documents or agreements may also contain covenants for the benefit of the owners of the 2022 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 2022 Bonds and future sewer revenue bonds.
7. Select sewer revenue bonds to be refunded, refund any 2022 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 2022 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 2022 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 2022 Bonds.
  11. Issue any qualifying series of 2022 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 2022 Bonds, issue any series of 2022 Bonds as eligible for those federal subsidies or tax credits, and enter into related covenants to maintain the eligibility of such series of 2022 Bonds for those subsidies or tax credits.
  13. Issue any series of 2022 Bonds as "taxable bonds" bearing interest that is includable in gross income under the Code.
  14. Execute any documents and take any other action in connection with the 2022 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 "2022 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 any 2022 First Lien Bonds shall be made equal to the Required Reserve for all outstanding Bonds, including any proposed 2022 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:
  - a. 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 2022 First Lien Bonds) in that fiscal year; and
- b. 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 2022 First Lien Bonds) in that fiscal year.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
September 28, 2022

Auditor of the City of Portland  
Mary Hull Caballero

## Impact Statement

### Purpose of Proposed Legislation and Background Information

The proposed legislation authorizes the issuance of bonds secured by the net revenues of the City's sewer system (the "Bonds") to provide proceeds of up to \$425 million to finance capital assets of the sewer system, plus amounts that are reasonably required to fund financing costs and reserve funds. The total amount shall not exceed \$440 million. The ordinance also authorizes the Bonds to be initially issued as interim financing if advantageous to the City.

Additionally, the Ordinance authorizes the issuance of sewer system revenue refunding bonds to (1) refinance any of the Bonds issued as interim financing or (2) refund any outstanding sewer system revenue bonds that produce debt service savings in accordance with the City's debt management policy or to achieve a favorable reorganization of outstanding bonds, if warranted. Subject to market conditions, the City expects to refund the Second Lien Sewer System Revenue and Refunding Bonds, 2013 Series A in spring 2023.

The Bonds, including any interim financing, are expected to be sold in November 2022.

### Financial and Budgetary Impacts

Based on current market conditions, the estimated annual debt service on the Bonds is approximately \$28.3 million. Debt service will begin in FY 2024 and will be included in the FY 2023-24 budget. The planned sewer rate increases are projected to be sufficient to meet debt service coverage requirements and planning standards after the issuance of the Bonds.

If the Bonds are initially issued as interim financing, interest-only debt service may begin in FY 2023.

## Community Impacts and Community Involvement

This is an administrative action taken to authorize the issuance of the Bonds.  
No direct community impact or involvement is anticipated.

## 100% Renewable Goal

Not applicable.

## Agenda Items

### 785 Regular Agenda in [September 21, 2022 Council Agenda](#)

Passed to second reading

Passed to second reading September 28, 2022 at 9:30 a.m.

### 812 Regular Agenda in [September 28, 2022 Council Agenda](#)

Passed

Commissioner Jo Ann Hardesty Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Yea