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191199

Ordinance

Authorize water revenue bonds to finance water system capital improvements not to exceed \$425 million and to refund outstanding water revenue 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 water 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 a portion of the costs of the capital improvement plan of the City's water system, including additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support (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 water system, which lien may be subordinate to outstanding City water revenue bonds.
5. The City has issued water revenue bonds that are secured by a first lien on the net revenues of the City's water system ("First Lien Bonds") pursuant to the Master First Lien Water System Revenue Bond Declaration dated as of December 15, 2016, as amended and supplemented pursuant to its terms (the "Master First Lien Water Revenue Bond Declaration"). The City has also issued water revenue bonds that are secured by a second lien on the net revenues of the City's water system ("Second Lien Bonds") as provided in the Master Second

Introduced by

[Mayor Ted Wheeler](#)

Bureau

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

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

March 8, 2023

Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as amended and supplemented pursuant to its terms (the "Master Second Lien Water Revenue Bond Declaration").

6. The City adopts this ordinance to authorize the issuance and sale of water revenue bonds in an amount sufficient to produce net proceeds of up to \$425,000,000 for costs of System Improvements, to refund water revenue bonds that are issued to provide interim financing, and to refund water 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 \$425,000,000 to pay for costs of System Improvements, plus amounts that are required to fund bond reserves for bonds authorized by Section 1.a.1 and Section 1.b of this ordinance, to pay capitalized interest and costs related to the financings. The City estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$425,000,000. 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 water system revenues of the City.
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 water 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 water revenue bonds selected by the Debt Manager pursuant to Section 1.c.7 of this ordinance, plus amounts required to pay costs and to fund bond reserves 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 City Treasurer, 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 “Bonds”) in one or more series, which may be sold at different times, and issue any series of Bonds as First Lien Bonds, Second Lien Bonds or with a subordinate lien on revenues of the water system.
2. Issue the Bonds as short or intermediate term bonds to provide interim financing for System Improvements and enter into lines of credit or similar credit agreements which permit the City to draw 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 Bonds.
4. Subject to the limits of this ordinance and then-outstanding limitations in borrowings for the water system, establish the final principal amounts, lien status, maturity schedules, interest rates and other terms for each series of 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 Bonds are issued and the administrative provisions that apply to the Bonds. The bond declarations or other documents or agreements may also contain covenants for the benefit of the owners of the Bonds and any credit enhancement providers.
6. Amend or reserve the ability to make changes to the Master First Lien Water Revenue Bond Declaration and amend or reserve the ability to amend the Master Second Lien Water Revenue Bond Declaration to facilitate the issuance of the Bonds and future water revenue bonds.
7. Select water revenue bonds to be refunded, refund any Bonds that are issued to provide interim financing with other short, intermediate or long-term term bonds, and call, refund, repurchase, and defease any water revenue bonds that produce net debt service savings or a favorable reorganization of bonds that is in the City’s best financial interest, including through a forward-delivery structure.
8. Undertake to provide continuing disclosure for any series of 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 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 Bonds.
11. Issue any qualifying series of 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 Bonds, issue any series of Bonds as eligible for those federal subsidies or tax credits, and enter into related covenants to maintain the eligibility of such series of Bonds for those subsidies or tax credits.
13. Issue any series of Bonds as “taxable bonds” bearing interest that is includable in gross income under the Code.
14. Designate any series of Bonds as “green bonds” if applicable.
15. 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. Compliance with the Master First Lien Water Revenue Bond Declaration.

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, when the 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 the proposed Parity Obligations treated as Outstanding. Capitalized terms used in this Section 1.d that are not defined in this ordinance shall have the meanings defined for those terms in the Master First Lien Water Revenue Bond Declaration.

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
March 8, 2023

Auditor of the City of Portland
Simone Rede

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 water system (the "New Money Bonds") that is sufficient to provide net proceeds of up to \$425 million to finance additions and improvements to the water system (the "System Improvements") and amounts that are reasonably required to finance bond reserves and issuance costs. The System Improvements to be financed with the New Money Bonds include additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support.

Additionally, the Ordinance authorizes the issuance of water system revenue refunding bonds (the "Refunding Bonds") to refund any outstanding water system revenue bonds to obtain debt service savings or to achieve a favorable reorganization of outstanding bonds, if warranted, (the "Refundable Bonds"). The Refundable Bonds currently include the callable maturities of the Second Lien Water System Revenue Refunding Bonds, 2013 Series A, The Debt Management Division is planning a current refunding of the 2013 Series A Bonds to achieve debt service savings. The proposed refunding is being done in conformance with the City's Debt Management Policy (FIN 2.12), which requires net present value savings of at least \$100,000 for refundings that occur within 90 days of a debt obligation's prepayment date.

The Ordinance is intended to authorize Bonds that are expected to be issued in both FY 2022-23 and FY 2023-24. While all of the Refunding Bonds and approximately half of the New Money Bonds are currently expected to be issued in the current fiscal year 2022-23, a higher amount may be issued to fund project needs if there is a financial benefit in doing so based on favorable market conditions at the time of the sale.

Financial and Budgetary Impacts

While the repayment structure will not be finalized until the sale dates of the Bonds, estimated annual debt service on the \$425 million of New Money Bonds is expected not to exceed approximately \$27 million under a typical level debt service structure. The increase in debt service will be paid for through planned rate increases as provided for in the Portland Water Bureau's requested and approved budgets in recent years.

Debt service savings achieved by refunding the Refundable Bonds is estimated to be approximately \$1.3 million annually through FY 2037-38 (\$8.1 million total net present value savings, approximately 5.7% of the gross proceeds of the Refunding Bonds).

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

178 Regular Agenda in [March 1, 2023 Council Agenda](#)

Passed to second reading

Passed to second reading March 8, 2023 at 9:30 a.m.

201 Regular Agenda in [March 8, 2023 Council Agenda](#)

Passed

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea