

**ORDINANCE No. 184362**

Authorize water revenue bonds to finance and refinance 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 \$100,000,000 (One Hundred Million Dollars) of bonding authority to finance Capital Improvements under the Act.
5. The City is authorized by ORS 287A.360 to 287A.375 to issue bonds to refund outstanding bonds. Current interest rates are very low and may allow the City to refund certain outstanding water revenue bonds to reduce debt service costs.
6. The bonds described in this ordinance will be secured solely by the revenues of the City's water system and amounts related to that water system.
7. 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").
8. 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").

9. It may be advantageous to obtain interim financing for the Capital Improvements by securing all or a portion of the Additional Bonds with a third lien on the net revenues of the City's water system (the "Third Lien Bonds") and selling those Third Lien Bonds to one or more commercial banks.

10. The City has issued and may issue water system revenue bonds to finance costs related to the City's water system. At times, interest rates may be lower than the interest rates borne by water system revenue bonds that the City has previously issued, and the City may be able to obtain debt service savings by refunding all or a portion of those outstanding water revenue bonds.

11. The City adopts this ordinance to obtain the authority to issue and to authorize the sale of \$100,000,000 of water revenue bonds to finance the Capital Improvements under the Act, and to authorize the refunding of outstanding water revenue bonds.

NOW, THEREFORE, the Council directs:

- A. Authorization of Capital Improvement Bonds. The Council hereby authorizes the issuance of not more than One Hundred Million Dollars (\$100,000,000) in aggregate principal amount of revenue bonds under the Act to finance the Capital Improvements, fund reserves and pay related costs (the "Capital Improvement Bonds"). No series of Capital Improvement Bonds may be sold and no purchase agreement for any series of Capital Improvement 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 Capital Improvement Bonds unless the voters approve the Capital Improvement Bonds.
- B. Authorization of Refunding Bonds. The Council also authorizes the issuance of additional amounts of water revenue bonds pursuant to ORS 287A.360 to 287A.375 that are sufficient to refund outstanding water revenue bonds to reduce debt service costs, to refund interim financings for the water system, and to fund reserves and pay costs related to the water revenue refunding bonds (the "Refunding Bonds"). The authority provided under this Section 1.B. to issue refunding bonds shall remain in effect though December 31, 2012.
- C. Security for Additional Bonds. The Capital Improvement Bonds and the Refunding Bonds (collectively, the "Additional 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 Additional Bonds.
- D. Sale of Additional Bonds; Delegation. The Council hereby authorizes the sale and delivery of the Additional Bonds as First Lien Bonds, as Second Lien Bonds or as Third Lien Bonds. 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 (any of whom is referred to in this ordinance as a "Debt Manager") may, on behalf of the City:

1. Provide that the Additional Bonds may be issued in one or more series, any of which may be First Lien Bonds, Second Lien Bonds or Third Lien Bonds, and any of which may be sold at different times.
2. Provide that any Additional 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 Additional Bonds are issued allows Additional Bonds to be issued as Interest Subsidy Bonds. The Debt Manager may present to Council proposed amendments to the Master First Lien Water System Revenue Bond Ordinance that will facilitate issuance of Additional Bonds as Interest Subsidy Bonds, or may amend the Master Second Lien Declaration to facilitate issuance of Additional Bonds as Interest Subsidy Bonds.
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 Additional 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 Additional 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 Additional 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 Additional 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 Additional Bonds. The bond declarations may also contain covenants for the benefit of the owners of the Additional Bonds, insurers of the Additional 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 Additional Bonds.

9. Enter into covenants to maintain the excludability of interest on each series of the Additional Bonds from gross income under the Internal Revenue Code of 1986, as amended.
  10. Issue the Capital Improvement Bonds and Refunding Bonds as provided in this ordinance.
  11. Execute any documents and take any other action in connection with the Additional Bonds which the Debt Manager finds will be advantageous to the City.
- E. 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, 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 Additional Bonds treated as Outstanding. Capitalized terms used in this Section 1.C 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.

Passed by the Council, JAN 12 2011

Mayor Sam Adams  
Prepared by:  
Eric Johansen: Bond Counsel  
December 16, 2010

LAVONNE GRIFFIN-VALADE  
Auditor of the City of Portland  
By

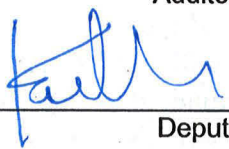
  
Deputy

37 = 60

v 140

Agenda No. **184362**  
**ORDINANCE NO.**  
 Title

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

<p><b>INTRODUCED BY</b>          Commissioner/Auditor:  <b>Mayor Sam Adams</b></p>	<p>CLERK USE: DATE FILED <u>DEC 30 2010</u></p>
<p><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance and Administration - Adams</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 style="text-align: right;">LaVonne Griffin-Valade          Auditor of the City of Portland</p> <p>By: <u></u>          Deputy</p>
<p><b>BUREAU APPROVAL</b></p> <p>Bureau: Financial Services          Bureau Head: Rich Goward</p> <p>Prepared by: Eric Johansen:PT          Date Prepared: December 16, 2010</p> <p>Financial Impact Statement          Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>          Not Required <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          January 5, 2011</p>	<p><b>ACTION TAKEN:</b></p> <p><b>JAN 05 2011 PASSED TO SECOND READING JAN 12 2011 9:30 A.M.</b></p>
<p><b>City Attorney Approval</b></p>	

<b>AGENDA</b>
<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"/></p> <p><b>Total amount of time needed: 5 minutes</b>          (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	