

FINANCIAL IMPACT STATEMENT
For Council Action Items
(Use this form for Ordinances and Resolutions)
(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Eric Johansen, Debt Manager	2. Telephone Number 503/823-6851	3. Bureau/Office/Dept. Financial Services/Public Finance and Treasury
4a. To be filed (date) December 29, 2010	4b. Calendar (Check One) Regular Consent 4/5ths [X] [] []	5. Date Submitted to FPD Budget Analyst: December 16, 2010

1) Legislation Title:

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

2) Purpose of the Proposed Legislation:

The Ordinance authorizes the City to issue up to \$100 million of water system revenue bonds (the "Capital Improvement Bonds") to finance additions and improvements to the water system. The additions and improvements to be financed with revenue bonds authorized by this ordinance include additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support. The Capital Improvement Bonds will be secured by the revenues of the City's water system and amounts related to that water system.

Additionally, the Ordinance authorizes the City to issue water system revenue refunding bonds (the "Refunding Bonds") pursuant to applicable Oregon statutes 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. If this Ordinance is approved by the Council, authority to issue Refunding Bonds would extend through December 31, 2012.

The Capital Improvement Bonds and the Refunding Bonds may be issued as First Lien Bonds, Second Lien Bonds, or Third Lien Bonds.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated identify the source.

This legislation will not generate or reduce current or future revenue to the City.

4) Expense:

What are the costs to the City as a result of 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)

Issuance of the Capital Improvement Bonds will result in annual debt service costs to be paid over the life of the bonds. While the final amount of the issue will not be determined until the sale date of the Capital Improvement Bonds, annual net debt service is expected to be in the range of \$6.0 million annually.

The City is currently evaluating whether savings can be achieved by refunding any of the outstanding water system revenue bonds and will issue Refunding Bonds if savings can be achieved in conformance with the City's debt policies.

Staffing Requirements:

5) 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 position changes are anticipated.

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

No position changes are anticipated.

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 Center Code column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Amount

Eric Johansen, Debt Manager



APPROPRIATION UNIT HEAD (Typed name and signature)



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
Sam Adams, Mayor
Ken Rust, Chief Administrative Officer

Bureau of Financial Services
Rich Goward, Director & CFO
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184362

DATE: December 16, 2010
TO: Mayor Sam Adams
FROM: Eric Johansen, City Treasurer ^{ET}
RE: Authorize water revenue bonds to finance and refinance water system capital improvements (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. INTENDED WEDNESDAY FILING DATE (early filing): December 29, 2010
2. REQUESTED COUNCIL AGENDA DATE: January 5, 2011
3. CONTACT NAME & NUMBER: Eric Johansen, City Treasurer, x3-6851
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 first reading by the City Council on January 5, 2010. The Ordinance authorizes the City to issue up to \$100 million of First, Second and/or Third Lien Water System Revenue Bonds (the “Capital Improvement Bonds”) to finance additions and improvements to the water system. The additions and improvements to be financed with revenue bonds authorized by this ordinance include additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support. The Capital Improvement Bonds will be secured by the revenues of the City’s water system and amounts related to that water system and are expected to be sold in March 2011.

Additionally, the Ordinance authorizes the City to issue water system revenue refunding bonds (the “Refunding Bonds”) pursuant to applicable Oregon statutes 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. If this Ordinance is approved by the Council, authority to issue Refunding Bonds would extend through December 31, 2012.

The Ordinance delegates to the Debt Manager certain tasks including negotiating the terms of 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; determining whether bonds are to be secured either by a first lien, a second lien, or a third lien on the net revenues of the City’s water system; and executing documents.

Legal Issues – If the Ordinance is approved by the Council after its second reading, a 30-day referral period begins. If during the referral period, written petitions signed by at least six percent of the City's electors are filed with the City Auditor, any bonding authority provided by the proposed Ordinance could not be used unless approved by the voters.

Link to Current City Policies – None.

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – The City is working with the staff of the Water Bureau to complete the financing.

8. FINANCIAL IMPACT

While the final amount of the Capital Improvement Bonds will not be determined until the sale date of the these bonds, annual net debt service on the Capital Improvement Bonds is expected to be in the range of \$6.0 million annually. Debt service will be paid with revenues of the water system.

The City is currently evaluating whether savings can be achieved by refunding any of the outstanding water system revenue bonds and will issue Refunding Bonds if savings can be achieved in conformance with the City's debt policies.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve this Ordinance in order to provide the necessary funding to continue the Water Bureau capital improvement program.