

ORDINANCE No. 186640

Authorize sewer revenue bonds to refund outstanding bonds and finance sewer system capital improvements (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").
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 City Ordinance No. 160276, as amended and supplemented pursuant to its terms (the "First Lien Sewer Revenue Bond Ordinance"). 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 Master Second Lien Sewer System Revenue Bond Declaration that is dated April 3, 2003, as amended and supplemented pursuant to its terms (the "Master Second Lien Sewer Revenue Bond Declaration").
5. 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.
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 \$207.3 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 debt, 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 \$207.3 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 related costs. The City estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$226 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 First Lien Sewer System Revenue Bonds, 2004 Series A, First Lien Sewer System Revenue Bonds, 2006 Series A, and the Second Lien Sewer System Revenue Bonds, 2006 Series B to obtain debt service savings or to achieve a favorable reorganization of outstanding debt, 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 fund bond reserves and pay costs related to the refunding bonds.

c. Delegation. After this ordinance takes effect the Debt Manager of the City, 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 “2014 Bonds”) in one or more series, which may be sold at different times, and issue any Series of 2014 Bonds as First Lien Bonds or as Second Lien Bonds.
2. Issue the 2014 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 2014 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 2014 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 2014 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.
5. Prepare, execute and deliver one or more bond declarations or other documents or agreements that will specify the terms under which the 2014 Bonds are issued and the administrative provisions that apply to the 2014 Bonds. The bond declarations or other documents or agreements may also contain covenants for the benefit of the owners of the 2014 Bonds and any credit enhancement providers.
6. Reserve the ability to make changes to the First Lien Sewer Revenue Bond Ordinance and amend or reserve the ability to amend the Master Second Lien Sewer Revenue Bond Declaration to facilitate the issuance of the 2014 Bonds and future sewer revenue bonds.
7. Select sewer revenue bonds to be refunded, refund any 2014 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 debt 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 2014 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 2014 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 2014 Bonds.
 11. Issue any qualifying series of 2014 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. Issue any qualifying series of 2014 Bonds as “tax credit bonds,” “federal subsidy bonds” or other obligations that are eligible for federal tax credits, federal interest rate subsidies or other federal benefits, and enter into any covenants and take any actions that are required to qualify for those federal benefits.
 13. Issue any series of 2014 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 2014 Bonds which the Debt Manager finds will be advantageous to the City.
- d. Compliance with the First Lien Sewer Revenue Bond Ordinance.
1. The covenants in this section are made to comply with the requirements of the First Lien Sewer Revenue Bond Ordinance. Capitalized terms used in this section shall have the meanings defined for those terms in the First Lien Sewer Revenue Bond Ordinance.
 2. The bonds authorized by this ordinance that are issued as Parity Obligations pursuant to the First Lien Sewer Revenue Bond Ordinance (the “2014 First Lien Bonds”) shall not be issued until the City complies with all applicable requirements of the First Lien Sewer Revenue Bond Ordinance.
 3. The balance in the Reserve Account at closing of the 2014 First Lien Bonds shall be made equal to the Required Reserve for all outstanding Bonds, including the proposed 2014 First Lien Bonds, as required by the First Lien Sewer Revenue Bond Ordinance.
 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 2014 First Lien Bonds) in that fiscal year; and

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- 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 2014 First Lien Bonds) in that fiscal year.

Passed by the Council: JUN 11 2014

Mayor Charlie Hales

Prepared by: Bond Counsel: Jonas Biery

Date Prepared: May 15, 2014

LaVonne Griffin-Valade
Auditor of the City of Portland

By

Susan Parsons

Deputy

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Agenda No.
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<p>INTRODUCED BY Commissioner/Auditor: Mayor Hales</p> <hr/> <p>COMMISSIONER APPROVAL <i>[Signature]</i> Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p> <hr/> <p>BUREAU APPROVAL Bureau: Office of Management & Finance Bureau Head: Fred Miller <i>[Signature]</i></p> <p>Prepared by: Bond Counsel: Jonas Biery Date Prepared: 5/15/2014</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <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>City Auditor Office Approval: required for Code Ordinances</p> <p>City Attorney Approval: required for contract, code, easement, franchise, comp plan, charter</p> <p>Council Meeting Date 6/4/2014</p>	<p>CLERK USE: DATE FILED <u>MAY 30 2014</u></p> <hr/> <p style="text-align: right;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p> <p>ACTION TAKEN: JUN 04 2014 PASSED TO SECOND READING JUN 11 2014 9:30 A.M.</p>
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AGENDA
<p>TIME CERTAIN <input type="checkbox"/> Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/> Total amount of time needed: 5 minutes (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. Novick	4. Novick	✓	
Hales	Hales	✓	