

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Jonas Biery <i>JB</i>	2. Telephone No. X3-4222	3. Bureau/Office/Dept. OMF – Public Finance/Treasury
4a. To be filed (hearing date): May 29, 2014 (June 4, 2014)	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: 5/29/2014
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

Authorize sewer revenue bonds to refund outstanding bonds and finance sewer system capital improvements (Ordinance)

2) Purpose of the Proposed Legislation:

The ordinance authorizes the issuance of a principal amount of bonds secured by the revenues of the City's sewer system (the "Bonds") that is sufficient to provide net proceeds of up to \$207.3 million to finance additions and improvements to the sewer system (the "System Improvements"), plus additional amounts that are reasonably required to finance related costs, including issuance costs and the costs of funding debt service reserves for the Bonds. The System Improvements to be financed with the Bonds include 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.

Additionally, the ordinance authorizes the City to issue Bonds to refund any or all maturities of certain outstanding Sewer System Revenue Bonds to achieve debt service savings. Based upon the current financing plan and market conditions, the First Lien Sewer System Revenue Bonds, 2004 Series A (the "2004 Series A Bonds") may be refundable for debt service savings at this time.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This legislation will not generate or reduce current or future revenue coming to the City. However, in order to support the debt service on any Bonds that are issued for System Improvements, the Council may need to raise sewer rates above their current level. Based upon current BES revenue projections and assuming no other offsetting expenditure reductions, average rate increases conservatively estimated at approximately 3.1% (as included in the estimated 4.5% total increase for FY 2015-16 that is part of the BES Five-year Financial Plan) will be required to meet debt service coverage expectations.

5) 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 year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)*

While the repayment structure will not be finalized until closer to the sale date of the Bonds, estimated annual debt service on the Bonds issued for System Improvements is expected not to exceed approximately \$14.3 million. Debt service will be paid with revenues of the sewer system.

If the City is able to successfully refund the 2004 Series A Bonds, debt service payments could be reduced by approximately \$1.2 million annually in FY 2014-15 through FY 2024-25.

6) Staffing Requirements:

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

No positions will be created, eliminated or re-classified in the current year or in future years as a result of this legislation.

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

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

☐ **YES:** Please proceed to Question #9.

☒ **NO:** Please, explain why below; and proceed to Question #10.

This is an administrative action taken to issue the Bonds, the proceeds of which will be used to fund System Improvements of the sewer system.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No future public involvement is anticipated or necessary. Once the Bonds are issued, BES will apply the proceeds to the System Improvements and the City will pay debt service on the Bonds through maturity.



FRED MILLER, INTERIM CHIEF ADMINISTRATIVE OFFICER



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
Charlie Hales, Mayor
Fred Miller, Interim Chief Administrative Officer

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DATE: May 21, 2014

TO: Mayor Charlie Hales

FROM: Jonas Biery, Debt Manager

RE: Authorize sewer revenue bonds to refund outstanding bonds and finance sewer system capital improvements (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. **INTENDED THURSDAY FILING DATE:** May 29, 2014
 2. **REQUESTED COUNCIL AGENDA DATE:** June 4, 2014
 3. **CONTACT NAME & NUMBER:** Jonas Biery, Debt Manager – x34222
 4. **PLACE ON:** **CONSENT** **REGULAR**
 5. **BUDGET IMPACT AND PUBLIC INVOLVEMENT STATEMENT ATTACHED:** **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 June 4, 2014. The ordinance authorizes the issuance of a principal amount of bonds secured by the revenues of the City's sewer system (the "Bonds") that is sufficient to provide net proceeds of up to \$207.3 million to finance additions and improvements to the sewer system (the "System Improvements"), plus additional amounts that are reasonably required to finance related costs, including issuance costs and the costs of funding debt service reserves for the Bonds. The System Improvements to be financed with the Bonds include 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.

Additionally, the ordinance authorizes the City to issue Bonds to refund any or all maturities of the outstanding First Lien Sewer System Revenue Bonds, 2004 Series A (the "2004 Series A Bonds"), the First Lien Sewer System Revenue Bonds, 2006 Series A (the "2006 Series A Bonds") and the Second Lien Sewer System Revenue Bonds, 2006 Series B (the "2006 Series B Bonds") to achieve debt service savings. Based upon the current financing plan and market conditions, the 2004 Series A Bonds may be refundable for debt service savings at this time.

The ordinance authorizes Bonds to be issued as First Lien Bonds, Second Lien Bonds, or with a lien on the Net Revenues of the Sewer System that is subordinate to the First Lien Bonds and Second Lien Bonds in order to provide interim financing. If the Bonds are issued to provide interim financing, the ordinance authorizes the issuance of long-term bonds to refund those Bonds. The Bonds are expected to be sold in the summer of 2014.

The Ordinance delegates to the Debt Manager certain tasks including issuing Bonds as short-term or intermediate-term to provide interim financing; negotiating the terms of and executing one or more Bond declarations; establishing the final principal amounts, lien status, maturity schedules, payment terms and dates, and other terms related to the sale of the Bonds; selecting sewer revenue bonds to be refunded; purchasing municipal bond insurance or other forms of credit enhancement; refunding any Bonds issued to provide interim financing; and executing documents.

Legal Issues – If the Ordinance is approved by the Council after its second reading, a 30-day referral period begins. No Bonds may be sold and no purchase agreement for any Bonds may be executed until the referral period has expired and this Ordinance takes effect. If the Ordinance is referred, the City may not sell the Bonds unless the voters approve this Ordinance.

Link to Current City Policies – Issuance of the Bonds will be done in conformance with the City’s debt policies.

Controversial Issues – None

Citizen Participation – The System Improvements to be financed by the Bonds are subject to the public budgeting process, which involves the Bureau of Environmental Services (“BES”) Budget Advisory Committee, Public Utility Review Board and other interested citizen groups.

Other Government Participation – Bureau of Environmental Services (“BES”) staff have worked with the Office of Management and Finance on this financing.

8. FINANCIAL IMPACT

While the repayment structure will not be finalized until closer to the sale date of the Bonds, estimated annual debt service on the Bonds to be issued for System Improvements is expected not to exceed approximately \$14.3 million. Based upon current BES revenue projections and assuming no other offsetting expenditure reductions, average rate increases conservatively estimated at approximately 3.1% (as included in the estimated 4.5% total increase for FY 2015-16 that is part of the BES Five-year Financial Plan) will be required to meet debt service coverage expectations.

If the City is able to successfully refund the 2004 Series A Bonds, debt service payments could be reduced by approximately \$1.2 million annually in FY 2014-15 through FY 2024-25.

9. RECOMMENDATION/ACTION REQUESTED

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