

**ORDINANCE No. 186838**

Authorize water revenue bonds to finance water system additions and 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 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. 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”). On May 2, 2013, the City executed its Master Second Lien Water System Revenue Bond Declaration (the “Master Second Lien Declaration”). The Master Second Lien Declaration took the place of an earlier master document for the City’s second lien water bonds and 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”). The City has outstanding First Lien Bond and Second Lien Bonds.
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 Water System that is subordinate to the First Lien Bonds and Second Lien Bonds.
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 \$110 million for costs of System Improvements and to refund water revenue bonds that are issued to provide interim financing.

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 \$110 million to pay for costs of System Improvements, plus additional amounts that are required to fund bond reserves and to pay related costs. The City estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$120 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 water 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 any revenue bonds that are issued pursuant to Section 1.a.1 of this ordinance to provide interim financing. 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 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 Director of the Bureau of Revenue and Financial Services, 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.
  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. Make changes to the Master First Lien Water System Revenue Bond Ordinance and Master Second Lien Declaration to facilitate the issuance of the 2014 Bonds and future water revenue bonds.
7. Refund any 2014 Bonds that are issued to provide interim financing with other short, intermediate or long-term term bonds.
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. 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 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 System Revenue Bond Ordinance.

Passed by the Council: **OCT 08 2014**

Mayor Charlie Hales  
Prepared by: Bond Counsel: Jonas Biery *JB*  
Date Prepared: September 16, 2014

**LaVonne Griffin-Valade**  
Auditor of the City of Portland

By

*Susan Parsons*

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Agenda No. **186838**  
**ORDINANCE NO.**  
Title

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

**INTRODUCED BY**  
Commissioner/Auditor:  
**Mayor Hales**

**COMMISSIONER APPROVAL**  
Mayor—Finance and Administration - Hales *JHA*

Position 1/Utilities - Fritz

Position 2/Works - Fish

Position 3/Affairs - Saltzman

Position 4/Safety - Novick

**BUREAU APPROVAL**  
Bureau: Office of Management & Finance  
Bureau Head: Fred Miller *Fred Miller*

Prepared by: Bond Counsel: Jonas Biery *JB*  
Date Prepared: 9/16/2014

Financial Impact & Public Involvement Statement  
Completed  Amends Budget

Portland Policy Document  
If "Yes" requires City Policy paragraph stated in document.  
Yes  No

**City Auditor Office Approval:**  
required for Code Ordinances

**City Attorney Approval:**  
required for contract, code, easement, franchise, comp plan, charter

Council Meeting Date 10/1/2014

CLERK USE: DATE FILED SEP 26 2014

LaVonne Griffin-Valade  
Auditor of the City of Portland

By: *[Signature]*  
Deputy

**ACTION TAKEN:**  
OCT 01 2014 PASSED TO SECOND READING OCT 08 2014 9:30 A.M.

**AGENDA**

**TIME CERTAIN**   
Start time: \_\_\_\_\_

**Total amount of time needed:** \_\_\_\_\_  
(for presentation, testimony and discussion)

**CONSENT**

**REGULAR**   
**Total amount of time needed: 5 minutes**  
(for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	<input checked="" type="checkbox"/>	
2. Fish	2. Fish	<input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman	<input checked="" type="checkbox"/>	
4. Novick	4. Novick	<input checked="" type="checkbox"/>	
Hales	Hales	<input type="checkbox"/>	