

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. X 3-4222	3. Bureau/Office/Dept. OMF/Financial Services
4a. To be filed (hearing date): September 25, 2014 (October 1, 2014)	4b. Calendar (Check One)  <div style="display: flex; justify-content: space-around;"> <span>Regular <input checked="" type="checkbox"/></span> <span>Consent <input type="checkbox"/></span> <span>4/5ths <input type="checkbox"/></span> </div>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: 9/25/2014
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 water revenue bonds to finance water system additions and 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 water system (the "Bonds") that is sufficient to provide net proceeds of up to \$110 million to finance additions and improvements to the water system (the "System Improvements"), plus additional amounts that are reasonably required to finance related costs, including the costs of funding debt service reserves for the Bonds. The System Improvements to be financed with the Bonds include additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support.

**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                      |                                    |                                    |                                |
| <input type="checkbox"/> Internal City Government Services |                                    |                                    |                                |

## 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, the Council may need to raise water rates above their current level assuming no offsetting reductions in other expenditures. Based upon current Water Bureau revenue projections, and assuming no other offsetting expenditure reductions, retail rate increases conservatively estimated at approximately 7.0% in FY 2015-16 (after assumed contributions from the rate stabilization account) 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 the sale date of the Bonds, estimated annual debt service on the Bonds is expected not to exceed approximately \$7.0 million. Debt service will be paid with revenues of the water system.

**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 bonds, the proceeds of which will be used to fund System Improvements of the water 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. Once the Bonds are issued, the Water Bureau will apply the proceeds to the System Improvements and the City will pay debt service on the Bonds through maturity.



FRED MILLER  
CHIEF ADMINISTRATIVE OFFICER



**CITY OF PORTLAND**  
OFFICE OF MANAGEMENT AND FINANCE

Charlie Hales, Mayor  
Fred Miller, Chief Administrative Officer

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186838

**DATE:** September 16, 2014

**TO:** Mayor Charlie Hales

**FROM:** Jonas Biery, Debt Manager

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

**FOR MAYOR'S OFFICE USE ONLY**

Reviewed by Bureau Liaison \_\_\_\_\_

1. **INTENDED THURSDAY FILING DATE:** September 25, 2014  
2. **REQUESTED COUNCIL AGENDA DATE:** October 1, 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 October 1, 2014. The Ordinance authorizes the issuance of a principal amount of bonds secured by the revenues of the City's water system (the "Bonds") that is sufficient to provide net proceeds of up to \$110 million to finance additions and improvements to the water 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 additions, improvements, and capital equipment that facilitate supply, treatment, transmission, storage, pumping, distribution, regulatory compliance, customer service and support.

The ordinance authorizes Bonds to be issued as First Lien Bonds, Second Lien Bonds, or with a lien on the Net Revenues of the Water 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 December 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; 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 (FIN-2.12).

**Controversial Issues** – None

**Citizen Participation** – The System Improvements to be financed by the Bonds were included in the public budgeting process, including reviews by the Water Bureau Budget Advisory Committee, Public Utility Review Board, and other interested citizen groups.

**Other Government Participation** – Water Bureau 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 the sale date of the Bonds, estimated annual debt service on the Bonds is expected not to exceed approximately \$7.0 million. Based upon current Water Bureau revenue projections, and assuming no other offsetting expenditure reductions, retail rate increases conservatively estimated at approximately 7.0% in FY 2015-16 (after assumed contributions from the rate stabilization account) will be required to meet debt service coverage expectations.

## **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.