

**IMPACT STATEMENT**

**Legislation title:** Authorize third issuance of general obligation bonds for fire vehicles and emergency response infrastructure and general obligation refunding bonds (Ordinance)

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**Purpose of proposed legislation and background information:**

Attached is an Ordinance for Council consideration on March 18, 2015. The Ordinance authorizes general obligation bonds (the "Public Safety Bonds") in an amount sufficient to generate \$18,900,000 to provide financing for public safety improvements plus amounts to pay costs of issuing the bonds. The Public Safety Bonds are expected to be amortized over a period of 15 years or less and will be repaid from a dedicated tax levied upon all taxable property in the City.

The Ordinance also authorizes the City to issue general obligation refunding bonds (the "Refunding Bonds") in an amount sufficient to refund the outstanding General Obligation Emergency Facilities Bonds, 2008 Series A (the "2008 Bonds") and to pay costs of issuing the bonds.

The Public Safety Bonds will be issued in accordance with Ballot Measure 26-117, which was approved by voters in November 2010 and granted the City authority to issue up to \$72,400,000 of general obligation bonds for fire vehicles, an emergency radio system and fire and emergency response facilities. The first series of voter-approved bonds were authorized by Council under Ordinance No. 184502 on April 6, 2011, and were issued in May 2011 in the amount of \$25,835,000 which generated net proceeds of about \$26.7 million for projects and payment of costs of issuance. The second series of bonds under this voter authorization were authorized by Council under Ordinance No. 186441 on January 29, 2014, and were issued in March 2014 in the amount of \$22,670,000, which generated net proceeds of about \$24.9 million for projects and payment of costs of issuance. The first two series of bonds generated a net premium, which resulted in bond proceeds greater than the par amount. This Ordinance authorizes the City to issue the third series of bonds, the proceeds of which are expected to cover projected expenditures through June 2017.

The following table reflects the estimated uses of proceeds from this third bond sale.

Projects to be funded from sale 3 in May 2015:	
Fire Apparatus	\$6,597,216
Public Safety Emergency Radio System	\$12,779,609
Administration and Fire Project Management	\$282,103
Bond Issuance costs	\$173,721
Total required to complete projects	\$19,658,928
Less unused Fire Station 21 project bond sale proceeds	(\$171,393)
Less interest earnings on bond proceeds	(\$622,193)
<b>Bond Proceeds to fund projects</b>	<b>\$18,865,342</b>
Plus estimated Bond Issuance costs	\$173,721
Net amount of bond proceeds for bond sale 3 (including issuance costs)	\$19,039,063

Resolution No. 36800, approved by Council on July 15, 2010, requires that the Chief Administrative Officer submit a report to Council on bond expenditures and cost savings prior to issuance of these public safety bonds. The Chief Administrative Officer's report associated with this bond issue is attached to this impact statement.

For the Public Safety Bonds and the Refunding Bonds (collectively the "Bonds"), the Ordinance delegates to the Debt Manager certain tasks including issuing one or more series of bonds; 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; and executing documents.

If the Council approves the Ordinance, the City plans to sell the Bonds through a competitive bidding process in May 2015.

**Financial and budgetary impacts:**

It is estimated that in FY 2015-16, after the Public Safety Bonds are issued, a property with an assessed value of \$150,000 will experience an initial annual property tax increase of about \$5.05 and a property with an assessed value of \$200,000 will experience an initial increase of about \$6.74. Future year impacts will depend on assessed value growth.

The City currently plans to issue the Refunding Bonds to refund the 2016 through 2028 maturities of the 2008 Bonds, which are callable in June 2018. Based on current market conditions, net present value debt service savings of the refunding is approximately \$570,000 over the remaining life of the Refunding Bonds, or five percent of the principal amount of the Refunding Bonds. Annual savings of approximately \$48,000 are anticipated to be realized in fiscal years 2016 through the final maturity in June 2028. Savings do not result in any direct benefits to the City, but would result in a slightly reduced general obligation bond levy, which benefits City property taxpayers.

**Community impacts and community involvement:**

The Public Safety Bonds were approved by voters under Ballot Measure 26-117 approved by voters in November 2010.

In accordance with Resolution No. 36800, the projects being financed with the Public Safety Bonds are periodically reviewed by an independent citizen committee (the "ICC"). Input from the ICC is provided quarterly to the Chief Administrative Officer and annually to the City Council. The currently proposed plan for the Public Safety Bonds was presented to the ICC on February 12, 2015, and they have concurred with the approach the City is taking.

**Budgetary Impact Worksheet****Does this action change appropriations?**☐ **YES:** Please complete the information below.☒ **NO:** Skip this section

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



# CITY OF PORTLAND

## OFFICE OF MANAGEMENT AND FINANCE

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Date: March 4, 2015

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To: Mayor Charlie Hales  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Steve Novick  
Commissioner Dan Saltzman  
Auditor Mary Hull Caballero

From: Fred Miller, Chief Administrative Officer *Fred Miller*  
Ken Rust, Chief Financial Officer *KR*

Cc: Fire Chief Erin Janssens

RE: Third Bond Sale for Public Safety General Obligation Program

In November 2010 City of Portland voters approved a Public Safety General Obligation Bond measure in the amount of \$72,400,000 to provide funding for the replacement of aging fire and emergency response vehicles, to finance the construction of a fire station and an emergency response center, and provide funding for a public safety emergency radio system.

The apparatus and radio system projects are well underway and the ECC and fire station projects are completed. The apparatus program will be completed by June 2017 and the radio system project will be completed by December 2016.

Financial staff and project managers have been updating project cost estimates and timelines on an ongoing basis to determine the amount and timing of our third and final debt sale. The program has had two bond sales to date, which have provided \$51,603,639 for project funding. Staff are now preparing for the third and final bond sale.

The resolution authorizing the referral of the measure to the voters required the following:

*Prior to the second and/or third series of bonds being issued the Chief Administrative Officer shall present to Council the bond expenditures to date and a listing of any savings that have occurred due to lower than expected construction costs and/or apparatus replacement prices so that if the City Council agree the dollar amount of the second or third series of bonds issued would be reduced by an amount equal to the savings accrued during expenditures of the prior bond issuance.*

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*To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.*

This analysis has been completed and the proposed amount of the third debt sale reflects savings on projects. As a result of savings on projects, the City will issue fewer bonds than the maximum amount authorized by the voters. Additionally, interest earnings from the prior bonds will be applied to project funding, further decreasing the amount of the final bond issue.

The chart below summarizes overall program savings, interest earnings, and the resulting amount of funds to be provided by the third and final bond sale.

Third GO bond sale with suggested enhancements and add backs  
Assumes \$918,328 savings from Station 21 remain in Fire Facilities GO Bond Fund

Proceeds from sale 3 in May 2015	
Fire Apparatus	\$6,597,216
ECC	\$0
Public Safety Emergency Radio System	\$12,779,609
Admin, Fire PM, and Bond Issuance	\$455,824
Total required to complete projects	\$19,832,649
<i>Less unused Fire Station 21 project bond sale proceeds</i>	<i>(\$171,393)</i>
<i>Less interest earnings on bond proceeds</i>	<i>(\$622,193)</i>
Net amount for bond sale 3	<u>\$19,039,063</u>
Combined proceeds from bond sales 1 and 2	\$51,550,044
Total bond proceeds authority to be used	<u>\$70,589,107</u>
2010 bond proceeds authority available	\$72,400,000
Overall program savings	
Unused 2010 bond proceeds authority	\$1,810,893
Cash and other resources	
PSSRP cash for 800 MHz radio system	\$5,393,036
GO bond proceeds (1998)	\$918,328
ECC project resources	\$216,972
Total	<u>\$8,339,228</u>
Overall program savings are due to	
Project savings	\$7,717,034
Interest earnings	\$622,193
Total	<u>\$8,339,227</u>

The savings in PSSRP cash for the 800 MHz radio system will be used to seed programs for future major maintenance projects for the system and/or end-user equipment replacement. The savings from the 1998 GO bond proceeds will be used by Fire and Rescue for facility projects that meet the requirements of the 1998 voter authorization. The ECC project savings accrued to the Water and Facilities Services funds.

We have discussed this approach with the Independent Citizens Committee that we have in place for oversight of the program and they have concurred with the approach the City is taking.