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## ADM-11.02 - Risk Management Letter of Credit/Limited General Obligation Bond Policy

Binding City Policies (BCP)

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ADM-11.02 - Exhibit B - Policy Regarding Issuance of Letter of Credit/Limited General Obligation Bond to Fund Catastrophic Loss Exposures

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### Purpose

The Council finds:

1. The City of Portland has an exposure to catastrophic loss that has traditionally been covered by a commercial insurance policy. In 1986, the Bureau of Risk Management determined that this coverage was not available to the City.
2. Risk Management, the Office of Fiscal Administration, and Government Finance Associates, in conjunction with the City Attorney's Office and the Office of Intergovernmental Affairs, defined and analyzed a variety of options to finance potential catastrophic losses in the absence of insurance coverage.
3. A financial mechanism was selected, submitted as Senate Bill 748 in the 64th Oregon Legislative Assembly in 1987, and passed into law that year as an amendment to ORS 287 (Exhibit A).
4. The new law enables the City to purchase a letter of credit in advance of a catastrophic loss in order to have access to immediate funding on pre-negotiated terms. Funding from the letter of credit could only be obtained should a catastrophic event actually occur. The law also enables the City to issue a limited tax general obligation bond to order to replace the funding from the letter of credit with a lower interest rate and a longer amortization period.
5. The law also requires that a policy be adopted by the governing body

as a pre-condition to using the financial instruments.

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6. Risk Management and Fiscal Administration have developed a policy (Exhibit B) that responds to the needs of the City and to the requirements of the new legislation.

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### Policy

NOW, THEREFORE, the Council directs: That the Risk Management Letter of Credit/Limited General Obligation Bond Policy presented in Exhibit B is adopted for the City of Portland in conformance with the requirements of Senate Bill 748, amending ORS 287.

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### History

[Ordinance No. 160699](#) passed by Council April 27, 1988 and effective May 27, 1988, filed for inclusion in PPD September 30, 2004.

### General information

✉ [cityinfo@portlandoregon.gov](mailto:cityinfo@portlandoregon.gov)

📞 [503-823-4000](tel:503-823-4000)

🗉 [711](#) Oregon Relay Service

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