

IMPACT STATEMENT

Legislation title: Establish private sector investor support for City investments in environmentally responsible capital projects, including green bonds and other climate-related financing tools (Resolution)

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Purpose of proposed legislation and background information:

“Green bonds” are newly developing long-term financing tool, which supplements traditional debt-financing instruments with an additional designation that assures interested investors that the projects being financed produce environmental benefits. This resolution expresses City support for green bond issuance in concept and directs City staff to:

- Identify potential candidates for green bonds (BPS, CBO, OMF, capital bureaus)
- Assess financial cost/benefit of green bonds for eligible projects, including further due diligence with market/investors (OMF/Revenue & Financial Services/Public Finance & Treasury)
- Develop standards/procedures for identifying projects and ongoing reporting (OMF/Revenue & Financial Services/Public Finance & Treasury, BPS)

Green bonds can be accommodated within the City’s current financial policies and debt management structure. The market for green bonds is still nascent; to date, green bonds have received the same pricing as conventional bonds. In other words, there is neither a financial advantage nor disadvantage. As the market for green bonds becomes better established, it offers the potential for reductions in future borrowing costs for eligible projects. Cities that have established themselves as credible issuers of green bonds are more likely to capture this financial benefit, and Portland may be particularly well suited to benefit from green bonds given its excellent track record both on financial policies and on sustainability.

While green bonds have the potential to deliver financial benefits, they also present several risks, including:

- Potential increased costs of debt issuance due to third-party certification (if needed)
- Ongoing reporting expectations and administrative burden/cost
- Future regulatory uncertainty due to current market underdevelopment
- Overuse of “green bond” designation could eliminate financial benefit

Cities and states are beginning to issue green bonds. Recent issuances include the cities of Spokane and Tacoma, the states of California and Massachusetts, the San Francisco Public Utilities Commission and the District of Columbia Water and Sewer Authority.

City staff do not anticipate any bond-funded City capital projects in the next six to nine months that match the “green bond” designation. However, a project such as the conversion of streetlights to LEDs could be an excellent fit (the project is currently underway but hasn’t yet

required long-term bond financing), and it will be evaluated as a candidate as its financing need becomes clear.

Financial and budgetary impacts:

The resolution does not have an immediate financial or budgetary impact. As noted above, green bonds can be accommodated within the City's current financial policies and debt management structure. The current resolution does not authorize any specific borrowing or issuance of green bonds and does not accelerate project funding schedules.

Issuing green bonds could have financial impacts in the future, however. Securing the green bond designation could require modest incremental debt issuance costs while potentially positioning the City for longer-term financial benefit as the green bond market develops. As is the case for all City financings, specific costs and benefits will be analyzed carefully prior to recommending the actual issuance of any green bonds.

Community impacts and community involvement:

There are no immediate community impacts. Over time, if the City issues green bonds, Portland residents who invest in municipal bonds could have the opportunity to buy the City's green bonds.

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