BEFORE THE METRO COUNCIL

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| A RESOLUTION AUTHORIZING THE REFINANCING OF AN OREGON BOND BANK LOAN AND THE ISSUANCE OF FULL FAITH AND CREDIT REFUNDING OBLIGATIONS | ) ) ) ) ) | RESOLUTION NO. 06-3671<br><br>Introduced by Michael Jordan, Chief Operating Officer with the concurrence of Council President David Bragdon |

WHEREAS, Metro is authorized by ORS 271.390 and ORS 288.605 to 288.695 (the "Act") to enter into financing agreements to refinance real or personal property that the Metro Council determines is needed; and,

WHEREAS, in April of 2000, Metro obtained a loan through the Oregon Economic and Community Development Department's Oregon Bond Bank Program (the "OECDD Loan") for the long-term financing of improvements to the Expo Center (the "Project"); and,

WHEREAS, the OECDD loan is secured by a pledge of Metro's full faith and credit and the net revenues of Metro's MERC system; and,

WHEREAS, based on current market conditions, Metro may be able to reduce its debt service costs by refinancing all or a portion of the OECDD Loan; and,

WHEREAS, Metro may reduce the costs of the refinancing if Metro participates in a pooled transaction with other Oregon local governments that wish to refinance their Oregon Economic and Community Development Department Bond Bank Program loans; and,

WHEREAS, the refinancing may be structured to only require the pledge of Metro's full faith and credit and Metro may be able to release the lien on the net revenues of Metro's MERC system; and,

WHEREAS, the pooled transaction does not require Metro to pay any portion of another government's financing agreement; and,

WHEREAS, pursuant to ORS 288.620 the approval of the State Treasurer is required before refunding obligations may be issued to refinance the OECDD Loan because the refunding of the OECDD Loan constitutes an advance refunding under Oregon law; and,

WHEREAS, a refunding plan must be submitted to the State Treasurer demonstrating that the refunding will produce debt service savings before the State Treasurer may approve the refunding of the OECDD Loan; now therefore,

BE IT RESOLVED by the Metro Council as follows:

**Section 1.** Authorization.

Metro Council hereby determines that the Project is needed, and the Chief Operating Officer or the Chief Financial Officer of Metro, or the person designated by the Chief Operating Officer or the Chief

Financial Officer to act as Metro Official under this Resolution (the "Metro Official") is hereby authorized on behalf of Metro without further action of the Metro Council, to:

(1) Negotiate, execute and deliver one or more financing agreements, credit facilities or other financing documents (the "Financing Agreement") in an aggregate principal amount that provides net proceeds sufficient to refinance all or a portion of the OECDD Loan and to pay costs of the refinancing. Subject to the limitations of this resolution, the Financing Agreement may be in such form and contain such terms as the Metro Official may approve.

(2) Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreement") which provide for the issuance of "certificates of participation" or "full faith and credit obligations" (the "Obligations") which represent undivided ownership interests in the financing payment due from Metro under the Financing Agreement (the "Financing Payments") and the financing payments due from other Oregon local governments participating in the pooled transaction to refinance their Oregon Economic and Community Development Department Bond Bank Program loans. Subject to the limitations of this Resolution, the Escrow Agreement and the Obligations may be in such form and contain such terms as the Metro Official may approve; however, neither the Escrow Agreement nor the Obligations may require Metro to pay any portion of another government's financing agreement.

(3) Deem final and authorize the distribution of a preliminary official statement for the Obligations, authorize the preparation and distribution of a final official statement or other disclosure document for the Obligations, and enter into agreements to provide continuing disclosure for owners of the Obligations.

(4) Engage the services of escrow agents, paying agents, verification agents, and any other professionals whose services are desirable for the financing.

(5) Determine the final principal amount of the Financing Agreement, the interest rate or rates which the Financing Payments shall bear, Metro's prepayment rights and other terms of the Financing Agreement and the Obligations.

(6) Determine whether to pledge net revenues of Metro's MERC system, enter into covenants regarding the levels of MERC system fees and charges that Metro must impose, and establish the terms under which future obligations may be issued on a parity with the Financing Agreement with respect to such pledge of the net revenues of Metro's MERC system.

(7) Apply for ratings for the Obligations, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancement for the Financing Agreements or the Obligations, including a reserve surety policy, enter into agreements with the providers of credit enhancement, and execute, deliver and acquire related documents, if applicable.

(8) Cause an advance refunding plan to be prepared and submitted.

(9) Call, defease, redeem and prepay all or a portion of the OECDD Loan.

(10) Execute and deliver any other certificates or documents and take any other actions which the Metro Official determines are desirable to refinance the OECDD Loan in accordance with this Resolution.

**Section 2. Security.**

The Metro Official may pledge Metro's full faith and credit and taxing power within the limitations of Section 11 and 11b of Article XI of the Oregon Constitution and the net revenues of Metro's MERC system to pay the Financing Payments, and the Financing Payments may be payable from any and all of Metro legally available funds.

**Section 3.** Maintenance of Tax-Exempt Status.

(1) Metro covenants to comply with all provisions of the Internal Revenue Service Code (Code) which are required for interest paid on the Financing Agreement to be excluded from gross income for federal income tax purposes. Metro makes the following specific covenants with respect to the Code:

(A) Metro shall not take any action or omit any action, if it would cause the Financing Agreement to become an "arbitrage bond" under Section 148 of the Code and shall pay any rebates or penalties to the United States which are required by Section 148(f) of the Code.

(B) Metro shall operate the Project so that the Financing Agreement is not a "private activity bond" within the meaning of Section 141 of the Code.

(2) The covenants contained in this Section 3 and any covenants in the closing documents for the Financing Agreement shall constitute contracts with the lenders, and shall be enforceable by them.

**Section 4. Appointment of Underwriter, Special Counsel and Financial Advisor.**

Metro hereby appoints Stone & Youngberg LLC as the Underwriter of the Obligations, Preston Gates & Ellis LLP as special counsel to Metro for the issuance of the Obligations and Western Financial Group, LLC as financial advisor to Metro for the issuance of the Obligations.

**Section 5. Effective Date.**

This resolution shall take effect on the date of its passage by the Metro Council.

ADOPTED by the Metro Council this 23rd day of February, 2006.

David Bragdon, Council President

Approved as to Form:

Daniel B. Cooper, Metro Attorney

**STAFF REPORT**

IN CONSIDERATION OF RESOLUTION NO. 06-3671 FOR THE PURPOSE OF AUTHORIZING THE REFINANCING OF AN OREGON BOND BANK LOAN AND THE ISSUANCE OF FULL FAITH AND CREDIT REFUNDING OBLIGATIONS

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Date: February 9, 2006

Prepared by: Bill Stringer, Chief Financial Officer

**BACKGROUND**

In April 2000, Metro obtained a loan from the Oregon Bond Bank through the Oregon Economic Development Department (OEDD) Special Public Works Fund (SPWF). This loan paid for the construction of a new building to replace the existing Hall D at the Expo Center. The loan is repaid from operating revenues of the Expo Center.

Current market interest rates are sufficiently lower than the rates of the existing loan (which range from 5.25% to 5.625%) to provide present value savings. This provides Metro with an opportunity to refinance this loan by issuing a new bond. Through this "current refunding," Metro will achieve immediate debt-service reduction by using the proceeds to pay off the outstanding loan.

The purpose of this resolution is to authorize Metro to participate in a pooled transaction with other Oregon local governments that wish to refinance their OECDD Bond Bank Program loans. By joining the pooled transaction Metro may reduce the shared costs of the refinancing. Metro's $14,024,766 total principal due on its OECDD is not large enough, by itself, to be refinanced and to provide sufficient present value savings.

Six local governments have been invited to participate in the pool. The total size of the bond issuance will be between $30 and $50 million depending on the number of participants, of which Metro's share will be approximately $15 million. The refinancing will be postponed if the net present value savings to individual participants falls below 3 percent. The pooled transaction does not require Metro to pay any portion of another government's financial agreement.

At current interest rates, the refinancing proposal is anticipated to provide approximately $1.1 million in gross savings over the life of the bonds, or $819,000 in net present value savings – about 5.84 percent of the current loan amount. The average annual savings would be about $60,000 per year. The final structure of the bonds will be determined at a later date to provide the maximum benefit to Metro. The bonds will mature in January 2025. Debt service will continue to be paid from operating revenues of the Metro Expo Center and any savings from the refinancing will accrue to the facility.

**ANALYSIS/INFORMATION**

1. **Known Opposition** – None.

2. **Legal Antecedents –** Metro is authorized by ORS 271.390 and ORS 288.605 to 288.695 (the "Act") to enter into financing agreements to refinance real or personal property that the Metro Council determines is needed. Chapter III, Section 10 of the Metro charter supplements Metro's authority to

issue revenue bonds. This section of the Charter as well as Ordinance 93-495 ("An Ordinance Adding a New Title to the Metro Code to Implement and Make Provision For the Exercise of Metro's Charter Authority to Issue Revenue Bonds, General and Special Obligation Bonds, Certificates of Participation and Other Obligations; Amending Certain Prior Metro Ordinances to Conform to the New Metro Code Provisions Added By This Ordinance; and Declaring an Emergency"), adopted on April 22, 1993, authorizes Metro to issue bonds that are secured by Metro's full faith and credit.

3. **Anticipated Effects** – Implementation of Resolution No. 06-3671 would reduce debt service costs and provide net present value savings of approximately $819,000 or 5.84 percent over the life of the bonds.

4. **Budget Impacts** – As of January 24, 2006, the estimated net present value savings of the bonds is approximately $819,000, or approximately 5.84 percent. This would result in about $327,000 in savings to the Expo Center in debt service payments in FY 2006-07 and an average of about $40,000 per year thereafter to the maturity of the bond in 2025. These figures will change with fluctuations in market interest rates.

**RECOMMENDED ACTION**

The Chief Financial Officer recommends Council adoption of Resolution No. 06-3671.