

BEFORE THE METRO COUNCIL

AMENDING THE FY 2008-09 BUDGET AND) ORDINANCE NO. 08-1205
APPROPRIATIONS SCHEDULE)
TRANSFERRING APPROPRIATION FROM) Introduced by Michael Jordan, Chief
CONTINGENCY TO DEBT SERVICE,) Operating Officer, with the concurrence of
AUTHORIZING DEFEASANCE OF CERTAIN) Council President David Bragdon
SOLID WASTE REVENUE BONDS, AND)
DECLARING AN EMERGENCY)

WHEREAS, the Metro Council has reviewed and considered the need to increase appropriations within the FY 2008-09 Budget; and

WHEREAS, Oregon Budget Law ORS 294.326 allows for the expenditure in the year of receipt of grants, gifts, bequests, and other devices received by a municipal corporation in trust for a specific purpose; and

WHEREAS, the need for the increase of appropriation has been justified; and

WHEREAS, adequate funds exist for other identified needs; now, therefore,

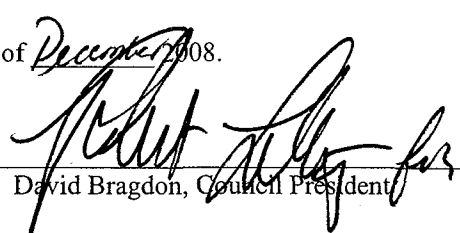
THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. That the FY 2008-09 Budget and Schedule of Appropriations are hereby amended as shown in the column entitled "Revision" of Exhibits A and B to this Ordinance for the purpose of transferring appropriation from contingency to the debt service account in the Solid Waste Revenue Fund.
2. That the Chief Operating Officer is authorized to use the amended appropriation to defease the outstanding balance due on the Metro Central Transfer Station Project, 2003 Series solid waste revenue bonds.
3. This Ordinance being necessary for the immediate preservation of the public health, safety or welfare of the Metro area in order to meet obligations and comply with Oregon Budget Law, an emergency is declared to exist, and this Ordinance takes effect upon passage.

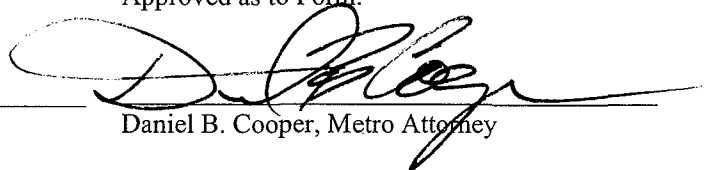
ADOPTED by the Metro Council this 11th day of December 2008.

Attest:


Christina Billington, Recording Secretary


David Bragdon, Council President

Approved as to Form:


Daniel B. Cooper, Metro Attorney

**Exhibit A
Ordinance No. 08-1205**

ACCT	DESCRIPTION	Current Budget		Revision		Amended Budget	
		FTE	Amount	FTE	Amount	FTE	Amount
Solid Waste Revenue Fund							
Operating Account							
TOTAL REQUIREMENTS		109.00	\$54,197,947	0.00	\$0	109.00	\$54,197,947

Debt Service Account

<i>Debt Service</i>							
<i>Metro Central Financing</i>							
<i>REVBND Revenue Bond Payments</i>							
5630	Revenue Bond Prmts-Principal		2,265,000		0		2,265,000
5635	Revenue Bond Payments-Interest		83,482		0		83,482
<i>OTHDBT Other Debt Payments</i>							
5650	Defeasance Payments to Escrow		0		2,349,000		2,349,000
Total Debt Service			\$2,348,482		\$2,349,000		\$4,697,482
TOTAL REQUIREMENTS			\$2,348,482		\$2,349,000		\$4,697,482

Landfill Closure Account

TOTAL REQUIREMENTS			\$862,800		\$0		\$862,800
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Renewal & Replacement Account

TOTAL REQUIREMENTS			\$1,398,000		\$0		\$1,398,000
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General Account

TOTAL REQUIREMENTS			\$570,000		\$0		\$570,000
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General Expenses

Total Interfund Transfers			\$5,061,936		\$0		\$5,061,936
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<i>Contingency and Ending Balance</i>							
<i>CONT Contingency</i>							
5999	Contingency						
	* Operating Account (Operating Contingency)		2,000,000		0		2,000,000
	* Landfill Closure Account		6,650,842		0		6,650,842
	* Renewal & Replacement Account		7,282,939		(2,349,000)		4,933,939
<i>UNAPP Unappropriated Fund Balance</i>							
5990	Unappropriated Fund Balance				0		
	* Debt Service Account (Metro Central)		2,349,000		(2,349,000)		0
	* Renewal & Replacement Account		0		2,349,000		2,349,000
	* General Account (Working Capital)		5,759,668		0		5,759,668
	* General Account (Rate Stabilization)		6,904,588		0		6,904,588
	* General Account (Debt Service Accumulation)		2,338,936		0		2,338,936
	* Prior year PERS Reserve		755,925		0		755,925
Total Contingency and Ending Balance			\$39,501,898		(\$2,349,000)		\$37,152,898
TOTAL REQUIREMENTS		109.00	\$103,941,063	0.00	\$0	109.00	\$103,941,063

Exhibit B
Ordinance 08-1205
Schedule of Appropriations

	<u>Current Appropriation</u>	<u>Revision</u>	<u>Revised Appropriation</u>
SOLID WASTE REVENUE FUND			
Operating Account			
Solid Waste & Recycling Department	54,197,947	0	54,197,947
Subtotal	54,197,947	0	54,197,947
Debt Service Account			
Debt Service	2,348,482	2,349,000	4,697,482
Subtotal	2,348,482	2,349,000	4,697,482
Landfill Closure Account			
Solid Waste & Recycling Department	862,800	0	862,800
Subtotal	862,800	0	862,800
Renewal and Replacement Account			
Solid Waste & Recycling Department	1,398,000	0	1,398,000
Subtotal	1,398,000	0	1,398,000
General Account			
Solid Waste & Recycling Department	570,000	0	570,000
Subtotal	570,000	0	570,000
General Expenses			
Interfund Transfers	5,061,936	0	5,061,936
Contingency	15,933,781	(2,349,000)	13,584,781
Subtotal	20,995,717	(2,349,000)	18,646,717
Unappropriated Balance	23,568,117	0	23,568,117
Total Fund Requirements	\$103,941,063	\$0	\$103,941,063

All other appropriations remain as previously adopted

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 08-1205 AMENDING THE FY 2008-09 BUDGET AND APPROPRIATIONS SCHEDULE TRANSFERRING APPROPRIATION FROM CONTINGENCY TO DEBT SERVICE, AUTHORIZING DEFEASANCE OF CERTAIN SOLID WASTE REVENUE BONDS, AND DECLARING AN EMERGENCY

Date: December 4, 2008

Prepared by: Kathy Rutkowski
Doug Anderson

BACKGROUND

The “Rate Covenant” of Metro’s solid waste bonds requires that Metro set solid waste rates high enough to realize a 110 percent “coverage ratio” over the debt service on the bonds each year. This simply means that Metro must raise enough revenue to pay all operating expenditures and have enough left over to pay 110 percent of the annual debt service. A coverage ratio greater than 100 percent is a standard requirement for revenue bonds, and is designed to protect bond holders by instilling a “pay as you go” discipline on the bond issuer. Historically, Metro has built a planning margin into its solid waste budgets; the FY 2008-09 adopted rates provide for a 146 percent coverage ratio.

The rapid and significant decline in tonnage since the beginning of the fiscal year due to the global economic slowdown has reduced solid waste operating revenue to the point where Metro will struggle to meet the coverage requirement this fiscal year. In normal circumstances, Metro would be faced with the need to enhance revenue or reduce expenditures—or a combination of the two—to meet the coverage requirement.

However, on January 1, 2009, Metro was already scheduled to escrow the final payment on the bonds, which is due July 1, 2009. In this circumstance, Metro has the option to make this deposit in a manner that satisfies the financial *and legal* obligations of the bonds earlier than July 1, 2009. This action, called an “early defeasance,” would be authorized by this Ordinance. With an early defeasance, Metro ensures that all bondholders are fully protected, while meeting the legal requirement of the bonds without raising rates or cutting programs.

ANALYSIS/INFORMATION

- 1. Known Opposition:** None known.
- 2. Legal Antecedents:** An action of the Council is required to (a) authorize defeasance of bonds and (b) approve a budget amendment. ORS 294.450 provides for transfers of appropriations within a fund, including transfers from contingency, if such transfers are authorized by official resolution or ordinance of the governing body for the local jurisdiction.
- 3. Anticipated Effects:** With this action, Metro will not need to report the coverage ratio on the bonds as would otherwise be required for the fiscal year. This means, in turn, that Metro will not need to “manage” the Rate Covenant through a mid-year rate increase and/or by cutting program expenditures.
- 4. Budget Impacts:** This ordinance authorizes the use of \$2,349,000 from contingency/reserves to defease the final payment due on the 2003 Series Metro Central Transfer Station Solid Waste revenue bonds. This amount was scheduled to be paid on July 1, 2009 and was planned in the FY 2008-09

rate setting to be deposited in escrow on January 1, 2009. The fiscal impact on the Solid Waste Revenue Fund is neutral.

RECOMMENDED ACTION

The Chief Operating Officer recommends adoption of this Ordinance.