

BEFORE THE METRO COUNCIL

A RESOLUTION OF THE METRO)	RESOLUTION NO. 02-3233
COUNCIL AUTHORIZING GENERAL)	
OBLIGATION REFUNDING BONDS, 2002)	Introduced by Mike Burton, Executive
SERIES)	Officer

WHEREAS, Metro has previously issued its General Obligation Bonds (Open Spaces Program), 1995 Series A and 1995 Series C; and,

WHEREAS, Current interest rates are lower than the rates borne by the 1995 Series Bonds, and Metro may reduce property taxes for its citizens by refunding the 1995 Series Bonds; and,

WHEREAS, Metro is authorized to issue refunding bonds pursuant to ORS 288.592; now, therefore,

BE IT RESOLVED by the Metro Council as follows:

Section 1. Definitions.

Capitalized terms used in this resolution shall have the following meanings unless the context clearly requires otherwise:

“1995 Series Bonds” means Metro’s General Obligation Bonds (Open Spaces Program), 1995 Series A and 1995 Series C.

“BEO Form” means book entry only form, and refers to a system for registration of ownership interests in Bonds which does not require delivery of printed bonds to beneficial owners of Bonds.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“DTC” means The Depository Trust Company of New York, New York, or its successor, which will act as the initial securities depository for the Bonds while they are in BEO form.

“Executive Officer” means Executive Officer of Metro or the person designated by the Executive Officer to act on behalf of Metro under this Resolution.

“Government Obligations” means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (iii) the following, noncallable debt securities:

Senior, unsubordinated debt obligations of the Federal Home Loan Mortgage Corp. (FHLMC);
Senior, unsubordinated, consolidated debt obligations of the Federal Home Loan Banks (FHL Banks);

Senior, unsubordinated debt obligations of the Federal National Mortgage Association (FNMA);
Senior, unsubordinated, consolidated system wide bonds and notes of the Farm Credit System;
Senior, unsubordinated debt obligations (including strips by the Federal Reserve Bank of New York) of the Resolution Funding Corp. (REFCORP);

Debt obligations of the Financing Corp. (FICO); and,
Senior, unsubordinated, guaranteed notes which mature at least four business days before the appropriate payment date of the U.S. Agency for International Development (U.S. A.I.D.).

“Metro” means Metro, Oregon, a Metropolitan service district organized pursuant to Article XI, Section 14 of the Oregon Constitution, ORS Chapter 268, and the 1992 Metro Charter, and located in Multnomah, Clackamas and Washington Counties in the State of Oregon.

“Owners” means the persons shown as the owners of the Bonds on the Bond register maintained by the Paying Agent.

“Paying Agent” means the registrar and paying agent for the Bonds.

“Record Date” means the date for determination of ownership of bonds for purposes of sending payments to Owners, which shall be the fifteenth day of the month preceding each Bond interest payment date unless Executive Officer establishes a different date.

“Refunding Bonds” means Metro’s General Obligation Refunding Bonds, 2002 Series, which are authorized by this resolution.

Section 2. Bonds Authorized.

Metro is hereby authorized to issue and sell the Refunding Bonds in a principal amount sufficient to pay and redeem all or any portion of its outstanding 1995 Series Bonds and to pay costs of issuing the Refunding Bonds. The Executive Officer, on behalf of Metro and without further action by Metro Council, may:

- 2.1 Participate in the preparation of, authorize the distribution of and deem final the preliminary and final official statements or other disclosure documents for the Refunding Bonds;
- 2.2 Appoint the Paying Agent;
- 2.3 Obtain bond insurance for the Refunding Bonds, and enter into related agreements;
- 2.4 Advertise the sale of the Refunding Bonds and receive competitive bids for the Refunding Bonds, or select an underwriter and negotiate the terms of, and execute, a bond purchase agreement for the Refunding Bonds;
- 2.5 Enter into an agreement to provide continuing disclosure for the Refunding Bonds, as required under federal securities laws;
- 2.6 Establish the final principal amounts, interest rates, redemption terms, payment dates and other terms of the Refunding Bonds, provided that the Refunding Bonds shall only be sold if the Refunding Bonds produce net present value savings of at least three percent;
- 2.7 Engage the services of an escrow agent and a verification agent, and enter into related agreements;
- 2.8 Issue, sell and deliver the Refunding Bonds, defease, call and redeem the 1995 Series Bonds that are refunded with the Refunding Bonds, execute and deliver any related certificates or documents, and take any other actions which Executive Officer determines are reasonably required to carry out this resolution.

Section 3. Security For Refunding Bonds.

Metro hereby pledges its full faith and credit to pay the Refunding Bonds. Metro hereby covenants for the benefit of the Owners to levy a direct ad valorem tax upon all of the taxable property within Metro which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all Refunding Bond principal and interest when due. Metro covenants to levy this tax each year until all the Refunding Bonds are paid. This tax shall be in addition to all other taxes of Metro, and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution.

Section 4. Book Entry Form.

The Refunding Bonds shall be initially issued BEO form through DTC. While the Refunding Bonds are in BEO form:

4.1 No physical Refunding Bonds shall be provided to beneficial owners of the Refunding Bonds.

4.2 Registration and transfer of beneficial interests in the Refunding Bonds shall be governed by the operational arrangements of DTC or any substitute depository, as they may be amended from time to time.

4.3 Metro may discontinue maintaining the Refunding Bonds in BEO form at any time. Metro shall discontinue maintaining the Refunding Bonds in BEO form if DTC determines not to continue to act as securities depository for the Refunding Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.

4.4 If Metro discontinues maintaining the Refunding Bonds in BEO form, Metro shall cause the Paying Agent to authenticate and deliver to the beneficial owners or their nominees replacement Refunding Bonds in fully registered form in denominations of \$5,000 or integral multiples.

4.5 While the Refunding Bonds are in BEO form, Metro may treat the registered owner of the Refunding Bonds as the owner for all purposes, and Metro and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

- (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any participant's or beneficial owner's interest in the Refunding Bonds;
- (2) the delivery to any participant or correspondent or any other person of any notice with respect to the Refunding Bonds, including any notice of redemption or purchase;
- (3) the selection by DTC of the beneficial interest in Refunding Bonds to be redeemed prior to maturity; or
- (4) the payment to any participant, correspondent, or any other person other than the registered owner of the Refunding Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, premium, if any, or interest on the Refunding Bonds.

Section 5. Places of Payment and Paying Agents.

- 5.1 While the Refunding Bonds are in BEO form, the Paying Agent shall pay Refunding Bond principal, interest and any redemption price to DTC or its nominee in accordance with the Letter of Representations.
- 5.2 While the Refunding Bonds are not in BEO form, Refunding Bond principal, interest and redemption price, if any, shall be payable through the corporate trust office of the Paying Agent, by a check drawn on the Paying Agent and mailed on the interest payment date to the Owners, as shown on the record date in the registration books maintained by the Paying Agent for the Refunding Bonds.

Section 6. Notice of Redemption.

6.1 Unless a shorter period is agreed to by the Paying Agent, Metro shall give the Paying Agent at least thirty-five (35) days' prior written notice of any proposed optional redemption of the Refunding Bonds.

6.2 Unless the notice states that the redemption is conditioned upon receipt by the Paying Agent of sufficient funds for redemption, the notice shall contain a certification by Metro that it has funds available to it sufficient to pay in full the principal, premium (if any) and interest portions of the redemption price of the Refunding Bonds to be redeemed.

6.3 While the Refunding Bonds are in BEO form, the Paying Agent shall give notice of redemption only to DTC or its nominee, in the manner required by the rules of DTC.

6.4 The Paying Agent shall give notice of redemption under this Section 6.4 only for the Refunding Bonds which are not then in BEO form. The notice shall specify the date of redemption, the redemption price, CUSIP numbers, maturity date, and the place or places where amounts due upon such redemption will be payable and any other information which may be required to identify the Refunding Bonds which are to be redeemed. The notice may state that the redemption is conditioned upon the deposit with the Paying Agent of sufficient funds to pay the redemption price of the Refunding Bonds to be redeemed. The notice shall state that, provided that sufficient funds are on deposit with the Paying Agent, the Refunding Bonds which are being called for redemption shall become due and payable on the date specified in the notice, and that interest on those Refunding Bonds shall cease to accrue on that date. The Paying Agent shall mail a copy of such notice by first class mail, postage prepaid, not less than thirty (30) days before the redemption date, to the Owners of any Refunding Bonds which are to be redeemed, at their last address, if any, appearing upon the registration books as of the record date, but no defect in any notice and no failure to give any notice shall invalidate the redemption of any Refunding Bonds for which proper notice was given. No notice of redemption need be given to any Owners of any Refunding Bonds who have filed a written waiver of notice with the Paying Agent. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner actually receives the notice.

Section 7. Authentication, Registration And Transfer.

7.1 No Refunding Bond shall be entitled to any right or benefit under this resolution unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Refunding Bonds to be delivered at closing of the Refunding Bonds, and shall

additionally authenticate all Refunding Bonds properly surrendered for exchange or transfer pursuant to this resolution.

7.2 The ownership of all Refunding Bonds shall be entered in the bond register maintained by the Paying Agent, and Metro and the Paying Agent may treat the person listed as owner in the bond register as the owner of the Refunding Bond for all purposes.

7.3 While the Refunding Bonds are in book-entry form, the Paying Agent shall transfer Refunding Bond principal and interest payments to DTC in the manner required by DTC.

7.4 If the Refunding Bonds cease to be in book-entry form, the Paying Agent shall mail each interest payment on the interest payment date (or the next business day if the payment date is not a business day) to the name and address of the Owners as they appear on the bond register as of Record Date. If payment is so mailed, neither Metro nor the Paying Agent shall have any further liability to any party for such payment.

7.5 Refunding Bonds may be exchanged for an equal principal amount of Refunding Bonds of the same maturity which are in different denominations, and Refunding Bonds may be transferred to other owners if the Owner submits the following to the Paying Agent:

- (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or the Owner's attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and
- (2) the Refunding Bonds to be exchanged or transferred.

7.6 The Paying Agent shall not be required to exchange or transfer any Refunding Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Refunding Bonds shall be exchanged or transferred promptly following that payment date.

7.7 The Paying Agent shall note the date of authentication on each Refunding Bond. The date of authentication shall be the date on which the Owner's name is listed on the Refunding Bond register.

7.8 For purposes of this section, Refunding Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7.5.

7.9 Metro may alter these provisions regarding registration and transfer without consent of Owners in order to conform to changes in registration customs by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 8. Form of Refunding Bonds.

The Refunding Bonds shall be in substantially the form attached hereto as Exhibit A, with such changes as may be approved by Executive Officer. The Refunding Bonds may be printed or typewritten. The Refunding Bonds shall be executed on behalf of Metro with the manual or facsimile signatures of the Presiding Officer and Executive Officer.

Section 9. Tax Covenants.

9.1 Metro covenants for the benefit of the owner of the Refunding Bonds to comply with all provisions of the Code which are required for Refunding Bond interest to be excluded from gross income for federal income tax purposes. Metro makes the following specific covenants with respect to the Code:

- (1) Metro shall not take any action or omit any action, if it would cause the Refunding Bonds to become "arbitrage bonds" under Section 148 of the Code.
- (2) Metro shall operate the facilities that were financed with the 1995 Series Bonds so that the Refunding Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.
- (3) Metro shall pay any rebates due under Section 148 of the Code in connection with the Refunding Bonds and 1995 Series Bonds.

9.2 The covenants contained in this Section and any covenants in the closing documents for the Refunding Bonds shall constitute contracts with the Owners, and shall be enforceable by the Owners.

Section 10. Defeasance.

If Metro:

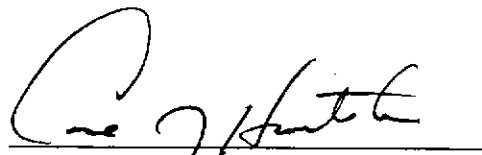
10.1 irrevocably deposits money or noncallable Government Obligations in escrow with an independent Paying Agent or escrow agent which are calculated to be sufficient for the payment of Refunding Bonds which are to be defeased; and,

10.2 files with the escrow agent or Paying Agent an opinion from an independent, certified public accountant or other qualified professional to the effect that the money and the principal, interest and other amounts to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Refunding Bonds when due; and,

10.3 files with the escrow agent or Paying Agent an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Refunding Bonds to be includable in gross income under the Code;

then Metro shall be obligated to pay the defeased Refunding Bonds solely from the money and Government Obligations deposited with the escrow agent or Paying Agent, and Metro shall have no further obligation to pay the defeased Refunding Bonds from any source except the amounts deposited in the escrow.

Adopted this 10th day of October, 2002.



Presiding Officer

Approved as to form:



Daniel B. Cooper, General Counsel

EXHIBIT A
(Form of Refunding Bond)

No. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF OREGON
METRO
GENERAL OBLIGATION REFUNDING BONDS
2002 SERIES

Dated Date: _____ 1, 2002
Interest Rate: _____ %
Maturity Date: _____ 1, _____
CUSIP Number: _____ - _____

Registered Owner: -----Cede & Co.-----
Principal Amount: -----

Dollars-----

METRO, OREGON, a Metropolitan service district organized pursuant to Article XI, Section 14 of the Oregon Constitution, ORS Chapter 268, and the 1992 Metro Charter, and located in Multnomah, Clackamas and Washington Counties in the State of Oregon ("Metro"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner hereof, or registered assigns, the principal amount indicated above on the maturity date indicated above, together with interest thereon from the date hereof at the rate per annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of ___ and the first day of ___ in each year until maturity or prior redemption, commencing _____ 1, 200_.

This Refunding Bond is one of the \$_____ Metro General Obligation Refunding Bonds, 2002 Series (the "Refunding Bonds"). The Refunding Bonds are issued to refund a portion of Metro's General Obligation Bonds (Open Spaces Project), 1995 Series A and 1995 Series C. The Refunding Bonds are issued under and pursuant to Resolution No. 02-____ (the "Resolution") of Metro adopted on _____ and in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of Metro. Capitalized terms which are used, but not defined, in this Refunding Bond shall have the meanings defined for those terms in the Resolution.

The Refunding Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Owners. Records of Refunding Bond ownership will be maintained by the Paying Agent and The Depository Trust Company and its participants.

Any transfer of this Refunding Bond must be registered, as provided in the Resolution, upon the bond register kept for that purpose at the principal corporate trust office of the Paying Agent. Metro and the Paying Agent may treat the person in whose name this Refunding Bond is registered on the bond register as its absolute owner for all purposes, as provided in the Resolution.

The Refunding Bonds are subject to optional redemption on the following dates and at the prices: [insert redemption terms after Refunding Bonds are priced].

Notice of any call for redemption shall be given only as required by the Resolution.

Unless this Refunding Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Refunding Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon and the charter of Metro; and that the issue of which this Refunding Bond is a part, and all other obligations of such Metro, are within every debt limitation and other limit prescribed by such Constitution and Statutes; and that Metro has covenanted to levy a tax upon all taxable property within Metro in an amount sufficient to pay when due the interest on and the principal of the Refunding Bonds.

IN WITNESS WHEREOF, Metro Council has caused this Refunding Bond to be signed by facsimile signature of its Executive Officer and attested by facsimile signature of its Presiding Officer as of the date indicated above.

Metro, Oregon

Presiding Officer

ATTEST:

Executive Officer

This Refunding Bond shall not be valid unless properly authenticated by the Paying Agent in the space indicated below.

Dated:

Certificate of Authentication

This is one of Metro's \$_____ General Obligation Refunding Bonds, 2002 Series, issued pursuant to the Resolution described herein.
<<Paying Agent>>, as Paying Agent

Authorized Officer

Assignment

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

this bond and does hereby irrevocably constitute and appoint
as attorney to transfer this bond on the books kept for registration thereof with the full power of substitution in
the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of
this bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were
written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

OREGON CUSTODIANS use the following:

CUST UL OREG

MIN

as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

BUDGET AND FINANCE COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 02-3233, A RESOLUTION OF THE METRO COUNCIL AUTHORIZING GENERAL OBLIGATION REFUNDING BONDS, 2002 SERIES

Date: October 9, 2002

Presented by: Councilor Monroe

Committee Recommendation: At its October 9, meeting, the Budget and Finance Committee voted 3-0 to recommend Council adoption of Resolution No. 02-3233. Voting in favor: Councilors McLain and Monroe and Chair Burkholder. Voting against: None. Absent: Councilors Atherton and Bragdon

Background: In the fall of 1995 Metro issued three series of general obligation bonds to fund the purchase of open spaces. Two of three series (Series A and Series C) are now callable and capable of being refunded. The third series (Series B) was issued as "citizen bonds" and are not callable. Metro financial staff and bond consultants have determined that the current interest rate environment would allow Metro to refund the Series A and C bonds and provide significant savings to the region's property taxpayers.

These bonds currently have a total bond principal of \$100,110,000. Refunding would reduce the bond interest rate from the current 5.38% to an estimated 3.3% resulting in approximately \$10.3 million in interest savings over the remaining 13-year life of the bonds. The refunding bonds would have the same retirement date as the current bonds, September 2015.

The proposed resolution would authorize the issuance of the refunding bonds, which is tentatively scheduled for late October, pending Council approval of the resolution.

Committee Issues/Discussion: Committee members had no questions concerning the resolution.

Key Public Testimony: None.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 02-3233, A RESOLUTION OF THE METRO COUNCIL AUTHORIZING GENERAL OBLIGATION REFUNDING BONDS, 2002 SERIES

Date: September 27, 2002

Prepared by: Casey Short

BACKGROUND

On September 1, 1995 Metro issued general obligation bonds totaling \$74,170,000 (the Series A Bonds) for the purchase of open spaces. On October 15, 1995, Metro issued general obligation bonds totaling \$56,210,000 (the Series C Bonds) for the same purpose. These bonds are now callable and an advantageous interest rate environment allows further taxpayer savings. (There is also a Series B, the "Citizen Bonds," which are not callable. Outstanding principal on those bonds is \$2.25 million.)

Resolution No. 02-3233 authorizes the refunding of Metro's Open Spaces bonds, the 1995 Series A and 1995 Series C General Obligation Bonds. It authorizes the Executive Officer to prepare all documents and conduct the sale and issuance of new bonds to redeem the 1995 Series A and 1995 Series C Bonds.

Currently, bond principal of \$100,110,000 is outstanding for the two issues combined. These bonds are scheduled to be retired in September 2015. The average interest rate for these bonds is 5.38%. Metro's Financial Advisors estimate that the new refunding bonds will carry an interest rate of approximately 3.3% which will yield a savings to taxpayers of over \$10.3 million in reduced interest payments. The sale of the 2002 Series General Obligation Refunding Bonds is scheduled for late October. These new bonds would be retired in September 2015, the same as the existing bonds.

ANALYSIS/INFORMATION

1. Known Opposition

None.

2. Legal Antecedents

Metro is authorized to issue refunding bonds pursuant to ORS 288.592.

3. Anticipated Effects

This resolution will produce an estimated savings to property tax payers of \$10.3 million, spread over 13 years.

4. Budget Impacts

This resolution will reduce debt service on the Open Spaces bonds through FY 2015-16, with a commensurate reduction in property tax receipts. Fees associated with the bond sale will be paid from bond proceeds.

RECOMMENDED ACTION

The recommended action is adoption of Resolution 02-3233.