BEFORE THE METRO COUNCIL

AN ORDINANCE AUTHORIZING FULL FAITH AND CREDIT OBLIGATIONS TO REFUND THE METRO REGIONAL CENTER PROJECT BONDS AND OTHER OUTSTANDING LOANS, REPEALING INCONSISTENT PROVISIONS OF METRO ORDINANCES, AND DECLARING AN EMERGENCY.	)	ORDINANCE NO. 03-1017 Introduced by Michael Jordan, Chief Operating Officer, with the concurrence of Council President Bragdon

WHEREAS, Metro has issued its General Revenue Refunding Bonds (Metro Regional Center Project) 1993 Series A, (the "1993 Bonds") and has obtained loans from the Oregon Economic and Community Development Department for a variety of Metro projects (the "OECDD Loans"); and,

WHEREAS, current interest rates are lower than the rates borne by the 1993 Bonds and the OECDD loans; and,

WHEREAS, Metro is authorized by Chapter III, Section 10 of the Metro Charter and by Metro Ordinance No. 93-495 to issue bonds that are secured by Metro's full faith and credit to refund outstanding Metro bonds and loans; and,

WHEREAS, the 1993 Bonds and the OECDD loans were issued under the provisions of Metro Ordinance No. 91-439, which generally governs financing by Metro; and,

WHEREAS, the financial condition of Metro has improved since Metro Ordinance No. 91-439 was enacted and the limitations of that ordinance are no longer necessary and may conflict with the issuance of full faith and credit bonds, so it is desirable to repeal inconsistent provisions of that ordinance and its amendments; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Definitions.

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

"1993 Bonds" means Metro's General Revenue Refunding Bonds (Metro Regional Center Project) 1993 Series A.

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

"Metro Official" means the Chief Operating Officer or the person designated by the Chief Operating Officer to act on behalf of Metro under this Ordinance.

"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.

"OECDD Loans" means the outstanding loans Metro has obtained from the Oregon Economic and Community Development Department.

"Refunding Bonds" means the bonds authorized by Section 2 of this ordinance.

Section 2. Authorization.

Metro is hereby authorized to issue the Refunding Bonds to refund the 1993 Bonds and the OECDD Loans. The Refunding Bonds may be issued in one or more series, but the aggregate principal amount of the Refunding Bonds issued under this ordinance shall not exceed the amount required to refund the 1993 Bonds and the OECDD loans, to obtain credit enhancement for the Refunding Bonds, and to pay costs related to issuing the Refunding Bonds and refunding the 1993 Bonds and OECDD loans.

Section 3. Security For Refunding Bonds.

The Refunding Bonds shall be "limited tax general obligation bonds" as defined in Metro Ordinance No. 93-495. The Refunding Bonds shall be secured by the full faith and credit of Metro, and shall be payable from all legally available taxes and other revenues of Metro. Metro covenants to levy each year the full amount of all ad valorem taxes then permitted to be levied by Metro under Article XI, Sections 11 and 11b of the Oregon Constitution, the statutes of the State of Oregon and the Metro Charter, if such a levy is required to allow Metro to pay, when due, the principal of, and interest and any premium on, the Refunding Bonds.

Section 4. Delegation.

The Metro Official, on behalf of Metro and without further action by Metro Council, may:

A. Prepare and submit advance refunding plans to the State Treasurer.

B. 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.

C. Appoint a paying agent for the Refunding Bonds.

D. Obtain bond insurance or other credit enhancement for the Refunding Bonds.

E. Advertise the sale of the Refunding Bonds and receive competitive bids for the Refunding Bonds, or select one or more underwriters and negotiate the terms of, and execute, bond purchase agreements for each series of Refunding Bonds.

F. Enter into agreements to provide continuing disclosure for the Refunding Bonds, as required under federal securities laws.

G. Enter into covenants that provide additional security for the Refunding Bonds, and covenants to take actions that are necessary for interest on the Refunding Bonds to be and remain excludable from gross income under the United States Internal Revenue Code.

H. Establish the final principal amounts, interest rates, redemption terms, payment dates and other terms of each series of Refunding Bonds.

I. Execute and deliver a bond declaration for each series of Refunding Bonds, memorializing the terms of each series, stating any additional covenants approved by the Metro Official for the benefit of the owners of that series, providing the financial and administrative terms that apply to the Refunding Bonds, and any other terms of the Refunding Bonds.

J. Engage the services of escrow agents and verification agents, and enter into related agreements.

K. Issue, sell and deliver the Refunding Bonds, and defease, call and redeem the 1993 Bonds and prepay the OECDD loans that are refunded with the Refunding Bonds.

L. Modify the terms of any OECDD loans that are not refunded with the Refunding Bonds to provide that those loans are secured by the Metro's full faith and credit and taxing power in the same manner as the Refunding Bonds.

M. Execute and deliver any certificates or documents, and take any other actions which Metro Official determines are reasonably required to carry out this ordinance.

Section 5. Repeal of Inconsistent Ordinances.

All provisions of Metro Ordinance No. 91-439 and its amendments that are inconsistent with this ordinance or the issuance of the Refunding Bonds, and all provisions of Metro Ordinance No. 91-439 and its amendments that place limitations on the issuance, payment or administration of the Refunding Bonds are hereby repealed. However, the repeal of these provisions shall not affect the rights of the owners of any obligations issued under Metro Ordinance No. 91-439 and its amendments.

Section 6. Emergency Clause.

This Ordinance being necessary for the health, safety, and welfare of the Metro area, in that issuing the Refunding Bonds at the earliest possible date will allow Metro to take advantage of current favorable interest rates, an emergency is declared to exist, and this Ordinance shall take effect immediately, pursuant to Metro Charter Section 39(1).

ADOPTED by the Metro Council this 14th day of August, 2003.

APPROUVÉ APPROVED METRO COUNCIL CONSEIL MÉTROPOLITAINE METRO

David Bragdon, Council President

Attest:

, Recording Secretary

Approved as to Form:

Daniel B. Cooper, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 03-1017, FOR THE PURPOSE OF AUTHORIZING FULL FAITH AND CREDIT OBLIGATIONS TO REFUND THE METRO REGIONAL CENTER PROJECT BONDS AND OTHER OUTSTANDING LOANS, REPEALING INCONSISTENT PROVISIONS OF METRO ORDINANCES, AND DECLARING AN EMERGENCY

Date: August 7, 2003

Prepared by: Casey Short
Acting Chief Financial Officer

BACKGROUND

Currently low interest rates provide Metro the opportunity to save money on its outstanding bond and loan obligations by refinancing those obligations at lower rates. In addition to the straight debt service savings, Ordinance 03-1017 changes the funding pledge for the obligations in question, as discussed below.

The primary purpose of this ordinance is to authorize refunding of Metro's revenue bonds that paid for the construction of Metro Regional Center (MRC). Those bonds were originally issued in 1991, and refunded in 1993; the 1993 refunding bonds were callable on August 1, 2003. In addition, Metro has loan obligations with the State of Oregon Economic & Community Development Department for improvements to the Washington Park parking lot used by Zoo patrons, and to the Expo Center for the construction of Hall D. Savings may be realized for the Zoo obligations, though not at this time for the Expo obligations; the Expo loan is not callable for five years, and Metro would not be able to realize debt service savings on the Hall D loan at this time.

In addition to potential savings, this ordinance repeals certain provisions of the Master Revenue Bond Ordinance (No. 91-439) and provides for the newly issued bonds to be backed by the full faith and credit of Metro. The full faith and credit pledge would provide Metro's unrestricted revenues as the ultimate backing for these revenue bonds. While the practice would continue of paying the Zoo obligation from Zoo revenues, and paying MRC debt service through department assessments, the full faith and credit pledge would improve the standing of the bonds by providing the additional security of Metro's excise tax and permanent rate levy revenues, which total some $18 million. Providing this pledge, and repealing certain provisions of the Master Revenue Bond ordinance, would also ease administration by eliminating debt reserve and other requirements included in that ordinance.

ANALYSIS/INFORMATION

1. **Known Opposition** – None.

2. **Legal Antecedents** – Metro is authorized to issue refunding bonds pursuant to ORS 288.592. Chapter III, Section 10 of the Metro Charter supplements Metro's authority to issue revenue bonds, and this section of the Charter as well as Ordinance 93-495 authorizes Metro to issue bonds that are secured by Metro's full faith and credit.

3. **Anticipated Effects** – Implementation of Ordinance 03-1017 would reduce debt service costs and simplify administration of Metro's revenue bond debt.

4. **Budget Impacts** – As of August 5, the estimate of savings for MRC debt service payments is some $820,000 (net present value), or approximately 4%. This figure will continue to change with fluctuations in interest rates. Annual savings to departments will be slightly over $200,000 per year. Net present value savings for the Zoo obligations will be approximately $108,000, or about $10,000 per year.

   An alternative still being examined would extend the life of the MRC bonds by 10 years, to 2032, to better align the repayment schedule of the bonds with the depreciable life of the building. The extension of the life of the bonds more closely matches the recoverable costs from grants. Extending the life of the bonds would reduce the present value savings of the refinancing but would ease annual cash flow concerns and relieve future pressure on discretionary revenue sources (i.e. excise tax).

RECOMMENDED ACTION

The Chief Operating Officer recommends Council adoption of Ordinance No. 03-1017.