BEFORE THE METRO COUNCIL

AUTHORIZING GENERAL OBLIGATION BONDS AND REFUNDING GENERAL OBLIGATION BONDS	)))))	RESOLUTION NO. 12-4334 Introduced by Martha Bennett, Chief Operating Officer with the concurrence of Council President Tom Hughes

WHEREAS, on November 7, 2006, voters in the Metro region approved a $227.4 million bond measure (the "Natural Areas Bond Measure") directing Metro to purchase natural areas and lands near rivers and streams for the protection of water quality, park projects, and preservation of fish and wildlife; and,

WHEREAS, Metro has issued $124.295 million of bonds under the authority of the Natural Areas Bond Measure and the specific authorization provided in Resolution 07-3770, approved by the Metro Council on February 1, 2007; and,

WHEREAS, it is now desirable to authorize the sale of up to $75 million of bonds under the authority of the Natural Areas Bond Measure; and,

WHEREAS, voters in the Metro region approved a $125 million bond measure (the "Zoo Bond Measure") to protect animal health and safety, conserve and recycle water; and,

WHEREAS, Metro has issued $20 million of bonds under the authority of the Zoo Bond Measure; and,

WHEREAS, it is now desirable to authorize the sale of up to $65 million of bonds under the authority of the Zoo Bond Measure; and,

WHEREAS, under current market conditions refunding all or a portion of Metro's General Obligation Refunding Bonds, Series 2002 and Metro's General Obligation Bonds, Series 2007 may produce adequate debt service savings; and,

WHEREAS, it is now desirable to authorize the refunding of outstanding general obligation refunding bonds to achieve debt service savings; now, therefore,

BE IT RESOLVED by the Metro Council as follows:

Section 1. Natural Areas Bonds Authorized.

The Metro Council hereby authorizes the issuance of up to $75 million of the general obligation bonds that were authorized by the Natural Areas Bond Measure. The bonds authorized by this Section 1 (the "Natural Areas Bonds") shall be sold and issued as provided in this resolution pursuant to Oregon Revised Statutes ("ORS") Section 268.520 and the applicable provisions of ORS Chapter 287A. Proceeds of the Natural Areas Bonds shall be used for the purposes authorized in the Natural Areas Bond Measure and costs related to the Natural Areas Bonds. The unused authority granted in Resolution 07-3770 to sell any additional bonds is revoked.

Section 2. Zoo Bonds Authorized.

The Metro Council hereby authorizes the issuance of up to $65 million of the general obligation bonds that were authorized by the Zoo Bond Measure. The bonds authorized by this Section 2 (the "Zoo Bonds") shall be sold and issued as provided in this resolution pursuant to ORS Section 268.520 and the applicable provisions of ORS Chapter 287A. Proceeds of the Zoo Bonds shall be used for the purposes authorized in the Zoo Bond Measure and costs related to the Zoo Bonds.

Section 3. Refunding Bonds Authorized.

The Metro Council hereby authorizes the issuance of general obligation refunding bonds to refund any outstanding Metro general obligation bonds that achieve adequate debt service savings. The bonds authorized by this Section 3 (the "Refunding Bonds") shall be sold and issued as provided in this resolution pursuant to ORS Section 268.525 and the applicable provisions of ORS Chapter 287A. The Refunding Bonds may be issued in an amount sufficient to pay and redeem the general obligation bonds that are being refunded, plus an amount sufficient to pay estimated costs related to the refunding and the Refunding Bonds.

Section 4. Delegation.

The Natural Areas Bonds, Zoo Bonds, and Refunding Bonds are referred to collectively in this resolution as the "Bonds." The Chief Operating Officer or the person designated by the Chief Operating Officer to act under this resolution (the "Metro Official"), on behalf of Metro and without further action by Metro Council, may:

4.1 Issue the Bonds in one or more series that may be sold at different times.

4.2 Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Bonds.

4.3 Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record date and other terms of each series of the Bonds.

4.4 Publish a notice of sale, receive bids and award the sale of each series of Bonds to the bidder complying with the notice and offering the most favorable terms to Metro, or select one or more underwriters, commercial banks or other investors and negotiate the sale of any series of the Bonds with those underwriters, commercial banks or investors.

4.5 Undertake to provide continuing disclosure for each series of the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

4.6 Appoint and enter into agreements with a paying agent, verification agent, escrow agent, registrar and any other professionals and service providers that the Metro Official determines are desirable in connection with the Bonds.

4.7 Apply for ratings for each series of Bonds, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancements for each series of Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.

4.8 Prepare, execute and deliver a bond declaration for each series of Bonds specifying the terms under which each series of Bonds is issued, and making covenants for the benefit of Bondowners. The bond declarations may also contain covenants for the benefit of any credit providers.

4.9 Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the Metro Official may enter into covenants to maintain the excludability of interest on that series of the Bonds from gross income.

4.10 File any required advance refunding plans for the Refunding Bonds with the State of Oregon.

4.11 Determine whether the savings produced by refunding are adequate to justify the refunding, and select the outstanding general obligation bonds that will be refunded.

4.12 Enter into escrow deposit agreements and take any other actions to call, defease and refund the any bonds that are refunded.

4.13 Issue, sell and deliver the Bonds and execute any documents and take any other action in connection with the Bonds which the Metro Official finds will be advantageous to Metro.

Section 5. Security For Bonds.

Metro hereby pledges its full faith and credit to pay the 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 Bond principal and interest when due. Metro covenants to levy this tax each year until all the 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 6. Effective Date.

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

ADOPTED by the Metro Council this 15th day of March 2012.

Tom Hughes, Council President

Approved as to Form:

By SEN. ASST.

FOR ALISON KEAN CAMPBELL

Alison Kean Campbell, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4334 AUTHORIZING GENERAL OBLIGATION BONDS AND REFUNDING GENERAL OBLIGATION BONDS

Date: March 2, 2012

Prepared by:
Margo Norton, Director of Finance and Regulatory Services
Kathy Rutkowski, Budget Coordinator

BACKGROUND

The purpose of this resolution is to authorize the sale of general obligation bonds in spring 2012. The resolution was prepared with the assistance of Metro's bond counsel Hawkins, Delafield & Wood, LLP (Harvey Rogers, bond counsel) and Metro's financial advisor, Seattle-Northwest Securities Corporation (Carol Samuels, financial advisor). The resolution authorizes the sale of bonds in three areas:

<u>Oregon Zoo Infrastructure and Animal Welfare</u>

In November 2008 Metro's voters authorized $125 million in general obligation bonds for new construction, renovation and innovation at the Oregon Zoo to improve animal welfare, increase sustainability and expand opportunities for conservation education. Metro sold two small issues totaling $20 million to complete the initial projects: construction of a Veterinary Medical Center, penguin life support system upgrade, related storm water projects and completion of a 20 -year Comprehensive Capital Master Plan, including the zoo bond implementation plan, which was approved by the Metro Council in November 2011. The approved bond implementation plan allows Metro to proceed to the next significant bond projects which include the on-site Elephant Habitat and related infrastructure, now in design, and the Condor Habitat, also in design. Metro intends to sell up to $65 million in general obligation bonds and reasonably expects to spend 85 percent of the proceeds within the next three years, a condition of tax exempt bonds. The balance of authorized but unsold bonds after this sale would be $40 million.

<u>Natural Areas</u>

In November 2006 Metro's voters authorized $227.4 million in general obligation bonds to acquire natural areas, land for parks and property adjacent to streams to preserve habitat, enhance water quality, grow the region's network of trails, and provide greater access to nature. An initial series of $124,295,000 was sold in 2007, and the proceeds have been used in three ways: acquisition of regionally significant properties in 27 target areas including the construction of three nature parks; local shares to cities, counties and park providers for specific projects; and a Nature in Neighborhoods Capital Grant program. Although the economy did slow the pace of anticipated acquisitions and this second sale, activity has been increasing. In the first six months of FY 2011-12, Metro expended $17 million for these purposes, well on pace to exceed the $20 - $25 million annual spending of prior years. Metro intends to sell up to $75 million to continue this program. The balance of authorized but unsold bonds after the sale will be just over $28 million.

<u>Refinancing Existing Debt</u>

As part of due diligence, Metro periodically reviews its issued debt to determine if there are possible savings to its taxpayers from refinancing. The State Treasurer's Office requires a minimum 3 percent savings over the life of the debt for certain qualifying issues, a threshold which we believe is reasonable. Given current market conditions which we expect to remain in place in the near term, we have identified two issues meeting the criteria: the 2002 Open Spaces refunding series and the 2007 Natural Areas series. We are seeking authority to refinance these issues, and any other bond issues that may meet the criteria at the time of the sale, depending on market conditions.

Combined Issuing

Metro believes that by combining these sales into a larger issue we can generate higher buyer interest in the marketplace, thereby securing the very best rate for our taxpayers. Issuing debt can be an expensive task, and while each element of the sale will have costs, a combined sale allows for the sharing of these costs and a more efficient work effort for staff. Preparing a single preliminary official statement and official statement, making a single ratings presentation, and preparing related sales documents only once all contribute to a reduced cost. Although the elements will be combined, the sale will be structured to offer clear transparency and accountability for the separate elements, including meeting the promises to the voters of a maximum 19 cents per thousand of assessed value stated in the Natural Areas measure and the 9 cents per thousand of assessed value stated in the Oregon Zoo Infrastructure measure.

Ratings Review

In 2007 Metro achieved its Aaa/AAA ("double triple" A) bond rating, the gold standard, when Moody's upgraded our rating. Standard & Poor's confirmed its AAA rating at that time and again in 2010. For a sale of this size, Metro will need to be reviewed by the ratings agencies just prior to the sale, a significant work effort for the entire agency, from financial, program and executive staff, to the Council. We are confident that Metro's financial discipline and adherence to our financial policies, despite the economic downturn, will be seen favorably and result in confirmation of our highest ratings. Seattle Northwest, our financial advisor, will assist us in preparing for the ratings meetings which are scheduled for late April/early May.

Impact to Taxpayers

Metro's tax bill for bonded debt has remained relatively low, particularly with the delay in issuing a second series of Natural Areas bonds and using short term, "pay as you go" small issues for the zoo. [The zoo's $20 million will be entirely paid on June 1, 2012.] As a result, the sale will certainly increase our tax levy. In percentage it will appear significant, but in actual dollars it will be modest. While the final levy cannot be determined until after the sale, we estimate that the maximum increase for our taxpayers over the current year, including the new issues and the adjustment for all other scheduled debt, will be about an additional 17 cents per thousand of assessed value. For a property assessed at $200,000, the average metropolitan property amount, this would be an additional $34 per year, less than $3 per month, all within the parameters described to the voters at the time of the respective elections.

ANALYSIS/INFORMATION

1. **Known Opposition** – None.

2. **Legal Antecedents** – Metro may issue general obligation bonds pursuant to the authority granted by Metro Charter Section 10 and ORS 268.520 and pursuant to the voters' approval of Measure 26-80 at the general election held on November 7, 2006 and approval of Measure 26-96 at the general election held on November 4, 2008.

3. **Anticipated Effects** – This action authorizes the issuance of up to $75 million in general obligation bonds for Natural Areas under the November 2006 authorization; up to $65 million in general obligation bonds for Oregon Zoo Infrastructure and Animal Welfare bonds under the November 2008 authorization; and to refund certain existing general obligation bonds that generate adequate savings. It also authorizes the Chief Operating Officer or her designee to negotiate and sign all documents and conduct the sale and issuance of the bonds.

4. **Budget Impacts** – The issuance of the bonds will generate additional funding for both the Natural Areas bond program and the Oregon Zoo Infrastructure and Animal Welfare bond program. No additional budget appropriation or action is necessary in the current fiscal year. The FY 2012-13 budget to be proposed in April will include the bond proceeds generated by this action and the associated related expenditures estimated for that fiscal year. Debt service payments on the new issues will begin in FY 2012-13. The debt payments will be structured not to exceed the $0.19 per thousand of assessed value projected in the Natural Areas measure and the $0.09 per thousand of assessed value projected in the Oregon Zoo Infrastructure measure. The general obligation bond debt service property tax levy will be sized to include the additional debt payments from the two new issues as well as any savings from the refunding of any existing outstanding debt.

RECOMMENDED ACTION

The Chief Operating Officer recommends Council adoption of Resolution No. 12-4334.