

BEFORE THE METRO COUNCIL

AUTHORIZING REFUNDING FULL	)	RESOLUTION NO. 13-4406
FAITH AND CREDIT BONDS	)	
	)	Introduced by Martha Bennett, Chief
	)	Operating Officer with the concurrence of
	)	Council President Tom Hughes

WHEREAS, Metro has issued its Full Faith and Credit Refunding Bonds, Series 2003 in the original amount of \$24,435,000 (the “2003 Bonds”); and,

WHEREAS, under current market conditions refunding all or a portion of the 2003 Bonds may produce debt service savings; and,

WHEREAS, it is now desirable to authorize the refunding of the 2003 Bonds to achieve debt service savings; now, therefore,

BE IT RESOLVED by the Metro Council as follows:

**Section 1. Refunding Bonds Authorized.**

The Metro Council hereby authorizes the issuance of full faith and credit refunding bonds to refund all or any portion of the outstanding 2003 Bonds that achieve adequate debt service savings. The bonds authorized by this Section 1 (the “Bonds”) shall be sold and issued as provided in this resolution pursuant to the applicable provisions of ORS Chapter 287A including ORS 287A.365 to 287A.375. The Bonds may be issued in an amount sufficient to pay and redeem the 2003 Bonds that are being refunded, plus an amount sufficient to pay estimated costs related to the refunding and the Bonds.

**Section 2. Delegation.**

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:

- 2.1 Issue the Bonds in one or more series that may be sold at different times.
- 2.2 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.
- 2.3 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.

- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, is includable in gross income under that code, or is eligible for federal interest subsidies or tax credits. If a series bears interest that is excludable from gross income or eligible for federal interest subsidies or tax credits under that code, the Metro Official may enter into covenants to maintain the tax status of that series of Bonds.
- 2.10 File an advance refunding plan for the 2003 Bonds with the State of Oregon.
- 2.11 Determine whether the savings produced by refunding are adequate to justify the refunding, and select the portions of the outstanding 2003 Bonds that will be refunded.
- 2.12 Enter into escrow deposit agreements and take any other actions to call, defease and refund the any bonds that are refunded.
- 2.13 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.

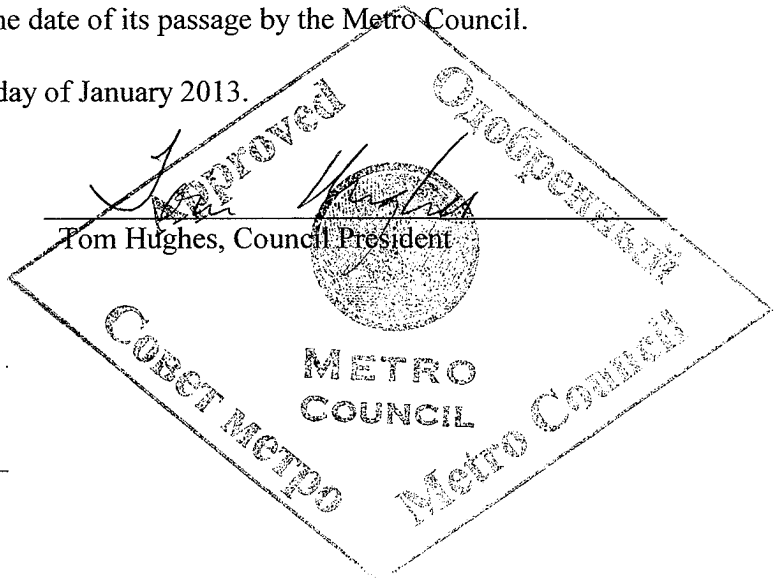
### **Section 3. Security For Bonds.**

Metro may pledge its full faith and credit and taxing power to pay the Bonds pursuant to ORS Section 287A.315.

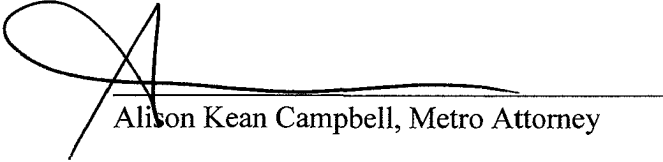
**Section 4. Effective Date.**

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

ADOPTED by the Metro Council this 24th day of January 2013.



Approved as to Form:



Alison Kean Campbell, Metro Attorney

## STAFF REPORT

### IN CONSIDERATION OF RESOLUTION NO.13-4406 FOR THE PURPOSE OF AUTHORIZING THE REFINANCING OF THE FULL FAITH AND CREDIT SERIES 2003 BONDS

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Date: January 8, 2012

Prepared by: Kathy Rutkowski,  
Budget Coordinator

## BACKGROUND

In October, 2003 Metro issued full faith and credit bonds to refund outstanding commitments for the acquisition and construction of Metro Regional Center (MRC) and for loans from the Oregon Economic and Community Development Department's (OECD) Special Public Works Fund to the Oregon Zoo for Metro's share of Light Rail station construction and Washington Park parking lot improvements. The 2003 refunding broadened the pool of available funds to back payment of the bonds, by pledging Metro's general revenues including excise taxes and Metro's permanent rate property tax levy, which is used to support the general operations of Metro. Debt service payments continued to be made from the same sources as before, but the full faith and credit pledge strengthened the security for bondholders.

Currently, market interest rates are sufficiently lower than the rates of the existing bonds that a healthy net present value savings is projected. This provides Metro with an opportunity to refinance this outstanding debt by issuing a new bond. The Series 2003 bond was itself an "advanced refunding" – meaning that at the time the bonds were issued, the bonds that were refunded were callable more than 90 days from the issuance date. IRS regulations only allow you to advance refund an issue once on a tax-exempt basis. The 2003 bonds, as well, are callable more than 90 days from the projected date of issuance. Thus, to take advantage of the lower market rates at this time, the new refunding bond must be issued on a taxable basis. However, even with a taxable issue we are still projecting a net present value savings of over \$1.1 million, almost 9.0 percent of the refunding bond proceeds

The purpose of this resolution is to authorize Metro to issue taxable full faith and credit bonds to refinance the outstanding full faith and credit Series 2003 bonds. It is anticipated the refunding will provide approximately \$1.23 million of gross savings over the life of the bonds, or about \$1.1 million in net present value savings – approximately 8.97 percent of the refunding bond proceeds. The final structure of the bonds will be determined at a later date to provide the maximum benefit to Metro. The Oregon Zoo portion of the bonds will mature in August 2016 and the MRC portion will mature in August 2022. Debt service will continue to be paid from operating revenues of the Oregon Zoo and from allocation charges against the occupants of MRC. Because of the length to maturity and the size of the outstanding bonds the vast majority of the savings – approximately 97 percent – will accrue to MRC.

## ANALYSIS/INFORMATION

1. **Known Opposition** – None.
2. **Legal Antecedents** – Metro is authorized by ORS Chapter 287A, and specifically ORS 287A.360-380 and also ORS 271.390 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, and Metro Code Title VII, Chapter 7.02.020. authorizes Metro to issue bonds that are secured by Metro's full faith and credit; and Metro Code Section 7.02.070 authorizes Metro to issue refunding bonds.

3. **Anticipated Effects** – Implementation of Resolution No. 13-4406 would reduce debt service costs and provide net present value savings of approximately \$1.1 million or about 8.97 percent over the life of the bonds.
4. **Budget Impacts** – As of January 4, 2013, the estimated net present value savings of the bonds is approximately \$1.1 million, or approximately 8.97 percent. This would result in about \$1.1 million in savings to the MRC and about \$33,000 to the Oregon Zoo in debt service payments over the remaining life of the bonds.

### **RECOMMENDED ACTION**

The Chief Operating Officer recommends Council adoption of Resolution No. 13-4406