
M E M O R A N D U M

DATE: December 31, 2013
TO: Metro Council
FROM: Becky Shoemaker, Records Officer
RE: Resolution No. 13-4436

TITLE: *For the Purpose of Authorizing the Refinancing of the Full Faith and Credit Series 2006 Bonds*

DISPOSITION: This resolution was withdrawn before it was drafted; however, a staff report was drafted and is included in the record.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO.13-4436 FOR THE PURPOSE OF
AUTHORIZING THE REFINANCING OF THE FULL FAITH AND CREDIT SERIES 2006
BONDS

Date: May 14, 2013

Prepared by: Kathy Rutkowski,
Budget Coordinator

BACKGROUND

In April 2000, Metro obtained a loan from the Oregon Bond Bank through the Oregon Economic Development Department (OEDD) Special Public Works Fund (SPWF) to pay for the construction of a new building to replace the existing Hall D at the Expo Center. The loan was divided into two parts with the first being used to finance the construction of the Hall D replacement. The second part of the loan was for infrastructure improvements associated with the new building. In April 2006, Metro joined with two other Oregon local governments to issue full faith and credit refunding bonds to refund the outstanding obligation remaining on the loan. Debt service payments continued to be made from Expo Center revenues, the original revenue pledge, but the full faith and credit pledge strengthened the security for the bondholders.

Currently, market interest rates are sufficiently lower than the rates of the existing bonds that a net present value savings of approximately 4.0 percent is projected. This provides Metro with an opportunity to refinance this outstanding debt by issuing a new bond. The refinancing bonds would be considered an advanced refunding – meaning that the bonds that are being refunded are callable more than 90 days from the date of issuance. The State Treasurer’s Office requires a minimum 3 percent savings over the life of the debt for an advanced refunding. While the refinancing is currently viable changes in market conditions may bring the net present value below required levels. Metro’s financial advisors will closely monitor the market conditions to determine the ultimate viability of the refinancing closer to the time of issuance.

The purpose of this resolution is to authorize Metro to issue full faith and credit bonds to refinance the outstanding full faith and credit Series 2006 bonds. It is anticipated the refunding will provide approximately \$406,000 of gross savings over the life of the bonds, or about \$369,000 in net present value savings. The bonds will mature in December 2024.

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. 13-4436 would reduce debt service costs and provide net present value savings of approximately \$369,000 or about 4.0 percent over the life of the bonds.
4. **Budget Impacts** – As of May 6, 2013, the estimated net present value savings of the bonds is approximately \$369,000, or approximately 4.0 percent. This would result in about \$406,000 in savings to the Expo Center over the remaining life of the bonds.

RECOMMENDED ACTION

The Chief Operating Officer recommends Council adoption of Resolution No. 13-4436