BEFORE THE METRO COUNCIL

AUTHORIZING REFUNDING OF GENERAL OBLIGATION BONDS FOR PRESENT VALUE SAVINGS	)))))	RESOLUTION NO. 14-4552 Introduced by Martha Bennett, Chief Operating Officer with the concurrence of Council President Tom Hughes

WHEREAS, Metro has issued its Natural Areas General Obligation Bonds, Series 2007 (the "2007 Bonds") and has approximately $73,315,000 of 2007 Bonds remaining; and,

WHEREAS, under current market conditions refunding all or a portion of the 2007 Bonds may produce present value debt service savings; and,

WHEREAS, it is now desirable to authorize the refunding of the 2007 Bonds to achieve present value 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 General Obligation Bonds to refund all or any portion of the outstanding 2007 Bonds that achieve present value 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 ORS 268.525 and the applicable provisions of ORS Chapter 287A including ORS 287A.365 to 287A.380. The Bonds may be issued in an amount sufficient to pay and redeem the 2007 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 each series of 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 2007 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 2007 Bonds that will be refunded.

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

2.13 Appoint and enter into agreements with escrow agents, paying agents, verification agents and other professionals and service providers for the Bonds.

2.14 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 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 4. Effective Date.

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

ADOPTED by the Metro Council this 7th day of August 2014.

Tom Hughes, Council President

APPROVED APPROUVÉ METRO CONSEIL METROPOLITAINE

Approved as to Form:

Alison Kean, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO.14-4552 FOR THE PURPOSE OF AUTHORIZING THE REFUNDING OF GENERAL OBLIGATION BONDS FOR PRESENT VALUE SAVINGS

Date: July 14, 2014

Prepared by: Kathy Rutkowski, Budget Coordinator

BACKGROUND

In April, 2007 Metro issued the first series of bonds under the November 2006 General Obligation bond authorization for the Natural Areas program. The first series issued $124,295,000 of the total $227.4 million authorization. The bonds were issued with a 20 year life and a maturity date of June 2026. The estimated rate per $1,000 of assessed value stayed well within the pledge of $0.19 per $1,000 of assessed value.

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. At the same time, Metro intends to restructure the debt shortening the maturity date of the bonds to June 2020. This allows us to better manage both the individual rate pledge for this authorization as well as the overall general obligation debt service levy rate.

The initial issuance plan called for the bonds to be issued in two series with the second series of bonds to be issued in the Spring of 2010. Debt service was to begin in FY 2010-11. The debt service on the 2007 bonds was structured such that when the 2nd series was issued the total debt service on both bonds issues would not exceed the pledge of $0.19 per $1,000 of assessed value. However, within a year of issuing the first bonds in 2007 the economy began a severe downturn and real estate sales slowed considerably.

The second series of bonds was not issued until the Spring 2012, two years later than planned. The second series issued $75.0 million of the outstanding $103,105,000 authorization. The bonds were again issued with a maturity date of June 2026. The revised issuance plan called for the remaining bonds to be issued in Spring 2015. The debt service on the 2012 bonds was structured such that when the third series was issued the combination of the three issues would not exceed the authorization pledge of $0.19 per $1,000 of assessed value.

The Chief Operating Officer and program staff are currently in discussions with the Council on the future direction and goals of the program. At this time, it does not appear that the program will be ready to issue the final series of bonds in Spring 2015. This will, once again cause a large reduction in the debt service levy rate and a subsequent large increase in the rate when the final series is issued. To better manage the debt service levy rate and avoid large spikes in the rate up or down staff is recommending a restructuring of the 2007 series Natural Areas Bonds. The refunded and restructured bonds are proposed to mature in June 2020.

The purpose of this resolution is to authorize Metro to issue tax-exempt general obligation bonds to refinance the callable portion of the outstanding 2007 series Natural Areas bonds. With the restructing, it is anticipated the refunding will provide approximately $12.2 million of gross savings over the life of the bonds, or about $8.9 million in net present value savings – approximately 13.7 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.

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. 14-4552 provide net present value savings of approximately $8.9 million or about 13.7 percent over the life of the bonds, and ultimately smooth out the overall debt service levy rate for the agency avoiding large spikes in future levies.

4. **Budget Impacts** – As of May 30, 2014, the estimated net present value savings of the bonds is approximately $8.9 million, or approximately 13.7 percent.

RECOMMENDED ACTION

The Chief Operating Officer recommends Council adoption of Resolution No. 14-4552