

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF)	RESOLUTION NO. 92-1672
ESTABLISHING THE DISTRICT'S)	
INTENT TO INCLUDE A CITIZENS')	Introduced by Rena Cusma
BOND SALE AS PART OF IT'S)	
GENERAL OBLIGATION BOND)	
ISSUANCE OF \$200 MILLION FOR)	
THE REGIONAL GREENSPACES)	
SYSTEM)	

WHEREAS, The Metropolitan Service District (Metro) has adopted Resolution No. 92-1639A that submits to the voters questions of contracting a general bond obligation of \$200 million for the regional greenspaces system (the Greenspaces Bonds); and

WHEREAS, Development of the Metropolitan Greenspaces Program has been a "grass-roots" effort supported by numerous community groups and independent citizens; and

WHEREAS, The Metro Executive Officer and Council desire to continue the involvement of community groups and citizens in the development of the Greenspaces Program; and


WHEREAS, It may be desirable to offer individuals the opportunity to invest in the Greenspaces Program by purchasing Greenspaces Bonds in \$1,000 denominations or less ("mini-bonds"); now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District directs the Finance and Management Information Department to:

1. Research the financial feasibility of developing a "mini-bond" program that would make small denomination Greenspaces Bonds available to individuals in or close to the District; and
2. If the voters approve issuance of the Greenspaces Bonds and, if the mini-bond project is deemed financial feasible, reserve \$3 up to million of the Greenspaces Bonds for this purpose.

ADOPTED by the Council of the Metropolitan Service District this 24th day of Sept., 1992.



Jim Gardner, Presiding Officer

FINANCE COMMITTEE REPORT

RESOLUTION NO. 92-1672, ESTABLISHING THE DISTRICT'S INTENT TO INCLUDE A CITIZENS' BOND SALE AS PART OF ITS GENERAL OBLIGATION BOND ISSUANCE OF \$200 MILLION FOR THE REGIONAL GREENSPACES SYSTEM

Date: September 22, 1992

Presented by: Councilor Wyers

COMMITTEE RECOMMENDATION: At its September 17, 1992 meeting the Finance Committee voted 4-0 to recommend Council adoption of Resolution No. 92-1672. Voting were Councilors Van Bergen, Devlin, Hansen, and Wyers. Councilor Gardner was absent.

COMMITTEE DISCUSSION/ISSUES: Finance Director Jennifer Sims presented the staff report. She said the purpose of the Citizens' Bond program would be to make Greenspaces bonds available to "average" people who couldn't normally afford the minimum cost of such bonds. This program would set aside up to \$3 million of the bond issue in \$1000 denominations. It would be administered by a local bank, and would be slightly more costly than a usual program. If approved, information on the Citizens' Bond program will be shared with the public as part of the information campaign concerning the Greenspaces bond measure.

Councilor Wyers asked Ms. Sims to explain the rationale for this program. Ms. Sims said it was consistent with the grassroots nature of the Greenspaces program by extending the opportunity for financial participation to more people, many of whom could not otherwise afford to invest in the Greenspaces program.

Councilor Devlin asked Ms. Sims to compare this program with the Baccalaureate Bond program and a program at the City of Beaverton. Ms. Sims said the City of Beaverton offered a low denomination Citizens' Bond program on a water bond re-funding, which was very popular. She said the format of the proposed Greenspaces program was similar to the Baccalaureate Bond program, in that it would be a zero-coupon bond which would be purchased for less than face value and redeemed for face value at maturity.

In response to questions from Councilor Van Bergen, Ms. Sims and Chris Scherer said the program would be publicized prior to the bond sale, and citizens who wanted to buy the bonds would deal directly with a trustee bank which would handle the sales.

STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 92 -1672 FOR THE PURPOSE OF ESTABLISHING THE DISTRICT'S INTENT TO INCLUDE A CITIZENS' BOND SALE AS PART OF IT'S GENERAL OBLIGATION BOND ISSUANCE OF \$200 MILLION FOR THE REGIONAL GREENSPACES SYSTEM

Date: September 10, 1992

Presented by: Jennifer Slms
Christopher Scherer

The Metro Council has adopted Resolution 92-1639A which submits to the voters the question of contracting general obligation bond indebtedness in the amount of \$200 million (the Greenspaces Bonds) to proceed with the development of the Greenspaces Program. The Finance and Management Information Department has been working with the Planning Department in preparing for issuance of the Greenspaces Bonds if the ballot measure is successful.

Municipal bonds are typically offered in \$5,000 denominations. Bonds are purchased by institutions (insurance companies and bond mutual funds) interested in this type of investment and individuals whose financial circumstances warrant investment in tax-exempt bonds. Often individuals who would desire to invest in tax-exempt bonds are precluded from the opportunity of direct investment because of the minimum denomination size.

Metro may, at its option, allocate a small amount of the issue (\$1,000,000 to \$3,000,000) to be sold as "mini-bonds" in smaller than usual denominations (\$500 to \$1,000). The least complicated approach to a mini-bond issuance is to offer capital appreciation or "zero coupon" bonds purchased at the present value amount of a guaranteed future principal payment much like U.S. EE savings bonds. The mini-bond program would be administered by a local bank.

Mini-bond programs not only offer the opportunity to purchase tax-exempt bonds to a broader range of people than a standard bond issuance program, but provide the community with a vehicle to directly invest in the project being funded with bonds. We believe the Greenspaces program contains elements that would fit very well with the mini-bond concept.

Budget Impact

Most of the costs of a mini-bond program are duplicative of costs incurred under a standard program. The costs for paying agent, bond registration, and other administrative efforts would be the same under either program. Certain costs such as underwriters discount would be avoided under the mini-bond program.

However, to ensure a successful sale, it will be necessary to incur marketing costs for advertising, printing and mailing. The mini-bond program will also involve more effort on the part of the Finance and Management Information Department than a standard bond issuance. In any case, issuance costs for the mini-bonds would be limited by law to 2% of the total issuance amount or \$60,000 for a \$3 million issuance. This compares to an estimated 1.25% or \$37,500 for a standard issuance of \$3,000,000. It is assumed that issuance costs for the mini-bonds would not be close to the limit by law.

If the Resolution is adopted, the Financial Planning staff will conduct a financial feasibility study of the mini-bond program for the Executive Officer's and Council's scrutiny prior to program implementation. The study would include an assessment of the market for such a program in the Metro region and a minimum budget that would ensure a successful mini-bond issuance.

Executive Officer's Recommendation

The Executive Officer recommends that the Council adopt Resolution No. 92-1672 .