METRO

RESOLUTION NO. 93-1863
OF THE METRO COUNCIL

A Resolution amending Resolution No. 93-1795 with the respect to authorization of general revenue bonds to refund the outstanding Metro General Revenue Bonds (Metro Headquarters Building Project), 1991 Series A.

Adopted by Metro Council on October 28, 1993
Effective on October 28, 1993

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BE IT RESOLVED BY THE METRO COUNCIL AS FOLLOWS:

Section A. Findings. The Metro Council hereby finds and determines the matters set forth below in this Section A.

(1) Prior Resolution . On May 13, 1993, the Metro Council adopted Resolution No. 93-1795 (the "Prior Resolution") for the purpose of authorizing the issuance and sale of general revenue bonds (the "1993 Bonds") to refund the outstanding Metro General Revenue Bonds (Metro Headquarters Building Project), 1991 Series A (the "Prior Bonds"), said Resolution having been adopted pursuant to the authority conferred by the Metro Charter, Title VIII of the Metro Code, and ORS 288.605 to 288.695 (inclusive), as amended.

(2) Need to Amend and Supplement Prior Resolution. Metro is now ready to proceed with the issuance and sale of the 1993 Bonds as authorized by the Prior Resolution. However, in order to be in a position to sell the 1993 Bonds on the most advantageous terms, it is necessary to: (i) amend the Prior Resolution to increase the authorized principal amount of the 1993 Bonds and allow greater flexibility with respect to the date to be borne by the 1993 Bonds; and (ii) supplement the Prior Resolution to provide the ability to refund only a portion of the Prior Bonds and to enter into a Financial Enhancement Product in order to maximize the savings to be realized by Metro from the refunding of the Prior Bonds.

Section 101. Amendment of Prior Resolution Section 203(a). Section 203(a) of the Prior Resolution shall be, and it hereby is, modified and amended to read as follows:

> **(a) Denominations, Numbering and Dating.** The Metro Headquarters Building 1993 Refunding Bonds shall be issued in Authorized Denominations. Each Metro Headquarters Building 1993 Refunding Bond shall be dated as of the date determined by the Executive Officer upon the sale thereof pursuant to the authority conferred on the Executive Officer by Section 401(b) hereof. Each Metro Headquarters Building 1993 Refunding Bond also shall bear its date of authentication as noted thereon by the Trustee and shall be numbered consecutively in the order in which it is authenticated by the Trustee.

Section 102. Amendment of Prior Resolution Section 401(b). Section 401(b) of the Prior Resolution shall be, and it hereby is, modified and amended to read as follows:

> **(b) Terms of Bonds.** The Executive Officer of Metro is hereby authorized, empowered and directed, for and on behalf of Metro, to determine and establish the following terms of and other matters relating to the Metro Headquarters Building 1993 Refunding Bonds subject to the limitations set forth below:
>
> (a) the aggregate principal amount of the Metro Headquarters Building 1993 Refunding Bonds, provided that in no event shall the aggregate principal amount of the Metro Headquarters Building 1993 Refunding Bonds exceed the sum of $27,000,000;
>
> (b) the aggregate principal amount of Metro Headquarters Building 1993 Refunding Bonds to be issued as Term Bonds and the maturity date or dates of such Term Bonds;
>
> (c) the aggregate principal amount of Metro Headquarters Building 1993 Refunding Bonds to be issued as Serial Bonds and the maturity dates of such Serial Bonds;
>
> (d) the Mandatory Redemption Schedule(s) and the related Mandatory Redemption Dates for the Metro Headquarters Building 1993 Refunding Bonds to be issued as Term Bonds;
>
> (e) the rates of interest to be applicable to the Metro Headquarters Building 1993 Refunding Bonds of each maturity;
>
> (f) the date to be borne by the Metro Headquarters Building 1993 Refunding Bonds and the first Interest Payment Date for the Metro Headquarters Building 1993 Refunding Bonds;
>
> (g) the dates, terms, conditions and prices under which the Metro Headquarters Building 1993 Refunding Bonds will be subject to optional redemption prior to maturity; and
>
> (h) whether or not Metro shall: (I) acquire the 1993 Credit Facility; and (II) acquire the 1993 Reserve Credit Facility or fund the 1993 Series A Reserve Account with a portion the proceeds derived from the issuance and sale of the Metro Headquarters Building 1993 Refunding Bonds or other available funds.

The Executive Officer of Metro is further authorized, empowered and directed, for and on behalf of Metro, to determine whether the Reserve Requirement shall be met in whole or in part by means of a Credit Facility and to determine and establish such other terms of and other matters relating to the Metro Headquarters Building 1993 Refunding Bonds as may be necessary or appropriate and not in conflict with the provisions of the General Revenue Bond Master Ordinance, this Authorizing Action or applicable law.

The authority of the Executive Officer of Metro to determine and establish the terms of and other matters relating to the Metro Headquarters Building 1993 Refunding Bonds as provided in this Section shall be exercised by setting forth such terms and other matters as so determined and established in a certificate executed and delivered by the Executive Officer on or prior to the date of issuance and delivery of the Metro Headquarters Building 1993 Refunding Bonds.

Section 103. Increase in Authorized Amount of 1993 Bonds. All references in the Prior Resolution to authority to issue the 1993 Bonds (that is, the Metro Headquarters Building 1993 Refunding Bonds referred to in the Prior Resolution) in an aggregate principal amount "not to exceed $26,000,000", or any words of similar import, shall be, and they hereby are, modified and amended to refer to an aggregate principal amount "not to exceed $27,000,000", it being the intent of the foregoing that Metro shall be, and hereby is, authorized to issue the 1993 Bonds (Metro Headquarters Building 1993 Refunding Bonds) in an aggregate principal amount of not to exceed $27,000,000.

Section 104. Supplementation of Prior Resolution. The Prior Resolution shall be, and it hereby is, supplemented by adding the following as new subsection 401(d) thereof:

> **(d) Partial Refunding; Financial Enhancement Product.** Notwithstanding anything expressed or implied herein to the contrary, the Metro Headquarters Building 1993 Refunding Bonds may be issued and sold for the purpose of refunding all or any portion of the 1991 Bonds as the Executive Officer determines is in the best interests of Metro in light of the savings to be realized from any such complete or partial refunding. In addition, in connection with the refunding of all or any portion of the 1991 Bonds the Executive Officer is hereby authorized and empowered, for and on behalf of Metro, to:
>
> > (i) obtain, secure or enter into arrangements for any Financial Enhancement Product that the Executive Officer determines will increase the savings to Metro of undertaking such refunding (including but not limited to the Financial Enhancement Product commonly known as a "forward supply contract");
> >
> > (ii) negotiate the terms and conditions of such Financial Enhancement Product; and
> >
> > (iii) enter into any agreements or undertakings necessary or appropriate in connection with such Financial Enhancement Product.

Section 105. Prior Resolution As Amended and Supplemented Hereby to Remain In Effect. The Prior Resolution, as modified, amended and supplemented by this Resolution, shall be and remain in full force and effect.

Section 201. Headings Not Binding. The headings in this Resolution are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

Section 202. Effectiveness of This Resolution. This Resolution shall become effective immediately upon adoption by the Metro Council.

Certification of Resolution

The undersigned do hereby certify that we are the duly elected, appointed, qualified and acting Clerk and Presiding Officer of Metro Council and the Executive Officer of Metro; that the foregoing is a true and complete copy of Resolution No. 93-1863 as adopted by Metro Council at a meeting duly called and held in accordance with law on October 28, 1993; and that the following members of the Council voted in favor of said Resolution:

Buchanan, Devlin, Gardner, Gates, Hansen, Kvistad, McFarland, McLain, Monroe, Moore, Washington and Wyers (Van Bergen was absent).

the following members of the Council voted against said Resolution:

None.

and the following member of the Council abstained from voting on said Resolution:

None.

In witness whereof, the undersigned have hereunto set their hands as of the dates shown below.

Attest:

Judy Wyers

Judy Wyers, Metro Presiding Officer
Date: 10/29/93

Paulette Allen

Paulette Allen, Clerk of Metro Council
Date: 10/29/93

Rena Cusma

Rena Cusma, Executive Officer
Date:

STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 93-1863 AMENDING RESOLUTION NO. 93-1795 WITH RESPECT TO AUTHORIZATION OF GENERAL REVENUE BONDS TO REFUND THE OUTSTANDING METRO GENERAL REVENUE BONDS (METRO HEADQUARTERS BUILDING PROJECT), 1991 SERIES A.

October 5, 1993 Presented by: Craig Prosser

Factual Background and Analysis

Resolution 93-1863 amends Resolution 93-1795, which authorizes the refunding of the General Revenue Bonds issued to acquire and construct the Metro Regional Center. Resolution 93-1795 was adopted by Council on May 13, 1993. It establishes the terms and conditions for the refunding of these bonds. Since the initial authorization, market conditions have continued to change and it is necessary to modify the original resolution to respond to these conditions.

The proposed amendments make four changes to the original authorization: (1) it increases the maximum amount of the refunding bonds from $26 million to $27 million, (2) it authorizes a partial refunding of the bonds in addition to a full refunding, (3) it authorizes use of a "Forward Supply Contract" in structuring the escrow account, and (4) it authorizes the Executive Officer to set the dated date of the bonds as needed to facilitate the sale of the bonds. These changes will allow the sale of the refunding bonds to be structured to maximize the savings to Metro.

(1) Increases the maximum amount of the refunding bonds from $26 million to $27 million.

With market conditions as of October 5, 1993, Metro would need to issue approximately $26.3 million of refunding bonds to refund the entire issue of General Revenue Bonds, Series 1991 A. Resolution 93-1795, stipulates that the refunding bonds cannot exceed $26 million. A full refunding on Oct. 5 would have produced net present value savings in excess of 6% (as compared to the State-required minimum savings of 3%). The higher issue amount is a product of negative arbitrage in the refunding escrow account produced by differences in current bond interest rates and treasury interest rates. This amendment gives Metro additional flexibility to respond to the continuing problem with the disparity between these two rates.

(2) Authorizes a partial refunding of the bonds.

Resolution 93-1795 authorized a full refunding of all of the outstanding Series 1991 A Bonds. The most recent analysis of the refunding indicates that it may be cost-effective for Metro to refund only a portion of the outstanding bonds. This amendment provides authorization for either a partial or full refunding. This additional flexibility will allow Metro greater ability to structure the refunding to maximize savings.

(3) Authorizes use of a "Forward Supply Contract" in structuring the escrow account.

A continuing problem for all issuers of refunding bonds in 1993 has been the disparity between bond interest rates and treasury interest rates. Proceeds from refunding bonds are used to purchase treasury instruments to place and hold in an escrow account until the original bonds can be called and retired. The escrow account earns interest at the treasury market rate. The treasury investments mature at set intervals which may or may not coincide with the call date on the original bonds. If the maturity dates do not coincide, there is a dead period when the money held in the escrow account is not earning interest and cannot be reinvested by the municipality because of federal restrictions on the types of investments that municipalities may hold in escrow accounts. To deal with this problem, many municipalities enter into "Forward Supply Contracts" in which a qualified investor buys the rights to invest money on the escrow account during the dead period. The investor gets any interest earnings from those investments. The municipality receives an up front payment (which offsets negative arbitrage) and a guarantee that the full amount of the principal in the escrow account is available on the date needed to call the bonds. This amendment gives Metro the flexibility to enter into such an agreement should it prove to be cost effective at the time the refunding bonds are sold.

(4) Authorizes the Executive Officer to set the dated date of the bonds as needed to facilitate the sale of the bonds.

Resolution 93-1795 established that the dated date of the bonds be the first day of the month in which the bonds are issued. These amendments allow the Executive Officer to establish the dated date of the bonds as needed to facilitate the sale. This same modification was required for the sale of the Solid Waste Refunding Bonds issued in August. This amendment will allow Metro to structure the sale to reach the largest number of investors.

<u>Executive Officer's Recommendation</u>

The Executive Officer recommends approval of Resolution No. 93-1863.

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FINANCE COMMITTEE REPORT

RESOLUTION NO. 93-1863 AMENDING RESOLUTION NO. 93-1795 TO AUTHORIZE GENERAL REVENUE BONDS TO REFUND THE OUTSTANDING METRO GENERAL REVENUE BONDS (METRO HEADQUARTERS BUILDING PROJECT), 1991 SERIES A

Date: October 18, 1993 Presented By: Councilor Kvistad

COMMITTEE RECOMMENDATION: At it's October 13, 1993 meeting the Committee voted unanimously to recommend Council adoption of Resolution No. 93-1863. All Committee members were present and voting.

COMMITTEE DISCUSSION/ISSUES: Craig Prosser, Financial Planning Manager, presented the Staff Report. He stated this resolution amends Resolution No. 93-1795 which was for the same purpose and was adopted by the Council on May 13, 1993. Market conditions were such that the Metro Headquarters General Revenue Bonds were not refunded at that time. The District could not achieve the minimum required 3% savings at that time. Since that time conditions have changed and it is necessary to modify the original resolution to respond to the changes.

Mr. Prosser pointed out that Resolution No. 93-1863 makes four changes to the original authorization:

1. It increases the maximum amount of the refunding bonds from $26 million to $27 million;

2. It authorizes a partial refunding of the bonds in addition to a full refunding;

3. It authorizes use of a "Forward Supply Contract" in structuring the escrow account; and

4. It authorizes the Executive Officer to set the dated date of the bonds as needed to facilitate the sale of the bonds.

In response to questions from the Committee Mr. Prosser stated that the purpose of the resolution is to re-authorize the refunding of the bonds since the original resolution was adopted several months ago and to change several provisions of the original authorization to provide more flexibility to structure the bond sale to maximize savings. He pointed out that as of a week ago full refunding of the bonds with these provisions would have produced a net present value in savings in excess of 6% (as compared to the State required minimum savings of 3%).

Councilor Van Bergen stated that he was concerned about the use of new procedures such as the "Forward Supply Contract" but he trusted the judgement of the Districts financial staff and advisors to refund the bonds in a prudent manner and maximize savings in overall bond debt service costs.