BEFORE THE METRO COUNCIL

AUTHORIZING THE FINANCE AND MANAGEMENT INFORMATION DEPARTMENT TO UNDERTAKE AN ESCROW RESTRUCTURING FOR THE 1993 GENERAL REVENUE REFUNDING BONDS	))))))	Resolution No. 94-2030 Introduced by Rena Cusma, Executive Officer

WHEREAS, under Resolution No. 93-1795, as amended by Resolution No. 93-1863, the Metro Council authorized the advance refunding of the General Revenue Bonds (Metro Headquarters Building Project), 1991 Series A (the "Refunded Bonds"); and

WHEREAS, Metro issued the General Revenue Refunding Bonds (Metro Regional Center), 1993 Series A (the "Refunding Bonds") to refund the Refunding Bonds; and

WHEREAS, Metro achieved a present value savings of $1,440,617 in debt service by issuing the Refunding Bonds; and

WHEREAS, substantially all of the proceeds of the Refunding Bonds were deposited into an Escrow Account established with First Interstate Bank of Oregon, N. A. (in such capacity, the "Escrow Agent") and used to purchase U.S. government securities (the "Escrow Investments") in such amounts and producing such investment returns as would provide the funds needed to pay the Refunded Bonds in accordance with the refunding plan therefor; and

WHEREAS, under current market conditions, it is possible to restructure the portfolio of Escrow Investments by selling certain of such investments and purchasing other U.S government securities to be substituted thereof, thereby producing additional savings to Metro while still ensuring that the Escrow Investments remaining in the Escrow Account after such restructuring will produce such investment returns as shall be sufficient to pay the Refunded Bonds in accordance with the refunding plan ; and

WHEREAS, the net proceeds from the restructuring transactions (that is, the additional savings referred to above) are to be deposited to the 1993 Series A Debt Service Account established with respect to the Refunding Bonds, thereby serving to reduce the debt service payment Metro would otherwise be required to make with respect thereto;

NOW THEREFORE, BE IT RESOLVED, that

The Metro Council hereby authorizes and directs the Director of Finance and Management Information to undertake the escrow restructuring as aforesaid and to do any and all things necessary or appropriate in connection therewith, including but not limited to the execution and delivery on behalf of Metro of all documents, instruments, certificates and agreements, and the payment of all fees and expenses associated therewith.

ADOPTED by the Metro Council this 22 day of September, 1994.

Judy Wyers

Judy Wyers, Presiding Officer

STAFF REPORT

RESOLUTION 94-2030 AUTHORIZES THE FINANCE AND MANAGEMENT INFORMATION DEPARTMENT TO UNDERTAKE AN ESCROW ACCOUNT RESTRUCTURING FOR THE 1993 GENERAL REVENUE REFUNDING BONDS.

August 29, 1994 Presented by: Craig Prosser

Resolution Nos. 93-1795 and 93-1863 authorized the refunding of the General Revenue Bonds, 1991 Series A, which were originally issued to buy and renovate the building which became the Metro Regional Center. The refunding bonds were issued in November 1993, saving Metro $1,440,617 in debt service costs over the life of the new issue. Proceeds from the refunding bonds were placed in an escrow account where they were invested until the call date of the original bonds, at which time they will be used to pay off the old bonds. At the time the escrow account was established, the investments that were available matured 45 days before the funds will be needed, leaving a "dead" period in which the funds will sit in the account earning no interest. Allowable investments for refunding escrow accounts are strictly regulated by federal law, so there was no opportunity to remedy this inefficiency in the escrow account at the time of the refunding.

Since the establishment of the original escrow account, additional allowable investments have become available which closely match Metro's need for the funds. Metro can sell the investments in the existing escrow account and replace them with investments which earn a slightly higher interest rate and which mature the day before funds will be needed to pay off the old bonds. The combination of the higher rate of return on the investments and the elimination of the 45-day dead period will produce additional savings to Metro of $167,000. The cost of this transaction (bond counsel and financial advisor fees, verification report, etc.) is estimated to be $21,500, leaving a net additional savings of $145,500. These savings will accrue to the debt service account which will reduce future transfers from Metro departments.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Resolution 94-2030.

CP:rs

FINANCE COMMITTEE REPORT

RESOLUTION NO. 94-2030 AUTHORIZING THE FINANCE AND MANAGEMENT INFORMATION DEPARTMENT TO UNDERTAKE AN ESCROW RESTRUCTURING FOR THE 1993 GENERAL REVENUE REFUNDING BONDS

Date: September 15, 1994 Presented By: Councilor Van Bergen

<u>COMMITTEE RECOMMENDATION</u>: At its September 14, 1994 meeting the Committee voted unanimously to recommend Council approval of Resolution No. 94-2030. Committee members present and voting were Councilors Buchanan, Devlin, Kvistad, McLain, Van Bergen and Washington. Councilors Gardner and Monroe were absent.

<u>COMMITTEE DISCUSSION/ISSUES</u>: Craig Prosser, Financial Planning Manager gave the Staff Report. He stated that the purpose of the resolution is to authorize staff to restructure the escrow account for the General Revenue Bonds (selling certain of the investments and purchasing other U.S. Government securities). This action will produce additional net interest earnings of approximately $145,500 which will accrue to the General Revenue Bond Fund Debt Service Account which will be used to defer future transfers from Metro operating funds.

In response to questions from the Committee, Mr. Prosser stated the interest earnings are dedicated to pay debt service on the General Revenue Bonds and cannot be used for any other purpose and will not be a substitute for existing debt service funds. As a result of this action future transfers to the debt service account from the various operating funds should be reduced thus increasing the amount of resources in the operating funds to be used for the various programmatic purposes.