

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Adoption of Resolution 5077 Authorizing the Sale of General Obligation Bonds to Fix Streets and Fund Bicycle and Pedestrian Paths

Meeting Date: January 14, 2013
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 4D
Staff Contact: Sue Cutsogeorge
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ISSUE STATEMENT

The City Council is asked to authorize issuance of the \$43,000,000 of General Obligation Bonds to fix streets and fund bicycle and pedestrian paths approved by voters in the November 2012 election.

BACKGROUND

The City Council placed Measure 20-197 on the November 2012 ballot. That measure proposed that \$43,000,000 in General Obligation Bonds would be used to fix streets and fund bicycle and pedestrian paths. Voters approved the measure by a margin of 64 percent to 36 percent. Bond funds will be used to fix approximately 74 lane-miles of specifically identified streets as well as fund bicycle and pedestrian projects.

This bond measure is expected to be implemented in the same manner as the 2008 Street Bonds and is similar to the one presented to the council for that measure. The attached resolution would allow the City the flexibility to issue a line of credit or other allowable types of debt, and to issue taxable or tax-exempt debt, as appropriate to meet IRS tax laws and minimize the overall cost to the City. The resolution also allows the City Manager to issue debt as needed to fund projects, without further council authorization.

In the materials presented to voters for the bond measure, it was estimated that the average tax rate over the life of the bonds would be about \$0.65 per \$1,000 of assessed value. In developing a bond issuance plan, staff will target an average tax rate at or near the level estimated in the bond measure materials. The actual tax rate will depend on the amount of taxable assessed value in the City, however, and that may be different from what was used to create the estimates.

Oregon law does not require that the council take specific action to authorize spending authority for the proceeds of a General Obligation Bond issue if the proceeds are spent in the same fiscal year as the bond election. Therefore, staff does not intend to bring an FY13 supplemental budget to council for this item. The FY14 budget will include additional project spending appropriation to allow project planning to occur in time for the summer of 2014 construction season. Taxes to

repay these bonds will first be on the tax bills in November of 2014 (FY15), upon expiration of the 2008 Street Bonds tax levy.

According to the bond measure language, the City Manager will contract with an outside auditor to prepare written reports on the use of the bond proceeds. In addition, the Street Repair Review Panel will continue its work and prepare a report concerning the use of the bond proceeds.

RELATED CITY POLICIES

The Eugene Budget Committee approved a set of debt issuance guidelines in February 2004. Those guidelines limit the amount of net direct debt outstanding to one percent of the City's real market value. After issuance of these bonds for \$43,000,000, the City will remain in compliance with this policy, as there is sufficient room remaining under the debt limit.

The debt issuance guidelines state that voter-approved General Obligation bonds will be sold by competitive bid. Those guidelines were adopted under the assumption that General Obligation bonds would always be sold as long-term debt and did not anticipate a situation such as the current one where a short-term, line-of-credit type debt instrument might be preferable. A line of credit cannot be sold by competitive bid. Therefore, approval of the attached resolution would mean that the council is approving an exception to the guidelines of requiring a competitive bid for these General Obligation Bonds. If a line-of-credit type debt instrument is used in the debt issuance plan, staff will use a competitive process to choose a bank to provide the debt instrument to the City, as was the case with the 2008 Street Bonds.

COUNCIL OPTIONS

The council may adopt the authorization as presented or request changes in the authorization. If changes are requested in the authorization, staff would need to return to the council at a later date with the bond sale resolution, after consultation with bond counsel.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends adoption of the resolution as presented.

SUGGESTED MOTION

Move to adopt Resolution 5077 authorizing the sale of General Obligation Bonds to fix streets and fund bicycle and pedestrian projects.

ATTACHMENTS

A. Proposed Resolution

FOR MORE INFORMATION

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RESOLUTION NO.

A RESOLUTION AUTHORIZING THE SALE OF GENERAL OBLIGATION BONDS TO FIX STREETS AND FUND BICYCLE AND PEDESTRIAN PROJECTS.

The City Council of the City of Eugene, Oregon, finds as follows:

- A. At the general election held on November 6, 2012, the voters of the City of Eugene (the "City") approved a measure authorizing the City to issue \$43,000,000 of general obligation bonds to fix approximately 74 lane miles of roads and fund bicycle and pedestrian projects (the "Measure").
- B. It is now desirable to authorize the sale of the bonds that are described in the Measure.
- C. The City has appointed bond counsel pursuant to ORS 287A.300.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Eugene, a municipal corporation of the State of Oregon, as follows:

Section 1. Bonds authorized. The City hereby authorizes the sale and issuance of not more than \$43,000,000 (Forty-three Million Dollars) in aggregate principal amount of general obligation bonds to finance the streets and bicycle and pedestrian projects described in the Measure and to finance costs of issuing the general obligation bonds. The City also authorizes the issuance of general obligation bonds pursuant to ORS 287A.360 and ORS 287A.365, or any replacement statutes, to refund any general obligation bonds authorized by this resolution. The general obligation bonds authorized by this resolution are referred to in this resolution as the "Bonds."

Section 2. Delegation. The City Manager or the person designated by the City Manager to act on behalf of the City pursuant to this Resolution (the "City Official") may, on behalf of the City and without further action by the Council:

- (1) Issue the Bonds in one or more series.
- (2) Issue Bonds to provide interim financing for the streets and bicycle and pedestrian projects described in the Measure, enter into lines of credit or similar documents which permit the City to draw Bond proceeds over time, and issue Bonds to refund the Bonds that provide interim financing.
- (3) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Bonds.
- (4) Establish the form, final principal amounts, maturity schedules, interest rates, sale prices and discount, prepayment terms, payment terms and dates, and other terms of each series of Bonds.
- (5) Execute and deliver a bond declaration for each series of Bonds, specifying the terms under which each series of Bonds are issued, and making covenants for the benefit of Bondowners. The bond declarations may also contain covenants for the benefit of any insurers of the Bonds.
- (6) Publish a notice of sale, receive bids and award the sale of each series to the bidder complying with the notice and offering the most favorable terms to the City, or select one

or more underwriters, commercial banks or other investors and negotiate the sale of any series with those underwriters, commercial banks or investors.

- (7) Undertake to provide continuing disclosure for each series of Bonds and to comply with any other applicable requirements of the United States Securities and Exchange Commission and any other federal agencies.
- (8) 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.
- (9) Appoint paying agents for the Bonds and negotiate the terms of and execute an agreement with such paying agents.
- (10) Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the City Official may enter into covenants to maintain the excludability of interest on that series of the Bonds from gross income and pay any rebates to the federal government that the City is obligated to pay in connection with Bonds.
- (11) If federal law authorizes the payment of interest subsidies to the City, take any action necessary to obtain those subsidies, and enter into any covenants that are desirable to maintain those subsidies.
- (12) Execute and deliver each series of Bonds to their purchaser.
- (13) Execute and deliver any agreements or certificates and take any other action in connection with each series of Bonds which the City Official finds is desirable to permit the sale and issuance of that series of Bonds in accordance with this Resolution.

Section 3. Security for Bonds. The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature.

Section 4. Duration. The authority granted by this resolution shall remain in effect as long as necessary to permit the sale, delivery, administration and payment of all Bonds authorized by this resolution.

Section 5. Effective Date. This resolution shall take effect immediately upon adoption.

The foregoing Resolution adopted by the City Council on the 14th day of January, 2013.

City Recorder