

# EUGENE CITY COUNCIL

## AGENDA ITEM SUMMARY



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### Action: Adoption of Resolution 5042 Authorizing the Sale of General Obligation Refunding Bonds

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Meeting Date: September 26, 2011  
Department: Central Services  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item Number: 2B  
Staff Contact: Twylla Miller  
Contact Telephone Number: 541-682-8417

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#### **ISSUE STATEMENT**

The council is being asked to approve the issuance of general obligation bonds to refinance the General Obligation Fire Projects Bonds, Series 2002, the General Obligation Parks & Open Spaces Bonds, Series 2004, and the General Obligation Parks, Athletic Fields and Open Space Bonds, Series 2008 to achieve interest rate savings.

#### **BACKGROUND**

On November 3, 1998, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$25,305,000 to finance the purchase of parkland, the building of parks and youth sports fields and replacement of Amazon Pool. On June 21, 1999, the council adopted Resolution 4595 authorizing issuance of the bonds and in August 1999, the City issued \$19 million of the authorized amount. On March 8, 2004, the council adopted Resolution 4787 authorizing the sale of the unissued bonds, and in May 2004, the City issued the remaining \$6,305,000 of bonds.

On March 11, 2002, the council adopted Resolution 4713 authorizing the issuance of general obligation bonds to finance fire facilities, contingent upon voter approval at the May 2002 election. On May 21, 2002, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$8,680,000 to finance fire facilities. In October 2002, the City issued the full amount of the fire facility bonds.

On November 7, 2006, a majority of the electors authorized the City to issue general obligation bonds in an aggregate principal amount of \$27,490,000 to finance parks, athletic fields and preservation of open space. On January 8, 2007, the council adopted Resolution 4898 authorizing the issuance of bonds and/or lines of credit to provide financing for the projects. In May 2007, the City established a taxable general obligation bond and revolving credit facility and has issued \$13,945,000 to-date through the line-of-credit. The line-of-credit currently has an outstanding balance of approximately \$1.5 million. In October 2008, the City issued a 10-year, \$5,600,000 general obligation bond to refinance the then-outstanding balance on the line-of-credit.

Current economic conditions have pushed bond yields to historically low levels, including lowered interest rates for municipal bonds. In addition to refinancing the three series of bonds described above, the balance on the 2006 General Obligation Taxable Bond and Revolving Credit Facility of approximately \$1.5 million may be refunded at the same time, if it is advantageous to do so. Resolution 4898, previously approved by the council, authorized that transaction.

At this time, it is estimated that the annual savings from refinancing the Series 2002 bonds is about \$50,000 and from the Series 2008 is about \$40,000 per year, for a total of about \$860,000 over the remaining life of the debt. The Series 2004 Bonds are not financially advantageous to refinance at this time, but are included in this authorization so that they may be refinanced if conditions are favorable in the future. Interest rates fluctuate, and the actual savings could be more or less than this amount, depending on market conditions at the time of the sale. It is also possible that interest rates could rise sufficiently as to make the refunding not financially feasible. In that case, the City would not issue the bonds.

### **RELATED CITY POLICIES**

The City's debt policies set out provisions for refunding debt. Those policies state that the City will issue advance refunding bonds when advantageous, legally permissible, prudent, and when the net present value savings is a minimum of three percent of the refunding par amount, as required by state law. Additionally, those policies set out that the City should issue current refunding bonds when the net present value savings exceed \$100,000. Under current market conditions, the anticipated savings from this proposed refinancing far exceed the minimum threshold in the City's debt policy.

### **COUNCIL OPTIONS**

The council can either adopt the resolution or not adopt the resolution. If the resolution is not adopted, the City will not issue refunding bonds to take advantage of the current low interest rate environment and save money on future debt service payments.

### **CITY MANAGER'S RECOMMENDATION**

The City Manager recommends adoption of the resolution.

### **SUGGESTED MOTION**

Move to adopt Resolution 5042, authorizing the sale of General Obligation Refunding Bonds.

### **ATTACHMENT**

A. Proposed Resolution

### **FOR MORE INFORMATION**

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RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION AUTHORIZING THE SALE OF GENERAL OBLIGATION REFUNDING BONDS.**

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

**A.** The City of Eugene (the “City”) has issued the following series of general obligation bonds (the “Refundable Bonds”): its General Obligation Fire Projects Bond, Series 2002; its General Obligation Parks & Open Spaces Bond, Series 2004; and its Parks, Athletic Fields & Open Space General Obligation Bond, Series 2008.

**B.** Interest rates have declined since the Refundable Bonds were issued.

**C.** The Refundable Bonds are paid from property taxes, and the City may be able to reduce its debt service costs and property tax levies for the Refundable Bonds by issuing general obligation refunding bonds to refund the Refundable Bonds.

**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 issuance of general obligation refunding bonds (the “Bonds”) to refund the Refundable Bonds and achieve debt service savings. The Bonds may be issued in an amount that is sufficient to refund all or any portion of the refundable bonds and to pay costs related to issuing the Bonds and refunding the Refundable 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:

- (a) Select the Refundable Bonds to be refunded.
- (b) Issue the Bonds in one or more series, and combine any series of Bonds with other series of general obligation bonds that the council has previously authorized.
- (c) 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.

- (d) 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.
- (e) Execute and deliver a bond declaration for each series of Bonds. The bond declaration for each series shall specify the terms under which the series is issued, and may contain covenants for the benefit of Bondowners and any providers of credit enhancement for the Bonds.
- (f) 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.
- (g) Undertake to provide continuing disclosure for each series of Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- (h) 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.
- (i) Appoint paying agents for the Bonds and negotiate the terms of and execute an agreement with such paying agent.
- (j) 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.
- (k) Execute and deliver each series of Bonds to their purchaser.
- (l) Call for redemption, pay, defease and redeem the Refundable Bonds and enter into related agreements.
- (m) 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 is effective immediately upon its passage by the City Council.

**The foregoing Resolution adopted the 26th day of September, 2011.**

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**Deputy City Recorder**