| Multnomah County | | | | |
|--------------------------|-----------------------------|----------------------|---------------|-----------|
| Program #10028 - PERS | S Pension Bond Sinking Fund | | | 4/18/2018 |
| Department: | Nondepartmental | Program Contact: | Mark Campbell | |
| Program Offer Type: | Existing Operating Program | Program Offer Stage: | As Proposed | |
| Related Programs: | | | | |
| Program Characteristic | s: | | | |

Executive Summary

The PERS Pension Obligation Bond Sinking Program accounts for principal and interest payments on pension obligation revenue bonds issued December 1, 1999 in the amount of \$184,548,160 to retire the County's unfunded actuarial accrued pension liability. Revenues that support debt payments are derived from charge backs to departments based on their departmental personnel cost.

Program Summary

The County passed Resolution No. 99-218 on November 4, 1999 authorizing the issuance of up to \$200,000,000 of bond proceeds to finance the estimated unfunded accrued actuarial liability (UAL) of the County to the Oregon Public Employees Retirement System (PERS).

Senate Bill 198-B, effective October 23, 1999, authorized the County to pledge taxes that the County may levy within the limitations of sections 11 and 11b, Article XI of the Oregon Constitution not subject to annual appropriation. On December 1, 1999 the County issued \$184,548,160 in Pension Obligation Bonds to fund its PERS unfunded liability. The bonds have a final maturity date in FY 2030.

Debt service payments are supported by a surcharge against payroll. The surcharge rate has fluctuated, on average, between 6% and 8% of payroll. A reserve has been established to support future escalating debt payments in order to maintain the surcharge at a constant level.

| Performance Measures | | | | | |
|----------------------|---|----------------|-------------------|------------------|---------------|
| Measure Type | Primary Measure | FY17 Actual | FY18 Purchased | FY18 Estimate | FY19 Offer |
| Output | Moody's Rating of Aa1 or Better | 1 | 1 | 1 | 1 |
| Outcome | Debt Service Payments Made as Scheduled | 100% | 100% | 100% | 100% |
| Performa | nce Measures Descriptions | I | | | - |

Maintaining an investment grade bond rating limits the amount the County might otherwise have to pay towards annual debt service. (1)-indicates Moody's Aa1, (0)-represents a rating lower than Aa1.

All principal and interest payments are made on time in order to maintain an investment grade rating on the bond issue. Multnomah County has never defaulted on a debt payment. Principal and interest on the PERS Pension Obligation Bond are a binding debt obligation. The County passed Resolution No. 99-218 on November 4, 1999 authorizing the issuance of up to \$200,000,000 of bonds as authorized by state statute.

Revenue/Expense Detail

| | Proposed General Fund | Proposed Other Funds | Proposed General Fund | Proposed Other Funds |
|------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Program Expenses | 2018 | 2018 | 2019 | 2019 |
| Contractual Services | \$0 | \$25,010,450 | \$0 | \$25,010,450 |
| Debt Service | \$0 | \$22,566,081 | \$0 | \$23,849,460 |
| Unappropriated & Contingency | \$0 | \$44,854,573 | \$0 | \$26,032,583 |
| Total GF/non-GF | \$0 | \$92,431,104 | \$0 | \$74,892,493 |
| Program Total: | \$92,431,104 | | \$74,892,493 | |
| Program FTE | 0.00 | 0.00 | 0.00 | 0.00 |

Program Revenues

| Frogram Revenues | | | | |
|---------------------------|-----|--------------|-----|--------------|
| Other / Miscellaneous | \$0 | \$22,441,259 | \$0 | \$27,700,931 |
| Interest | \$0 | \$589,900 | \$0 | \$467,244 |
| Beginning Working Capital | \$0 | \$69,399,945 | \$0 | \$46,724,318 |
| Total Revenue | \$0 | \$92,431,104 | \$0 | \$74,892,493 |

Explanation of Revenues

Interest earnings on the fund balance and service charges are assessed to departments as a percentage of payroll. In FY 2019, departments will pay 7.65% of payroll costs toward the retirement of the Pension Obligation Bonds.

Significant Program Changes

Last Year this program was: FY 2018: 10028 PERS Pension Bond Sinking Fund

In FY 2017, the County established a PERS side account (amount \$25 million) with Oregon PERS. Existing bond fund reserves are being used to fund the side account. Creation of this account helps the County address rising PERS costs by providing PERS rate relief. A second \$25 million payment was made into another side account in FY 2018. Another \$25 million payment will be made in FY 2019. When fully amortized, these side accounts will provide rate relief of up to 2.25% of payroll.