



Financing Capital Projects

Debt Policy Overview

Multnomah County
April 30, 2014

Located at: www.multco.us/budget

Agenda

- Capital Project Overview
- Financing Options Available to County
 - “Pay Go” vs. “Pay Use”
 - Issuance of Debt Authorized in Statute
- County Debt Issuance Policy
 - Statutory and Policy Limits
- Review Current and Anticipated Debt
 - Debt Capacity Memo



Capital Project Overview

- Capital Projects
 - New Construction, Renovations/Additions to Existing Assets
 - Generally Related to Improvements That Extend the Useful Life of Assets
- Capital Projects vs. Operating Activities
 - Operating Activities – Support Ongoing Operations and Short-Term in Nature (i.e., Maintenance/Repairs)
 - Capital Projects – Support Long-Term High Value Projects, Generally Impact Many Stakeholders and Span a Number of Years
- County Capital Programs
 - Facilities (Fund #'s 2500, 2503, 2506, 2507, 2509, and 2510)
 - Transportation (Fund #'s 1501, 1503, 1509, and 2511)
 - Information Technology (Fund #'s 2504 and 3503)

Capital Policies

County Financial and Budget Policies Address the Following Areas:

- Transportation Financing
- Capital Asset Management
- Information Technology
- ***Short-Term and Long-Term Debt Financing***



Capital Funding

- “Pay Go” For Routine Maintenance and Repairs
 - Fees Charged to Building Occupants (Facilities)
 - Gas Tax and State Revenue Sharing (Transportation)
 - One-Time-Only Revenue (Facilities/IT)
- “Pay Use” For Major Capital Construction or Renovation
 - Long-Term in Nature
 - Debt Issuance Does Not Support Operations
 - Implication of Recommended Change to Policy on Use of One-Time-Only Revenue

Municipal Bonding Authority

- ORS, 287A.100

“ . . . a county may issue general obligation bonds to finance capital construction or capital improvements upon approval of the electors of the county.”

- ORS, 287A.150

“ . . . a public body may authorize revenue bonds by resolution or nonemergency ordinance pursuant to this section for a public purpose.”

- ORS, 287A.315

“ . . . when a public body pledges its full faith and credit and taxing power to pay an obligation, the pledge constitutes an enforceable promise or contract by the public body to pay the obligation out of lawfully available funds of the public body”

- Debt Capacity Pegged to Real Market Value



Characteristics of Debt Instruments

- **General Obligation Bonds**
 - Require Voter Approval
 - Highest Credit Rating (Aaa From Moody's)
 - Finance "Essential" Capital Projects
 - Property Tax Levy Outside of Measure 5 and 50 Limits

- **Revenue Bonds**
 - Have Dedicated Funding Source(s)
 - Size of Bond Measure Dependent on Revenue Estimates
 - Slightly Higher Risk; Rating Based on Cash Flow

- **Full Faith & Credit Obligations**
 - Pledges "Full Faith & Credit" of County
 - Credit Rating One Step Lower Than GO Bonds (Aa1)
 - Authorized by Board Resolution
 - Subject To Policy Limits

Characteristics of Debt Instruments

- **Capital Leases**
 - Equipment/Projects w/ Limited Useful Life
 - Used When Bonding Is Not Economically Feasible
 - Payments Included In Operating Budgets

- **Bank Qualifications**
 - Up to \$30 Million Through “Direct Placement”
 - Lower Cost of Issuance, Less Time Consuming
 - Interest Rates Comparable to Bonding

- **Interfund Loans**
 - Authorized in Statute, Term Limited to 10 Years
 - Provide for Short-Term Bridge Financing
 - Greatest Flexibility in Establishing Payment Schedule



Debt Limits and County Policy

- Statutory Limits
 - GO Bonds = 2% RMV = \$1.9 Billion
 - Revenue and FFC Bonds = 1% RMV = \$980 Million
- County Policy
 - Direct General Fund Debt Service No More Than 5% of Ongoing “Corporate” Revenue
 - Debt Issued in Support of Projects That Have Extended Useful Life
 - Preferred Maximum Term 20 Years But Policy Provides Flexibility
 - Recommended Policy Change on One-Time-Only Revenue Can Provide Additional Capital Resources and Maximize Debt Capacity
- County Debt Low Compared to Similar Jurisdictions
 - Noted by Moody’s as One Reason for Credit Rating Upgrade



Outstanding County Debt

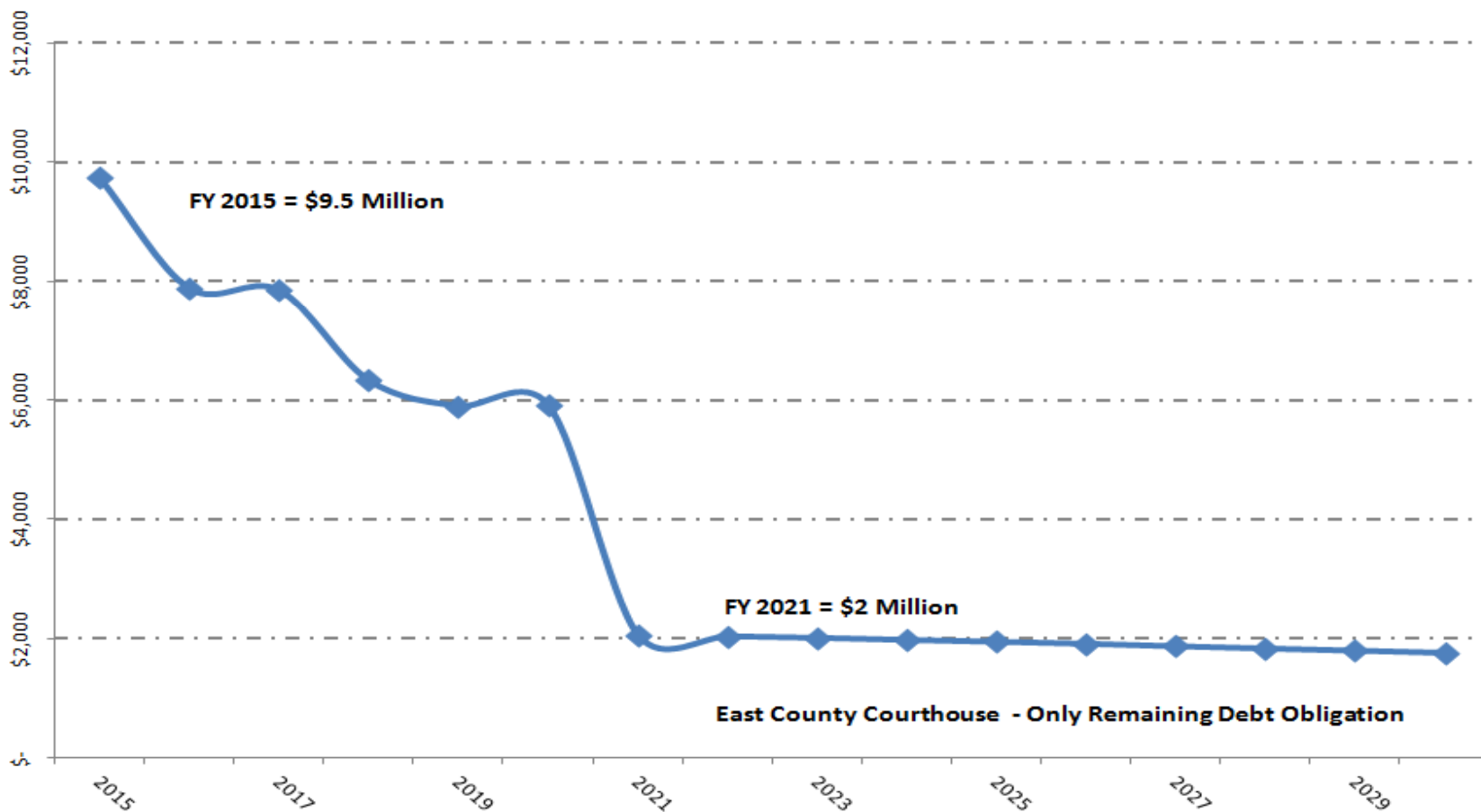
County Debt Issues	Issued For	Credit Rating	Maturity Date	Outstanding Principal
Series 2010 General Obligation Bonds	Libraries and Public Safety	Aaa	10/1/2016	\$ 17,725,000
Series 1999 Pension Obligation Bonds	Unfunded PERS Liability	Aa2	6/1/2030	122,562,276
Series 2004 Full Faith & Credit Obligations	Advance Refunding - Various Uses	Aa2	8/1/2019	30,580,000
Series 2010A Full Faith & Credit Obligations	Facilities Capital, IT Projects, Library	AA	6/1/2017	4,355,000
Series 2010B Full Faith & Credit Obligations	East County Courthouse	Aa1	6/1/2030	15,000,000
Series 2012 Full Faith & Credit Obligations	Sellwood Bridge Replacement	Aa1	6/1/2030	123,955,000
Total Outstanding Principal @ 6/30/14				\$ 314,177,276

Calculation of Policy Limit

	Principal and Interest	Paid by GF
Series 2004 - Full Faith and Credit	\$ 7,479	\$ 7,226
Series 2010A - Full Faith and Credit	1,551	-
Series 2010B - Full Faith and Credit	713	713
Series 2012 - Full Faith and Credit	9,471	-
Sellwood Lofts - Capital Lease	118	-
Sheriff's Office Warehouse - Capital Lease	134	134
Totals	\$ 19,465	\$ 8,072
(Less) Debt Service Paid From BWC		(2,877)
Net General Fund Obligation		\$ 5,195
 FY 2015 General Fund Revenues		 \$ 396,000
 5% Policy Limit on Debt Service		 \$ 19,800
(Less) Net General Fund Obligation		(5,195)
Net Revenue Available for New Debt Issuance		\$ 14,605
 Estimated Principal Availabe Under Policy Limit		 \$200,000

Debt Service Subject to Policy Limit

Multnomah County Debt Service (FY 2015 - FY 2030)
Debt Subject to County Policy



Summary

- Capital Financing
 - Match Financing Tool to Nature of Project
 - Long-Term Debt When Estimated Cost and Useful Life of Project Being Funded Warrant
 - Recommended Policy on OTO Revenue
- Discussion of Financing Tools Available to County
- County Debt Load is Low
 - Most Debt Subject to Policy Paid Off by FY 2020
 - Approximately \$200 Million in Current Debt Capacity
- County Debt Limits More Restrictive Than ORS Limits
 - Ultimately, Debt Capacity Limited by Ability to Pay

