



Debt Overview

[Presented to the Board of
County Commissioners]

Multnomah County
May 2, 2018

Located at: www.multco.us/budget

Topics to Cover

- Financing Options Available to County
 - “Pay Go” vs. “Pay Use”
 - Other Financing Tools
- County Debt Issuance Policy
 - Statutory and Policy Limits
- Conduit Debt/Hospital Authority
- Review Current and FY 2019 Planned Borrowings
 - Policy on Use of One-Time-Only Revenue
 - Credit Rating Upgrade
 - Effect of Policy on Use of OTO Revenues



Project Financing

- “Pay Go” For Routine Maintenance and Repairs
 - Fees Charged to Building Occupants (Facilities)
 - Gas Tax and State Revenue Sharing (Transportation)
 - One-Time-Only General Fund Revenue (Facilities/IT)
- “Pay Use” For Major Capital Construction or Renovation
 - Long-Term in Nature
 - Can Include “Soft” Costs (i.e., Planning/Design)
 - Financing Proceeds Do Not Support Operations



Statutory Citations

- 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 . . . ”

- Statutory Debt Capacity a % of Real Market Value



Types of Debt Available to County

- General Obligation Bonds
 - Require Voter Approval
 - Property Tax Levy Outside of Measures 5 and 50 Limits
- Revenue Bonds
 - Have Dedicated Funding Source(s)
 - Slightly Higher Risk; Rating Based on Revenue Source
- Full Faith & Credit Obligations
 - Authorized by Board Resolution
 - Subject to Limits in *Financial & Budget Policies*
- Other Options
 - Bank Placements
 - Internal Loans



Debt Limits and County Policy

- Statutory Limits
 - GO Bonds = 2% of Real Market Value = \$3.2 Billion
 - Revenue and FFC Bonds = 1% of Real Market Value = \$1.6 Billion
- County Policy
 - Annual Debt Service Payments for Full Faith & Credit Bonds Can Not Exceed 5% of Ongoing General Fund Revenue
 - Debt Issued in Support of Projects That Have Extended Useful Life
 - Preferred Maximum Term 20 Years But Policy Provides Flexibility
 - Use of One-Time-Only Revenues
- Current County Debt Low Compared to Similar Jurisdictions
 - Noted by Moody's and S&P in Recent Credit Rating Upgrades

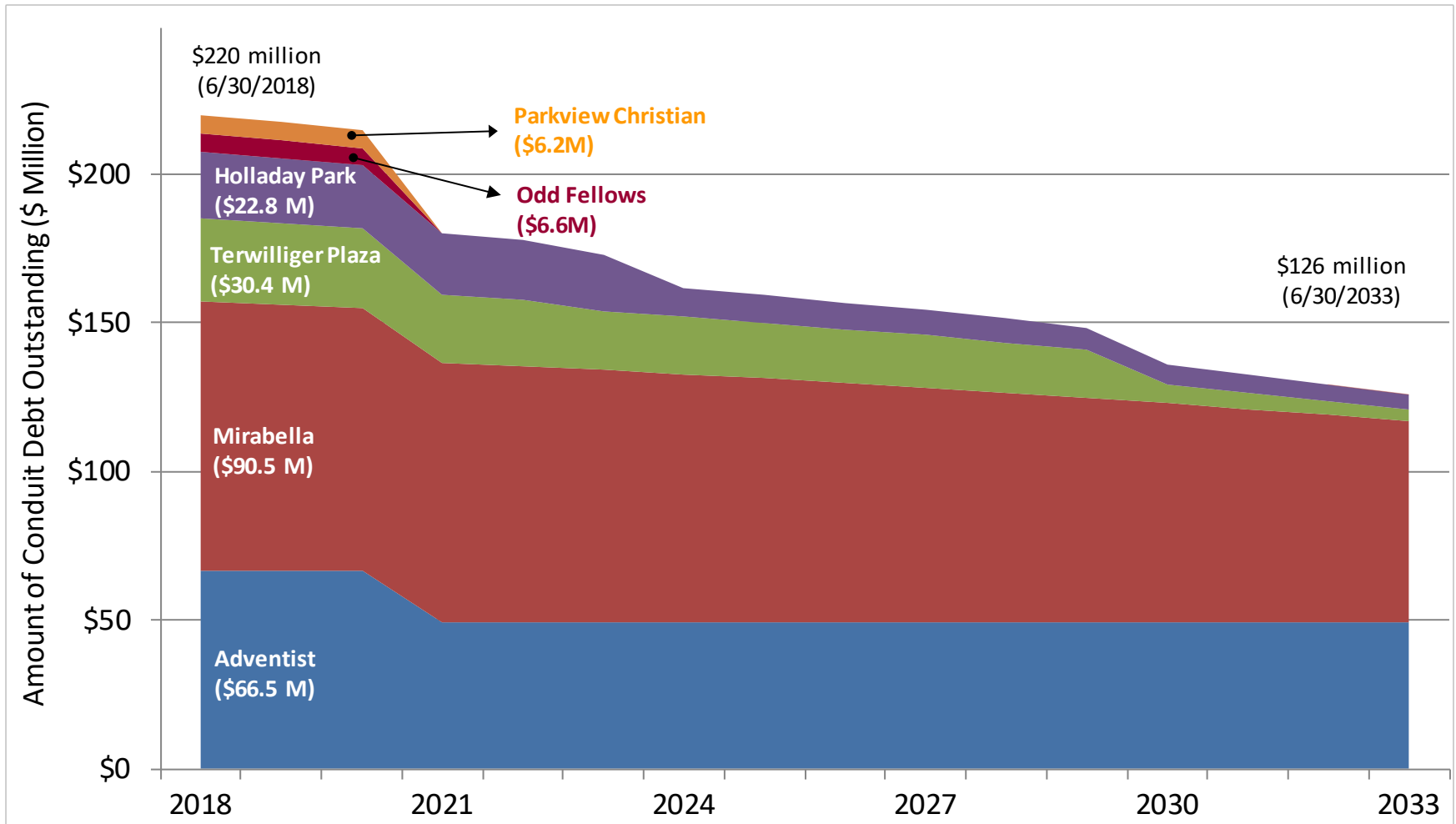


Conduit Debt

- County Can Act as “Conduit” Financier for Projects Specified in State Statute
 - Hospital Authority
 - Higher Education Facilities
- Conduit Debt **Not** an Obligation of Multnomah County
 - Does Not Count Against County Debt Capacity
 - County Not Responsible for Continuing Disclosure
 - County Receives an Issuer Fee (Based on Size of Issue)
- 2015 Legislation Expanded Definition of “Hospital”
 - Low Cost Alternative Financing Tool for County’s Non-Profit Partners



Outstanding Hospital Authority Debt



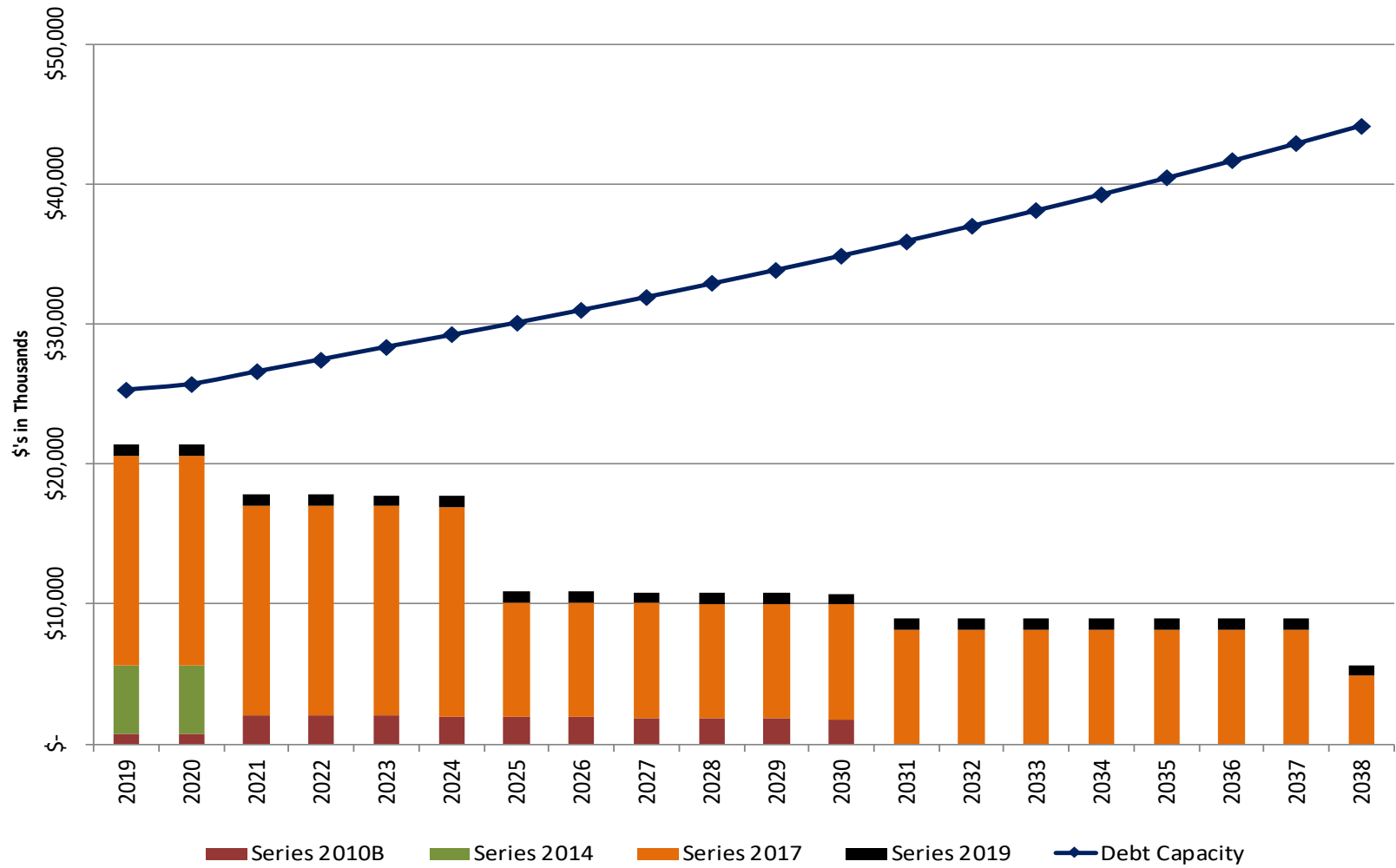
Current County Bond Issues

County Debt Issues	Issued For	Credit Rating	Maturity Date	Outstanding Principal
Series 1999 Pension Obligation Bonds	Unfunded PERS Liability	Aaa	6/1/2030	\$ 74,793,000
Series 2010B Full Faith & Credit Obligatons	East County Courthouse	Aaa	6/1/2030	15,000,000
Series 2012 Full Faith & Credit Obligatons	Sellwood Bridge Replacement	Aaa	6/1/2030	106,135,000
Series 2014 Full Faith & Credit Obligations	Refunding-Various Uses	Aaa	8/1/2019	9,355,000
Series 2017 Full Faith & Credit Obligations	Multiple Projects	Aaa	6/1/2047	160,500,000
OTIB Loan - Transportation	223rd Avenue Rail Underpass	n/a	9/1/2025	1,966,000
Total Outstanding Principal @ 6/30/18				\$ 367,749,000

- County Rated Aaa by Moody's and AAA by Standard & Poor's
 - One of Only Three Dual Aaa/AAA Rated Local Governments in Oregon
- Ability to Borrow at Most Favorable Rates
- County's Financial Fundamentals Very Strong



Debt Obligations and Capacity



Calculation of Policy Limit

	Principal and Interest	Paid by GF
Series 2010B - Full Faith and Credit	\$ 713	\$ 713
Series 2012 - Full Faith and Credit	9,471	-
Series 2014 - Full Faith and Credit	4,882	4,882
Series 2017 - Full Faith and Credit	14,970	14,970
OTIB Loan - DCS/Transportation	292	-
Totals	\$ 30,328	\$ 20,565
(Less) Debt Service Paid From BWC		-
Net General Fund Obligation		\$ 20,565
Plus FY 2019 Budgeted Debt Service		789
Total Estimated GF Obligation		\$ 21,354
FY 2017 General Fund Revenues		\$ 505,363
5% Policy Limit on Debt Service		\$ 25,268
(Less) General Fund Obligation		(21,354)
Net Revenue Available for New Debt Issuance		\$ 3,914
Estimated Principal Available Under Policy Limit		\$ 53,000

Note - \$'s in \$1,000's



FY 2019 Activities

- Plan for Bond Sale to Finalize Funding for Courthouse
 - Timing of Issue Depends Upon Project Cashflow
 - Additional OTO Revenues Could Reduce Amount to Borrow
- Create Internal “Debt Management Team”
 - Knowledge Transfer Opportunity
 - Determine What Tasks Can Be Performed “In House”
 - Formalize Roles and Procedures
- Review Policies/Make Recommendations
 - In Conjunction w/ Strategic Capital Planning
 - Review OTO Policy
 - How Much General Fund for Debt Service?



Summary

- Capital Financing
 - Match Financing Tool to Nature of Project
 - One-Time-Only Revenues Reduce Amount of Borrowing
- County Debt Upgraded by Rating Agencies
 - Ratings Have Increased Over Time, Reflecting Commitment to Policies and Fiscal Discipline
 - Reduces Cost of Borrowing
- County Debt Limits More Restrictive Than ORS Limits
 - Policy Implications
 - Ultimately, Debt Capacity Limited by Ability to Pay

