



Debt Overview

**Presented to the
Board of County Commissioners**

Multnomah County
May 1, 2019

Located at: www.multco.us/budget

Agenda

- Paying for Capital Projects
- When Debt Is Used
 - Statutory Authority and Limits
- Credit Ratings
 - What Are They and Why Are They Important?
- Review Current and FY 2020 Planned Borrowings
 - Effect of Policy on Use of OTO Revenue
- Calculation of County Debt Limit
 - Implications for Fiscal Policy



How Do We Pay For Projects?

- “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 Infrastructure Investments
 - Long-Term in Nature
 - Can Include “Soft” Costs (i.e., Planning/Design)
 - Establishes/Demonstrates County’s Creditworthiness
 - Debt Cannot Be Used to Support Operations



Debt Instruments 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 Loan or Line of Credit
 - Capital Leases
 - Tax and Revenue Anticipation Notes (TRAN)
 - Conduit Borrowing/Hospital Authority



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



External and Internal Debt Limits

- Statutory Limits
 - GO Bonds = 2% of Real Market Value = \$3.5 Billion
 - Revenue and FFC Bonds = 1% of Real Market Value = \$1.7 Billion
 - Pension Obligation Bonds = 5% of Real Market Value = \$8.6 Billion
- County Policy
 - Annual Debt Service Can Not Exceed 5% of Ongoing GF Revenue
 - County Well Within Limits Established in ORS
 - Match Debt Amortization to Expected Asset Life
 - Use of One-Time-Only GF Revenue to “Buy Down” Debt



Credit Ratings

- Who Are The Credit Rating Agencies?
 - Moody's Investor Service, Standard & Poor's Ratings Services, Fitch Ratings
- What Do They Do?
 - Establish Creditworthiness
 - Provide Research and Objective Analysis to Potential Investors
 - Monitor Bond Issues and Issuer Performance Over Time
- How Do They Evaluate Us?
 - Institutional Framework
 - Quantitative Scorecard Based on Several Factors
 - Meeting w/ Rating Analyst(s)



Credit Rating Scales

		Credit Ratings*		
		Moody's	S&P's	Fitch
Investment Grade	Strongest	Aaa	AAA	AAA
		Aa	AA	AA
		A	A	A
		Baa	BBB	BBB
Non Investment Grade	Weakest	Ba	BB	BB
		B	B	B
		Caa	CCC	CCC
		Ca	CC	CC
		C	C	C
		D	D	D

**These credit ratings are reflective of obligations with long-term maturities.
Source: investingbonds.com*

- County Rated Aaa by Moody's and AAA by Standard & Poor's
 - One of Only Three Dual Aaa/AAA Rated Local Governments in Oregon



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	\$ 52,593,370
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	101,120,000
Series 2014 Full Faith & Credit Obligations	Refunding-Varioues Uses	Aaa	8/1/2019	4,780,000
Series 2017 Full Faith & Credit Obligations	Multiple Projects	Aaa	6/1/2047	152,540,000
OTIB Loan - Transportation	223rd Avenue Rail Underpass	n/a	9/1/2025	1,966,000
Total Outstanding Principal @ 7/1/19				\$ 327,999,370

- Overall County Debt Burden Low Compared to Similar Jurisdictions
- PERS Bonds and Series 2012 FFC Not Subject to Internal County Policy
- Series 2014 FFC Reduces GF Obligation by \$4.9M in FY 2021
- Series 2017 FFC Maturities Vary and Have Been Matched to Asset Life



Planned Borrowings

- Earthquake Ready Burnside Bridge (\$16 Million)
 - Provide Funding for NEPA Phase of Project
 - Debt Service Supported by Current Vehicle Registration Fee Revenues
- Levee Ready Columbia Support (\$0.5 Million)
 - County Acts as Fiscal Agent for Project
 - Borrowing Does Not Impact County Debt Limit or Credit Rating
 - Repayment Apportioned to Regional Partners
- Use of OTO Revenue Offsets Debt Issuance
 - Downtown Courthouse
 - Gladys McCoy Health Department Headquarters



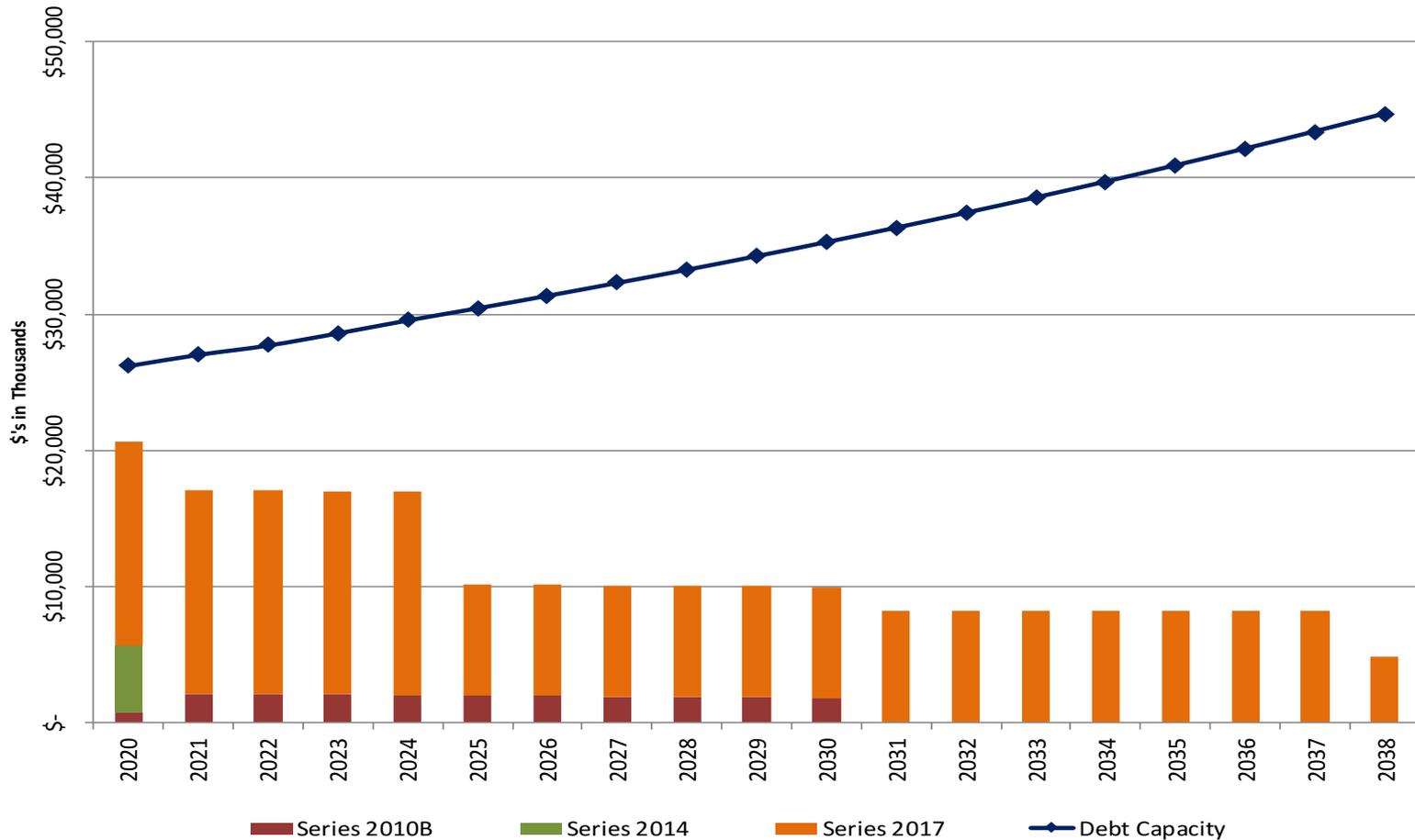
Calculation of Policy Limit

	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	4,900	4,900
Series 2017 - Full Faith and Credit	14,957	14,957
OTIB Loan - DCS/Transportation	292	-
Totals	\$ 30,332	\$ 20,570
(Less) Debt Service Paid From BWC		<u>(2,365)</u>
Net General Fund Obligation		\$ 18,205
FY 2017 General Fund Revenues		\$ 524,487
5% Policy Limit on Debt Service		\$ 26,224
(Less) General Fund Obligation		<u>(18,205)</u>
Net Revenue Available for New Debt Issuance		\$ 8,019
Estimated Principal Available Under Policy Limit		\$ 108,500

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



Debt Obligations and Capacity



Summary

- Capital Financing
 - Match Financing Tool to Nature of Project
 - Policy on Use of OTO Revenues Has Reduced Borrowing Needs
- Multnomah County Credit Quality Rated Excellent
 - Reflects Strong Financial Management and Adherence to Policies
 - Higher Rating = Lower Cost of Borrowing
- County Debt Limits More Restrictive Than ORS Limits
 - Policy Implications
 - Ultimately, Debt Capacity Limited by Ability to Pay

