



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: May 27, 2016
SUBJECT: Resolution No. 1617 Requesting City Council Action on Series 2016 Electric Bonds
OBJECTIVE: Approval of Resolution No. 1617

Issue

Financial market conditions provide EWEB the opportunity to achieve interest savings by refunding up to \$156 million of currently issued Electric Utility revenue bonds. City Council authorization is required to refund bonds.

Background

Current market conditions indicate that EWEB could realize \$9 million in net present value interest expense savings over the life of the bonds if the outstanding 2008 and 2011A series were all or partially refunded. Since the sale of Smith Creek has not been finalized, the resolution also includes the option to refund the 2005 and 2006 bonds in the unlikely event that those bonds are not defeased as approved by the Board at the April 5, 2016 meeting via Resolution No. 1611. Net present value interest expense savings if all the 2005 and 2006 bonds were refunded is approximately \$1.8 million.

Both the amount of bonds refunded and interest rates in the resolution are higher than anticipated to allow flexibility if market conditions change. The City Council is scheduled to take action at the July 11 Council meeting. This bond issuance does not include new funding for construction and accordingly, the Uniform Revenue Bond Act 60 day posting process is not required.

Recommendation / Requested Board Action

Management recommends approval of Resolution No. 1617 requesting the City Council authorize the issuance and sale of Electric Utility Revenue Refunding bonds.

**RESOLUTION NO. 1617
JUNE 2016**

A RESOLUTION REQUESTING THE CITY OF EUGENE TO AUTHORIZE THE ISSUANCE AND SALE OF ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED ONE HUNDRED FIFTY SIX MILLION DOLLARS (\$156,000,000) TO REFUND ALL, A PORTION OF, OR NONE OF THE SERIES 2005 BONDS, SERIES 2006 BONDS, SERIES 2008 BONDS AND SERIES 2011A BONDS; AND PROVIDING FOR RELATED MATTERS

WHEREAS, Oregon Revised Statutes (“ORS”) Sections 287A.150 and 287A.360 (the “Act”), authorize the City of Eugene, Oregon (the “City”) to issue revenue bonds and revenue refunding bonds payable from identified revenues of the City. The City, acting by and through the Eugene Water & Electric Board (“EWEB”), owns and operates an electric utility system and related facilities and systems;

WHEREAS, on June 16, 1986, EWEB adopted a resolution authorizing and providing for the issuance, from time to time, of City of Eugene, Oregon Electric Utility System Revenue Bonds to be equally and ratably secured by the pledge of revenues, funds and accounts thereunder (as amended and supplemented, the “Bond Resolution”);

WHEREAS, the Bond Resolution provides in part that the principal of, premium, if any, and interest on the bonds issued thereunder shall not be payable from any funds of the City or EWEB other than the Bond Fund established by the Bond Resolution nor constitute a general obligation of EWEB or of the City or create a charge upon the tax revenues of the City or any other revenues or property of the City or property of EWEB, except the revenues and other moneys and securities pledged under the Bond Resolution;

WHEREAS, the City, acting by and through EWEB, previously issued its Electric Utility System Revenue Bonds, Series 2005 in original principal amount of \$10,575,000 (the “Series 2005 Bonds”), Electric Utility System Revenue Bonds, Series 2006 in original principal amount of \$12,850,000 (the “Series 2006 Bonds”), Electric Utility System Revenue Bonds, Series 2008 in original principal amount of \$84,405,000 (the “Series 2008 Bonds”) and its Electric Utility System Revenue Bonds, Series 2011A in the original principal amount of \$66,210,000 (the “Series 2011A Bonds”);

WHEREAS, the outstanding Series 2005 Bonds maturing on or after August 1, 2016 are subject to redemption at the option of EWEB on any date on or after August 1, 2015, the outstanding Series 2006 Bonds maturing on or after August 1, 2017 are subject to redemption at the option of EWEB on any date on or after August 1, 2016, the outstanding Series 2008 Bonds maturing on or after August 1, 2019 are subject to redemption at the option of EWEB on any date on or after August 1, 2018, and the outstanding Series 2011A Bonds maturing on or after August 1, 2022 are subject to redemption at the option of EWEB on and after August 1, 2021;

WHEREAS, on April 5, 2016 EWEB adopted Resolution No. 1611 authorizing the cash defeasance of the Series 2005 Bonds and Series 2006 Bonds with the proceeds of the sale of the Smith Creek Hydro Project;

WHEREAS, in the event the Smith Creek Hydro Project is not sold, it may be in the best interest of the City and EWEB to refund the Series 2005 Bonds and Series 2006 Bonds;

WHEREAS, EWEB finds it in the best interest of the City to request that the City Council adopt a resolution to authorize and set the terms for the issuance and sale of electric utility system revenue refunding bonds (the “Refunding Bonds”) for the purpose of refunding all, a portion of, or none of the Series 2005 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and Series 2011A Bonds, to fund necessary reserves and to pay the costs of issuance of the Refunding Bonds;

WHEREAS, the Refunding Bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from revenues of the Electric Utility System which EWEB pledges to the payment of such Refunding Bonds pursuant to the Act and the resolution to be adopted by EWEB pursuant to such resolution of the City Council;

WHEREAS, EWEB shall cause to be prepared a plan showing that EWEB’s estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Refunding Bonds authorized by resolution of the City Council.

NOW THEREFORE, BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

Section 1. Request for Authorization of Refunding Bonds; Purpose of Issue. Based on the above findings, EWEB hereby requests the City Council to authorize EWEB, on behalf of the City, to issue and sell the Refunding Bonds designated as the “City of Eugene, Oregon Electric Utility System Revenue Refunding Bonds” in one or more series, in the aggregate principal amount not to exceed \$156,000,000, for the purpose of refunding all, a portion of, or none of the outstanding Series 2005 Bonds, the outstanding Series 2006 Bonds, the outstanding Series 2008 Bonds and/or the outstanding Series 2011A Bonds, to fund any required reserves and to pay costs of issuance. The Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds to be refunded are collectively referred to as the “Refunded Bonds”.

Section 2. Delegation of Authority for Terms of Refunding Bonds; Provisions for Issuance. Pursuant to the Act, EWEB hereby designates that its Treasurer or Assistant Treasurer (the “Authorized Officer”) may determine, with respect to the Refunding Bonds: the form of bond and series designation; the manner of disbursement of proceeds of the Refunding Bonds; the maturity dates; principal amounts; redemption provisions; interest rates or the method for determining a variable or adjustable interest rate; whether to sell the Refunding Bonds by competitive or negotiated state, to obtain bond insurance or some other form of guaranty or security for the payment of the Refunding Bonds; denominations; form; authorized signatory; which of the Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds, if any, will be refunded; the terms and form of necessary or desirable documents and other terms and conditions of the Refunding Bonds because the same cannot be determined by

EWEB at this time. Prior to the issuance of any Refunding Bonds, EWEB shall: (i) prepare a plan showing that the estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Refunding Bonds; (ii) adopt a bond authorizing resolution and provide a copy of such resolution to the City; and (iii) provide to the City a resolution determining that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Refunding Bonds, exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter and ordinances of the City of Eugene and this Resolution. Without the prior approval of the City Council and EWEB, the Refunding Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; (ii) may be issued in one or more series; (iii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation at par or with a net original issue discount or premium that does not exceed twenty percent (20.0%) of the aggregate principal amount thereof; (iv) have an effective interest rate of not to exceed five and one half percent (5.50%) per annum; and (v) not exceed \$156,000,000 in aggregate principal amount.

Section 3. Statement on Form of Refunding Bond. All Refunding Bonds shall include a statement on their face to the effect:

(a) That they do not in any manner constitute a general obligation of EWEB or of the City, or create a charge upon the tax revenues of the City, or upon any other revenues or property of the City, or property of EWEB, but are charges upon and are payable solely from the revenues of the Electric Utility System operated by EWEB, or any portion thereof, pledged to the payment thereof; and

(b) That the holders thereof may look for repayment only to the revenues of the Electric Utility System which are pledged for the payment thereof, and may not directly or indirectly be paid or compensated through any other property of the City, or EWEB, or by or through the taxing power of the City.

Section 4. Refunding Bonds Payable Solely from Revenues. The Refunding Bonds shall not be general obligations of the City, nor a charge upon its tax revenues, but shall be payable solely from the revenues and funds which EWEB pledges to the payment thereof pursuant to the Act, applicable City Council resolutions and in accordance with this Resolution.

Section 5. Refunding Bonds Reporting. EWEB shall submit to the City by May 1 of each year the following annual reports commencing after the first sale of any Refunding Bonds or other evidences of indebtedness hereunder and each year thereafter until the Refunding Bonds have been paid and retired:

(a) A report on the funds for each series of Refunding Bonds describing the funds established, the amounts in each fund, expenditure from each fund, the manner in which the monies in each fund have been invested, the income from such investments and the application of such income; and

(b) A report on Bond payments describing amounts paid and amounts scheduled to be paid and the source of such payments.

If the contents of the reports required by subsections (a) and (b) above are included in the yearly audit report of EWEB, then EWEB may comply with this Section 7 by transmitting a copy of its yearly audit report to the City.

Section 6. Official Statement; Sale Documents. Subject to the prior approval by the City Council, EWEB hereby designates its Treasurer or Assistant Treasurer to direct the preparation and distribution of one or more preliminary or final official statement(s) or other disclosure document(s) for any of the Refunding Bonds or in connection with a preliminary or final official statement or other disclosure document for any other bonds, as determined to be necessary by EWEB, to obtain bond insurance or other credit enhancement or commitments therefor, to obtain a rating on any or all of the Refunding Bonds from Moody's Investors Service, Inc., Standard & Poor's and/or Fitch Ratings, to issue and publish such notices of sale of the Refunding Bonds or execute such purchase contracts as may be necessary or required to accomplish the sale of the Refunding Bonds in accordance with this Resolution and to select trustees, registrars, paying agents, financial advisor, bond counsel, disclosure counsel, underwriter if the Refunding Bonds are sold at a negotiated sale, and any other professional assistance that may be necessary or convenient to accomplish the issuance and sale of any or all of the Refunding Bonds; and to determine any other terms, conditions or covenants regarding any or all of the Refunding Bonds or the Project, which are necessary or desirable to effect the sale of any or all of the Refunding Bonds.

Section 7. Effective Date of Resolution. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 7th day of June 2016

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its June 7, 2016 Board Meeting.

Assistant Secretary