



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Sue Fahey, Chief Financial Officer; Aaron Balmer, Interim Accounting Supervisor
DATE: May 26, 2017
SUBJECT: Resolution No. 1712 Requesting City Authorization for Electric Utility Bond Issuance
OBJECTIVE: Approval of Resolution No. 1712

Issue

Currently issued Electric Utility bond funds for capital improvement projects are projected to be spent by early 2018 and upcoming Carmen-Smith Hydroelectric Project capital work necessitates issuing new bonds. City Council authorization is required to issue EWEB bonds in accordance with the Uniform Revenue Bond Act (URBA).

Background

The last Electric Utility bonds for capital improvement projects were issued in 2012. Staff has worked closely with EWEB's Financial Advisor and Bond Counsel to determine the amount and timing of the next bond issuance. Interest rates have stabilized and remain low for municipal debt. Additionally, potential tax reforms could have a negative impact on municipal bond rates, and Management believes it is prudent to issue bonds in 2017 instead of waiting until 2018. The anticipated timeline is to issue approximately \$40 million of bonds in September 2017. Regulations require that the majority of bond funds be spent within three years of issuance, and projected Carmen-Smith improvements from 2018-2020 total \$58 million. Management will recommend using rate stabilization funds or issuing additional bonds in 2020 to cover the differential.

Even though the proposed 2017 issuance is projected to be approximately \$40 million, Management recommends requesting City authorization to issue up to \$80 million of Electric Utility Bonds which represents the next two projected bond issuances. The URBA process requires publishing a notice regarding the issuance of new bonds and allows city of Eugene voters 60 days to file a petition asking that the bond issuance be referred to a vote. If approved by the Board and authorized by the City, the 60-day notice would be published for the \$80 million authorized, and a notice would not be required for the second issuance. With volatile and uncertain financial markets particularly as it relates to municipal financing, this approach allows EWEB to be more responsive to market conditions as well as capital needs. Board approval would be required to issue additional bonds at a later date.

Included in the resolution is language that allows EWEB to reimburse the capital improvement reserve for eligible costs incurred prior to bond issuance. Treasury regulations allow reimbursement if expenses are incurred no earlier than 60 days before the Board adopts the resolution and bonds are issued within 18 months of adoption. Management does not anticipate the need to reimburse funds, but have included the language for additional flexibility.

The City Council is scheduled to take action at the June 26, 2017 Council meeting, and the Board is scheduled to authorize issuance at the July 11, 2017 meeting.

Recommendation / Requested Board Action

Management recommends approval of Resolution No. 1712 requesting the City Council authorize the issuance and sale of Electric Utility revenue bonds for capital improvements.

RESOLUTION NO. 1712

A RESOLUTION REQUESTING THE CITY OF EUGENE TO AUTHORIZE THE ISSUANCE AND SALE OF ELECTRIC UTILITY SYSTEM REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED EIGHTY MILLION DOLLARS (\$80,000,000) FOR THE PURPOSE OF FINANCING IMPROVEMENTS TO THE ELECTRIC UTILITY SYSTEM AND PROVIDING FOR RELATED MATTERS

WHEREAS, Oregon Revised Statutes (“ORS”) Section 287A.150 (the “Act”), authorizes the City of Eugene (the “City”) to issue revenue bonds payable from identified revenues of the City; and the City, acting by and through the Eugene Water & Electric Board (“EWEB”), owns and operates an electric utility system (the “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 nor constitute a general obligation of the City or create a charge upon the tax revenues or any other property or revenues of the City;

WHEREAS, it is in the best interest of the City, acting by and through EWEB, to provide funds for the purpose of financing the licensing, design, construction, installation and equipping of certain capital improvements related to the relicensing of the Carmen-Smith Hydroelectric Project and other projects described in the Electric Capital Improvement Plan (collectively, the “Project”), fund necessary reserves and pay the costs of issuance of bonds;

WHEREAS, EWEB finds it in the best interest of the City to request that the City Council adopt a resolution in part to authorize and set the terms for the issuance and sale of not to exceed \$80,000,000 in aggregate principal amount of Electric Utility System Revenue Bonds (the “Bonds”);

WHEREAS, the 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 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 Bonds authorized by resolution of the City Council;

WHEREAS, the City and EWEB anticipate incurring expenditures (“Expenditures”) to finance the costs of the projects and improvements described above and wish to declare their official intent to reimburse themselves for the Expenditures made therefor from the proceeds of the Bonds. To the extent that the expenditures and the use of proceeds of the Bonds may qualify under federal tax law and regulations, the City, including EWEB, intends for the interest on such bonds to be excludable from gross income for federal income tax purposes under §103 of the Internal Revenue Code of 1986, as amended (the “Code”);

WHEREAS, EWEB finds that it is in the public interest of the City to request that the City Council adopt a resolution in part to authorize the publication of the Notice of Revenue Bond Authorization relating to the Bonds, such notice being in substantially the form attached to this Resolution as Exhibit “A” (the “Notice”). The Notice shall specify the last date on which petitions may be submitted, and the City, acting by and through EWEB, shall cause the Notice to be published in *The Register-Guard*, Eugene, Oregon, a newspaper of general circulation within the boundaries of the City, in the same manner as are other public notices of the City; and

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 Bonds and Publication of Notice; 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 Bonds designated as the “City of Eugene, Oregon Electric Utility System Revenue Bonds,” in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, for the purpose of financing the costs of the licensing, design, construction, installation, acquisition and equipping of the Project, and to fund any required reserves and costs of issuance, and to publish the Notice as aforesaid. If petitions for an election, containing the valid signatures of not less than 5 percent of the City’s qualified electors, are received within the time indicated in the Notice, the question of issuing the Bonds shall be placed on the ballot at the next legally available election date. If such petitions are received no Bonds may be sold until the question of whether to issue the Bonds is approved by a majority of electors living within the boundaries of the City who vote on that question. Any such petitions will be subject to the Act and §§2.970-2.989 of The Eugene Code, 1971. Capitalized terms used but not defined herein shall have the meaning assigned in the Bond Resolution.

Section 2. Delegation of Authority for Terms of Bonds; Provisions for Issuance. Pursuant to the Act, EWEB hereby designates that its Treasurer or Assistant Treasurer may determine, with respect to the Bonds, the form of bond and series designation, the manner of disbursement of proceeds of the bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, denominations, form and authorized signatory and other terms and conditions of the Bonds because the same cannot be determined by EWEB at this time. Prior to the issuance of any 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 Bonds; (ii) adopt a bond 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 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 of the City of Eugene and this Resolution. Without the prior approval of the City Council and EWEB, the Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; (ii) 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%) of the aggregate principal amount thereof; (iii) have an effective interest rate of not to exceed six percent (6.0%) per annum; and (iv) not exceed \$80,000,000 in aggregate principal amount.

Section 3. Declaring Intent to Reimburse. EWEB reasonably anticipates that the City and EWEB may incur preliminary, cost of issuance and other project expenditures that qualify as “Original Expenditures” under Treasury Regulation §1.150-2 prior to the date of issuance of the Bonds, and hereby declares its official intent to reimburse itself or EWEB with proceeds of the sale of the Bonds to be issued in an amount not to exceed \$80,000,000 in aggregate principal amount.

Section 4. Statement on Form of Bond. All 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 the property of the City, or EWEB, or by or through the taxing power of the City.

Section 5. Bonds Payable Solely from Revenues. The 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 6. 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 Bonds or other evidences of indebtedness hereunder and each year thereafter until the Bonds have been paid and retired:

(a) A report on the funds for each series of 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 6 by transmitting a copy of its yearly audit report to the City.

Section 7. 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 and final official statements or other disclosure document(s) for any of the Bonds or in connection with a preliminary official statement or other disclosure document(s) for any other bonds, as determined to be necessary by EWEB, to obtain bond insurance or other credit enhancement or commitments therefor, if required, to obtain a rating on any or all of the Bonds from Moody's Investors Service, Inc., Standard & Poor's and/or Fitch Ratings, if required, to issue and publish such notices of sale of the Bonds as may be necessary or required to accomplish the sale of the Bonds in accordance with this Resolution and to select trustees, registrars, paying agents, financial advisor, bond counsel, disclosure counsel, underwriter or placement agent, and any other professional assistance that may be necessary or convenient to accomplish the issuance and sale of any or all of the Bonds; and to determine any other terms, conditions or covenants regarding any or all of the Bonds, the Project, which are necessary or desirable to effect the sale of any or all of the Bonds.

Section 8. Effective Date of Resolution. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 6th day of June 2017

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 6, 2017 Board Meeting.

Assistant Secretary

EXHIBIT A

FORM OF NOTICE OF REVENUE BOND AUTHORIZATION

NOTICE IS HEREBY GIVEN that the City Council of the City of Eugene, Oregon (the “City”) has adopted Resolution No. ____ on _____, 2017, authorizing the issuance of the City’s revenue bonds acting by and through the Eugene Water & Electric Board (“EWEB”). The revenue bonds will be issued in one or more series to provide funds for the purpose of financing the licensing, design, construction, installation and equipping of certain capital improvements related to the relicensing of the Carmen-Smith Hydroelectric Project and other projects described in the Electric Capital Improvement Plan (collectively, the “Project”), fund necessary reserves and pay the costs of issuance of the revenue bonds.

The costs of the Project to be funded, together with the necessary reserves and costs of issuance of the revenue bonds, are estimated not to exceed \$80,000,000. In accordance with these estimates, the City expects that the revenue bonds will be issued in an aggregate principal amount not to exceed \$80,000,000.

Subject to certain parameters, EWEB may establish all terms, conditions and covenants regarding the revenue bonds and the revenues which are necessary or desirable to affect the sale of the revenue bonds.

The revenue bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from the revenues of the City’s Electric Utility System.

If written petitions, signed by not less than 5 percent of the City’s qualified electors, are filed at the Office of the City Recorder on or before _____, 2017 (the 61st day after the date of publication of this notice), the question of issuing \$80,000,000 of electric revenue bonds shall be placed on the ballot at the next legally available election date. Any such petition shall be subject to ORS 287A.150 and Sections 2.970-2.989 of The Eugene Code, 1971.

The Office of the City Recorder is located at 125 E. 8th Avenue, 2nd Floor, Eugene, Oregon 97401. Information on procedures for filing petitions may also be obtained at such address or by telephone at (541) 682-5010.

The resolution authorizing the revenue bonds is available for inspection at the Office of the City Recorder.

The revenue bonds will be issued and sold pursuant to ORS 287A.150, and this notice is published pursuant to ORS 287A.150(4).