



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: August 21, 2015
SUBJECT: Resolution No. 1524 Requesting City Council Action on Series 2016 Water Bonds
OBJECTIVE: Approval of Resolution No. 1524 Requesting City Council Action

Issue

Currently issued Water Utility bond funds for capital improvement projects are projected to be spent in 2015. City Council authorization is required to issue EWEB bonds in accordance with the Uniform Revenue Bond Act (URBA).

Background

The last Water Utility bonds for capital improvement projects were issued in 2011. Staff has worked closely with EWEB's Financial Advisor and Bond Counsel to determine the amount and timing of the next bond issuance. The anticipated timeline is to issue approximately \$15 million of bonds in May 2016.

When issuing new bonds, one of the considerations is to determine if savings could be achieved by refunding previously issued bonds. Current market conditions indicate that EWEB could realize approximately \$2 million in interest expense savings over the life of the bonds if the 2002, 2005 and 2008 series were all or partially refunded.

Included in the resolution is language that allows EWEB to reimburse the capital improvement reserve for eligible costs incurred prior to bond issuance. This language provides flexibility in case bonds are not issued prior to exhausting current bond proceeds. 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.

Both the bond amount and interest rates in the resolution are higher than anticipated to allow flexibility if market conditions change or if there are emergent capital needs prior to bond issuance. The City Council is scheduled to take action at the October 12, 2015 Council meeting.

Recommendation / Requested Board Action

Management recommends approval of Resolution No. 1524 requesting City Council to authorize the issuance and sale of Water Utility revenue bonds for capital improvements and refunding series 2002, 2005 and 2008 bonds.

**RESOLUTION NO. 1524
SEPTEMBER 2015**

A RESOLUTION REQUESTING THE CITY OF EUGENE TO AUTHORIZE THE ISSUANCE AND SALE OF WATER UTILITY SYSTEM REVENUE BONDS FOR THE PURPOSE OF FINANCING IMPROVEMENTS TO THE WATER UTILITY SYSTEM IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$18,000,000 AND THE ISSUANCE AND SALE OF WATER UTILITY REVENUE REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000 TO REFUND THE SERIES 2002 BONDS, SERIES 2005 BONDS AND SERIES 2008 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 a Water Utility System and related facilities and systems;

WHEREAS, on September 2, 1997, EWEB adopted a resolution authorizing and providing for the issuance, from time to time, of City of Eugene, Oregon Water 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, it is in the best interest of the City, acting by and through EWEB, to provide funds for the purpose of financing the acquisition, design, construction, installation and equipping of certain capital improvements to the water utility purification, storage, transmission and distributions systems (the “Project”), to fund any required reserves and to 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 \$18,000,000 in aggregate principal amount of Water Utility System revenue bonds (the “New Money Bonds”) for the purpose of financing the Project, to fund any required reserves and to pay the costs of issuance of the New Money Bonds;

WHEREAS, the City, acting by and through EWEB, previously issued its Water Utility System Revenue Bonds, Series 2002 in original principal amount of \$10,000,000 (the “Series 2002 Bonds”);

WHEREAS, the outstanding Series 2002 Bonds maturing on or after August 1, 2013 are subject to redemption at the option of EWEB on and after August 1, 2012;

WHEREAS, the City, acting by and through EWEB, previously issued its Water Utility System Revenue Bonds, Series 2005 in original principal amount of \$12,540,000 (the “Series 2005 Bonds”);

WHEREAS, the outstanding Series 2005 Bonds maturing on or after August 1, 2016 are subject to redemption at the option of EWEB on and after August 1, 2015;

WHEREAS, the City, acting by and through EWEB, previously issued its Water Utility System Revenue Bonds, Series 2008 in original principal amount of \$15,595,000 (the “Series 2008 Bonds”);

WHEREAS, the outstanding Series 2008 Bonds maturing on or after August 1, 2019 are subject to redemption at the option of EWEB on and after August 1, 2018;

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 Water Utility System revenue refunding bonds (the “Refunding Bonds”) for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund any required reserves and to pay the costs of issuance of the Refunding Bonds;

WHEREAS, the New Money Bonds and the Refunding Bonds (collectively, 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 Water 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 Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds authorized by resolution of the City Council;

WHEREAS, 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”); and

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 New Money 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.

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 New Money 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 New Money Bonds designated as the “City of Eugene, Oregon Water Utility System Revenue Bonds,” or such other name determined by the Authorized Officer (as defined below), in one or more series, in the aggregate principal amount of not to exceed \$18,000,000, for the purpose of financing the costs of the Project, to fund any required reserves and to pay the 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 New Money Bonds shall be placed on the ballot at the next legally available election date. If such petitions are received, no New Money Bonds may be sold until the question of whether to issue the New Money 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 §§2.960-2.1005 of The Eugene Code, 1971. Capitalized terms used but not defined herein shall have the meaning assigned in the Bond Resolution, unless the context clearly requires otherwise.

Section 2. 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 Water Utility System Revenue Refunding Bonds,” or such other name determined by the Authorized Officer (as defined below), in one or more series, in the aggregate principal amount not to exceed \$35,000,000, for the purpose of refunding all or a portion of the outstanding Series 2002 Bonds, Series 2005 Bonds, and Series 2008 Bonds, to fund any required reserves and to pay the costs of issuance. The Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds to be refunded are referred to as the “Refunded Bonds”.

Section 3. Delegation of Authority for Terms of 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 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; to obtain bond insurance or some other form of guaranty or security for the payment of the Bonds; denominations; form; authorized signatory; which of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, if any, will be refunded; the terms and form of necessary or desirable documents 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 Water Utility System revenues are sufficient to pay the estimated debt service on the 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 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 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 eighteen percent (18.0%) of the aggregate principal amount thereof; (iii) have an effective interest rate of not to exceed seven percent (7.0%) per annum; and (iv) not exceed \$18,000,000 in aggregate principal amount in the case of the New Money Bonds and not exceed \$35,000,000 in aggregate principal amount in the case of the Refunding Bonds.

Section 4. 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 New Money Bonds, and hereby declares its official intent to reimburse the City and/or EWEB with proceeds of the sale of the New Money Bonds to be issued in an aggregate principal amount not to exceed \$18,000,000.

Section 5. 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 Water 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 Water 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 6. 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 7. 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 7 by transmitting a copy of its yearly audit report to the City.

Section 8. **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 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 Bonds from Moody's Investors Service, Inc., Standard & Poor's and/or Fitch Ratings, to issue and publish such notices of sale of the Bonds or execute such purchase contracts 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 if the 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 Bonds; and to determine any other terms, conditions or covenants regarding any or all of the Bonds or the Project, which are necessary or desirable to effect the sale of any or all of the Bonds.

Section 9. **Effective Date of Resolution.** This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 1st day of September, 2015

EUGENE WATER AND ELECTRIC BOARD

President

I, Taryn M. Johnson, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water and Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its September 1, 2015 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. 1524 on September 1, 2015, 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 acquisition, design, construction, installation and equipping of certain capital improvements to the water utility purification, storage, transmission and distributions systems (the “Project”), to fund any required reserves and to pay the costs of issuance of bonds;

The costs of the Project to be funded, together with bond issuance costs and debt service reserves, are estimated to be not more than \$18,000,000. In accordance with these estimates, the City expects that the revenue bonds will be issued in an aggregate principal amount not to exceed \$18,000,000.

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 Water 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 _____, 2015 (the 61st day after the date of publication of this notice), the question of issuing not to exceed \$18,000,000 of Water 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 2.960-2.1005 of The Eugene Code, 1971.

The Office of the City Recorder is located at 125 East 8th Avenue, Eugene, Oregon 97401. Information on procedures for filing petitions may also be obtained at such address or by telephone at (541) 682-5042.

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).