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Memorandum Date: August 5, 2009

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: David Suchart, Management Services Director

AGENDA ITEM TITLE: IN THE MATTER OF AUTHORIZING FINANCINGS OF PROJECTS IN A PRINCIPAL AMOUNT OF NOT TO EXCEED \$33,000,000 AND REFUNDING OF THE COUNTY'S FULL FAITH AND CREDIT OBLIGATIONS, SERIES 2000, AND AUTHORIZING REIMBURSEMENT OF EXPENDITURES FROM PROCEEDS

I. MOTION

MOVE APPROVAL OF ORDER 09-08-05-XX IN THE MATTER OF AUTHORIZING FINANCINGS OF PROJECTS IN A PRINCIPAL AMOUNT OF NOT TO EXCEED \$33,000,000 AND REFUNDING OF THE COUNTY'S FULL FAITH AND CREDIT OBLIGATIONS, SERIES 2000, AND AUTHORIZING REIMBURSEMENT OF EXPENDITURES FROM PROCEEDS.

II. AGENDA ITEM SUMMARY

The County is authorized by ORS 271.390 to enter into loan agreement to finance real or personal property which the Board of Commissioners determines is needed and this item formally authorizes the financing.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In March 2007 the Board of County Commissioners authorized debt funding for the acquisition and capital improvements to the Charnelton Place building (Order No. 07-3-14-5 and 07-3-13-6). In May 2009 the Board authorized acquisition of property for the Riverstone Community Health Center. Additionally, on August 4, 2009 the Board of County Commissioners authorized financing the completion of the AIRS upgrade, improvements to the HVAC system at the adult correction facility and replacement of the Richardson park marina.

B. Policy Issues

This item is consistent with debt management policy in Lane Manual 4.025.

C. Board Goals

This item supports the goals of providing efficient and effective financial and administrative support and systems and allocating resources strategically.

D. Financial and/or Resource Considerations

Debt financing for major capital projects allows the County to undertake projects while spreading the cash outlay over the expected life of the project. Additionally, issuing one financing for multiple projects allow the County to minimize issuance costs.

E. Analysis

In addition to the capital projects authorized for financing, the County has outstanding General Obligation debt issued in 2000. The County may be able to realize savings and reduce the debt service costs by refunding the 2000 obligation at this time. Authorization of the refunding allows the County to take advantage of savings if the projected savings at the sale date are of an adequate level. A final determination will be made to proceed with refunding at the date of sale.

F. Alternatives/Options

1. Authorize financings of the projects in an amount not to exceed \$33,000,000.
2. Do not authorize financings of the projects and direct staff to seek other alternatives.

IV. RECOMMENDATION

The Management Services Director recommends approval of the financings.

V. TIMING/IMPLEMENTATION

Upon approval, the necessary steps will be taken to conduct the bond sale in late September 2009.

VI. FOLLOW-UP

Results of the sale will be reported to the Board of County Commissioners

VII. ATTACHMENTS

Board Order

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

IN THE MATTER OF AUTHORIZING FINANCINGS OF PROJECTS IN A PRINCIPAL AMOUNT OF NOT TO EXCEED \$33,000,000 AND REFUNDING OF THE COUNTY'S FULL FAITH AND CREDIT OBLIGATIONS, SERIES 2000, AND AUTHORIZING REIMBURSEMENT OF EXPENDITURES FROM PROCEEDS.

WHEREAS, the County is authorized by Oregon Revised Statutes Section 271.390 to enter into loan agreements to finance or refinance real or personal property which the Board of County Commissioners determines is needed, and to authorize certificates of participation in the right to receive the payments due from the County under those loan agreements; and,

WHEREAS, the County is authorized by ORS 287A.105 to make these loan agreements "limited tax bonded indebtedness" which the County is unconditionally obligated to pay; and,

WHEREAS, the Board hereby determines the following projects are needed: refinancing the Charnelton Place Building, renovations to the Charnelton Place Building, completing conversion and upgrade of an Area Information Records System, providing and upgrading HVAC in the jails, refinancing or financing the Springfield Health Care Clinic, renovations to the Springfield Health Care Clinic, and replacing and improving the Richardson Park Marina (the "Projects"); and,

WHEREAS, it is desirable to obtain financing for the Projects in an aggregate principal amount of not more than \$33,000,000 pursuant to ORS 271.390 and ORS 287A.105; and

WHEREAS, the County issued Full Faith and Credit Obligations, Series 2000 in the aggregate principal amount of \$7,790,000 (the "Series 2000 Obligations"), to construct, equip and furnish a new mental health facility and replace, convert and upgrade an automated information system for local public safety and justice agencies; and

WHEREAS, the County is authorized to refinance the outstanding Series 2000 Obligations and may be able to reduce its debt service costs by refunding the Series 2000 Obligations; and

WHEREAS, the Board hereby determines that the facilities financed with the Series 2000 Obligations are needed, and that it is desirable to refinance the Series 2000 Obligations pursuant to ORS 271.390 and ORS 287A.105; and

WHEREAS, the approval of the State Treasurer is required before refunding obligations may be issued because the refunding of the Series 2000 Obligations constitutes an advance refunding under Oregon law; and

WHEREAS, federal tax law requires an issuer of tax-exempt obligations to declare its intention if the issuer expects to spend its funds on a project and later reimburse itself for those expenditures from the proceeds of tax-exempt obligations; and

WHEREAS, the County reasonably expects to reimburse the expenditures it incurs for the Projects from the proceeds of obligations authorized by this Order; now therefore

IT IS HEREBY ORDERED that the County may refinance all or a portion of the outstanding Series 2000 Obligations under the authority of ORS 271.390 and ORS 287A.105. However, the County shall not refinance the Series 2000 Obligations if such refinancing does not produce sufficient debt service savings to satisfy Oregon law. The net proceeds of the refunding obligations shall not exceed the outstanding principal amounts of the Series 2000 Obligations to be refunded, plus any amounts required to pay costs of the refunding, rounded upward to allow principal to mature in multiples of \$5,000.

IT IS FURTHER ORDERED that the County may finance the Projects under the authority of ORS 271.390 and ORS 287A.105, by issuing obligations in an aggregate principal amount of not more than Thirty Three Million Dollars (\$33,000,000). The County may also pay costs of issuing the obligations with proceeds.

IT IS FURTHER ORDERED that the County Administrator or the County Treasurer (collectively the "County Official") are hereby authorized, on behalf of the County and without further action by the Board, to:

1. Negotiate, execute and deliver one or more loan agreements (the "Loan Agreements") for the refunding and Projects which obligate the County to repay the financed amounts, with interest. The Loan Agreements shall constitute limited tax bonded indebtedness as defined in ORS 287A.105 and the obligation of the County to make loan payments under the Loan Agreements shall be unconditional. The County Official may pledge the County's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and may agree to pay the Loan Agreements from any and all of the County's legally available funds. Subject to the limitations of this Order, the Loan Agreements may be in such form and contain such terms as the County Official may approve, including covenants for the benefit of the lenders or credit enhancement providers.

2. Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreements") which provide for the issuance of one or more series of "certificates of participation" or "full faith and credit obligations" (the "Obligations") which represent ownership interests in the loan payments due from the County under the Loan Agreements. Subject to the limitations of this Order, the Escrow Agreements and each series of Obligations may be in such form and contain such terms as the County Official may approve, including covenants for the benefit of the lenders or credit enhancement providers.

3. Determine whether the interest payable on each Loan Agreement will be includable in gross income or excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code").

4. Designate the Loan Agreements and Obligations as "qualified tax-exempt obligations" under Section 265(b) of the Code, if applicable.

5. Covenant for the benefit of the owners of tax-exempt obligations to comply with all provisions of the Code which are required for the interest component of loan payments

payable under the related Loan Agreements to be excluded from gross income for federal income tax purposes.

6. Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations, and enter into agreements to provide continuing disclosure for owners of each series of Obligations.

7. Apply for and purchase ratings, municipal bond insurance, or other forms of credit enhancements for the Loan Agreements and Obligations, and enter into related agreements, as necessary.

8. Enter into additional covenants for the benefit of the purchasers of the Loan Agreements and Obligations which the County Official determines are desirable to sell the Loan Agreements and Obligations on favorable terms.

9. Engage the services of verification agents, escrow agents, paying agents and any other professionals whose services are desirable for the financings.

10. Enter into one or more escrow deposit agreements for the refunding and take actions to call, defease and redeem the Series 2000 Obligations.

11. Subject to this Order, determine the final principal amount of each Loan Agreement, the interest rate or rates which each Loan Agreement and each series of Obligations shall bear, and the County's prepayment rights and other terms of each Loan Agreement and each series of Obligations.

12. Solicit competitive bids for the purchase of each series of the Obligations and award their sale to the bidder offering the most favorable terms to the County, select one or more underwriters, negotiate the terms of the sale of each series of Obligations, and sell that series to those underwriters; or select one or more commercial banks, negotiate the terms of the sale of each Loan Agreement and sell each Loan Agreement to those commercial banks.

13. Prepare and submit an advanced refunding plan to the Oregon State Treasurer's office for the refunding of the Series 2000 Obligations.

14. Execute and deliver any other certificates or documents and take any other actions which the County Official determines are desirable to finance the Projects and accomplish the refunding with the Loan Agreements and the Obligations in accordance with this Resolution.

15. Enter into other covenants, agreements and provisions which the County Official determines are necessary or appropriate to better secure the Obligations, and take any other actions which the County Official determines are appropriate to carry out this Order, and

IT IS FURTHER ORDERED that the Board of Commissioners of Lane County, Oregon hereby declares its official intent to reimburse its expenditures on the Projects with the proceeds of the Obligations authorized by this Order.

DATED this 5th day of August, 2009.

Chair, Board of County Commissioners