

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: November 30, 2010 **Time:** 11:15 a.m. **Length:** 15 minutes

Presentation Title: Bond Issuance, North Clackamas Revitalization Area

Department: Development Agency (DTD)

Presenters: Ken Itel and Dan Johnson

POLICY QUESTION: None.

ISSUE & BACKGROUND

In January 2008 the Board of County Commissioners approved an intergovernmental agreement (IGA) between the Development Agency and Clackamas County Service District #1 (CCSD#1) to assist with reducing the financial burden of sewer connection costs. The IGA authorized a contribution of \$2,200 per developed property to offset system development charges (SDCs) for property owners in the North Clackamas Revitalization Area (NCRA) that are part of the assessment district formed to provide sewer service. In order to promote connections to the sewer system and reduce the reliance of on-site systems, this SDC credit also applies to properties that have access to sewer but have not connected. In October 2010, the Board approved expanding the SDC credit to apply to each housing unit (single-family or multi-family) on a property.

The payment of the SDC credit is secured by a promissory note to CCSD#1, which requires payment within 30 days of the issuance of bonds for the NCRA. The note is accruing interest at an annual rate of 5%. If the Agency pays the promissory note by January 2011, the estimated debt is approximately \$3.05 million. In addition, the Development Agency has also agreed to provide a contribution of \$1,250 per property to reduce the cost of assessments for the NCRA sewer project. Based on the estimated number of properties receiving assessments, this contribution is approximately \$1.2 million.

The Agency has a similar IGA, approved by the Board in November 2009, with the City of Milwaukie for payment of SDC credits and assessment reductions which applies to residents of the NCRA receiving sewer service from the city. The Milwaukie IGA, although not secured by a promissory note, requires an initial payment of a minimum of \$250,000 to offset residential sewer costs once bonds are issued for the NCRA.

The total amount currently owed by the Agency for the NCRA sewer project is approximately \$4.5 million. The Agency is proposing a bond sale of \$6.0 million (with net proceeds of \$5.4 million after establishment of a debt reserve fund) to make these required payments. After payment of sewer obligations the Agency will direct the remaining funds to a road improvement project within the NCRA.

The Agency projected the sewer project payments in its adopted 2010-11 budget, with funds obtained through bonded debt. In anticipation of those payments, the Agency has received an offer from U.S. Bank of an interest rate of 4.4% for a 15-year term for this bond sale.

Based on the current economic environment and consultation with Agency bond counsel and Clackamas County Finance Director, Marc Gonzales, Agency staff believes the terms are the fixed interest rate are very reasonable. Staff has reviewed the proposal and will recommend accepting the proposal based on the terms.

With Board direction, staff proposes to bring the resolution authorizing the issuance and sale of the NCRA urban renewal bonds to the Board's business meeting on December 9, 2010.

QUESTION(S) PRESENTED FOR CONSIDERATION

Shall staff proceed with a resolution authorizing the issuance and sale of urban renewal bonds to fund financial obligations for the NCRA sewer project?

OPTIONS AVAILABLE

- Direct staff to proceed with a resolution authorizing the issuance and sale of NCRA urban renewal bonds to fund the NCRA sewer obligations per the IGAs with CCSD#1 and the City of Milwaukie.
- Direct staff to provide additional information on the proposal for Board consideration.

RECOMMENDATION(S)

The Development Agency respectfully recommends that the Board direct staff to proceed with a resolution authorizing the issuance and sale of NCRA urban renewal bonds to fund NCRA sewer obligations per the IGAs with CCSD#1 and the City of Milwaukie.

SCHEDULE FOR STUDY SESSION

Division Director/Head Approval *Jim Johnson*

Department Director/Head Approval *Kevin Gilman*

County Administrator Approval _____