CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: Nov. 29, 2011 Approx Time: 2:30 PM Approx Length: 30 min

Presentation Title: Portland Milwaukie Light Rail Financing Approach Update

Departments: County Administration, County Counsel, and Finance

Presenters: Steve Wheeler, Laurel Butman, Scot Sideras, Dan Chandler, Marc Gonzales

ISSUE & BACKGROUND

In February 2010 the Clackamas County Board of Commissioners committed to and signed an agreement to participate in financing for the proposed Portland Milwaukie Light Rail project (PMLR), a multi-entity project funded primarily with an expected contribution from the federal government. The overall budget for the PMLR project is approximately $1.5 billion; the County's committed share is $25 Million, about 1.6% of the project cost. The County's obligation is contingent on execution of the Federal Funding Grant Agreement. That is expected that by March 2012, at the earliest. The County's due date for making its promised contribution comes in September 2012; under the agreement there is a possibility for the County to defer that date by a year with an interest payment of 5% per annum added to the $25 Million.

On September 8, 2011, the Clackamas County Board of Commissioners passed Resolution No. 2011-68 which stated that the County "will not fund its $25 million County contribution to the Portland Milwaukie Light Rail Project through a new urban renewal district."

QUESTION(S) PRESENTED FOR CONSIDERATION

The Board of County Commissioners is interested in understanding options for a financing approach for its $25 million PMLR funding commitment that does not use a new urban renewal district for funding.

OPTIONS AVAILABLE

Earlier discussions on this topic proposed options that have since been deemed not viable for meeting this commitment. The County does not have $25 million at hand to apply to this commitment nor can it realistically amass that amount of funding by September 2012 or even 2013. At present the approach that is most cost effective, simplest and with the clearest implications for the future would involve issuance of full faith and credit obligations of Clackamas County in an amount sufficient to pay the agreed-upon contribution. Staff has recently gone through two rounds of discussion with financial advisors to estimate costs of financing. The current outlook for tax exempt financing by the County is positive in this uncertain economy with nearly historic low borrowing costs and high demand for well-rated local government debt such as the County's.

The County has issued full faith and credit bond obligations in recent years for capital improvements at the Red Soils Campus and most recently for facility improvements on behalf of the County Sheriff's Office. The Board and staff have previously observed that issuing such bonds for capital projects is in the public's best interest as the County is in a better position to own rather than rent facilities. In the case of PMLR, issuing such obligations protects the public interest by helping to insure that the portion of the project within Clackamas County meets the needs of the community for safety, aesthetics, and livability.

The General Fund is the logical source for debt service payments for bonds issued to finance the County's PMLR contribution. As the scheduled closure of the Clackamas Town Center urban renewal area occurs in June 2013 (per BCC Resolution 2011-68), additional property tax proceeds estimated to be between $1.4 and $1.8 million will flow to the General Fund beginning in November of that year, which could assist in defraying the pressure of debt service as well.

Estimates generated as recently as November 15 indicate that average annual debt service to fund PMLR obligations could range from $1.76 to $1.84 million for a 20 year issue to $1.57 to $1.66 million for a 25 year issue and to $1.46 to $1.54 million for a 30 year issue. These are of course only estimates, with a provision included for changes in current interest rates for borrowings. It is also notable that a longer term generates lower annual debt service payments but higher interest costs over the life of the debt. Another strategy for sizing the debt payments is to make a "down payment" to reduce the amount financed with debt.

RECOMMENDATIONS

Staff respectfully recommends that the Board defer any decision on financing at this time and revisit an approach for the County's PMLR contribution once a Federal Funding Grant Agreement is awarded. That will likely occur in March 2012.

Division Director/Head Approval ________________
Department Director/Head Approval ______________
County Administrator Approval Kaue G

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