



Elizabeth Comfort
Finance Director, Interim

Department of Finance

Public Services Building
2051 Kaen Road, Suite 490 | Oregon City, OR 97045

April 16, 2020

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of an Order Authorizing Financings for New Projects and Refinancing

Purpose/Outcomes	To authorize the issuance of debt that will refinance existing debt to a better interest rate and issue new debt to fund three current projects: the Road Maintenance Facility, the OSU Extension facility, and the Oak Grove and Gladstone Libraries.
Dollar Amount and Fiscal Impact	Issuance of up to \$35.7 million in new debt and refinance up to ~\$54.8 million in existing debt
Funding Source	Road Fund for Road Maintenance Facility, contributions from the Extension and 4-H Service District for the OSU Extension Facility, and the General Fund for the Oak Grove and Gladstone Libraries, with possible subsequent support from distributions from the Library District of Clackamas County.
Duration	Debt is anticipated to be issued for a 20 year term.
Previous Board Action/Review	Prior discussions related to budget and financing strategies
Strategic Plan Alignment	<ol style="list-style-type: none"> 1. Build Public Trust Through Good Government: The issuance of the refinancing should result in cost savings through lower interest rates. 2. Build Strong Infrastructure: Construction of three facilities to meet prior commitments made to the citizens of Clackamas County
Contact Persons	Elizabeth Comfort, Interim Finance Director (503 504 0963) Chris Storey, WES Assistant Director (503 742 4543)

Clackamas County Finance is responsible for managing the County’s debt portfolio. The County currently is rated AAA by Moody’s rating agency, their highest rating, reflecting the overall financial health of Clackamas County as an organization. That high rating may enable the County to refinance existing obligations to result in savings on interest, and borrow at the lowest available cost for new projects. The attached order authorizes the issuance of debt to accomplish both of these purposes under what is being labeled the “2020 Omnibus Issuance.”

BACKGROUND:

The County issued Full Faith and Credit Obligations, Series 2009 in the principal amount of \$34,795,000 to finance several projects, including the remodeling of Sunnybrook Service Center to create the Brooks Building as Clackamas County Sheriff's Office headquarters, remodeling and improving the Clackamas County Jail, providing an evidence processing facility on behalf of the Sheriff and District Attorney, and completing the Development Services Building.

The County also entered into a Full Faith and Credit Financing Agreement dated September 14, 2012 in the principal amount of \$20,080,000 to finance a portion of the Portland-Milwaukie Light Rail project. Collectively, the 2009 and 2012 Issuances' currently outstanding principal represent ~\$57 million in existing debt currently being paid by the general fund. It is hoped that interest rates at the time of issuance will be lower than those in 2009 and 2012, and savings will result for the County. If interest rates will not result in material savings, this portion of the issuance will not be undertaken.

Further, several new capital needs are at a critical point at this time. Each could be funded via a separate issuance, but each issuance results in a transaction cost, often on the order of \$200,000 per issuance. To save money, County Finance is proposing to combine the issuance of debt not only for refinancing the existing debt, but also for three separate projects, resulting in the single 2020 Omnibus Issuance. This should result in materials savings on both transaction costs and interest rates for component funds or elements that can utilize the County's superior AAA rating.

The first and largest project is for the Department of Transportation and Development ("DTD"). DTD's current Road Maintenance Facility is in need of substantial investment for continued functioning, yet lies in a flood plain and was inundated in 1996. The Board has agreed to relocate the facility out of the floodplain at a higher elevation in Oregon City, and a contract was executed to that effect. Construction of the new facility is underway. Approximately \$20 million is necessary to meet the requirements of that contract. The debt service associated with this portion of the borrowing will be supported by the Road Fund.

The County, per its intergovernmental agreement with the State of Oregon through Oregon State University, is required to provide a facility for the OSU Extension Program. In return, the State provides the staff, including several professors. The current Extension office is slated for eventual demolition to support the County Courthouse and related improvements on the Red Soils Campus, and is inadequate to house the desired Extension program. A new facility has been designed and will be constructed at the corner of Warner Milne and Beaver Creek in Oregon City, still within the Red Soils campus but at a different location. The Clackamas County Extension and 4-H Service District (the "Extension District"), a county service district governed by the Board, provides the County-required annual support for the Extension Service in lieu of General Fund contributions. The Extension District has been building capital reserves since its' inception in 2009, and currently has ~\$8 million available to contribute towards the cost of a new County facility for the Extension program. The remaining \$6 million estimated to complete the project will be part of this issuance, and the debt service would be paid by revenues from the Extension District.

The third project relates to the construction of the Oak Lodge and Gladstone combined libraries. Pursuant to an intergovernmental agreement between Clackamas County and the City of Gladstone, both the city and County are contributing land and capital funds to support construction of a jointly operated library operation. The required capital contribution to complete the designed project is an estimated \$8 million. This amount would be supported by the General Fund and represent new debt for that revenue source. The overall operational plan and use of Library funds have not been settled for the Oak Grove and Gladstone Libraries. It is possible that the debt service associated with this portion of the 2020 Omnibus Obligations could be supported in whole or part from distributions from the Library District of Clackamas County or other funds allocated to the operation of that portion of the library system.

This Order also preserves the ability of funds that are borrowed, if not needed for the three above projects, to be used on two known capital needs of the County, namely expenses relating to the relocation of divisions and programs due to the construction of a new County Courthouse, and upgrades in financial and other software anticipated to modernize County financial management systems. Again, funds will only be expended on these projects if not needed to complete the primary three projects listed above.

This proposed order has been reviewed and approved by County Counsel and outside Bond counsel.

RECOMMENDATION:

Staff respectfully recommends that the Board, as the governing body of Clackamas County, adopt the Order as presented.

Respectfully submitted,

Elizabeth Comfort, Director
County Finance

Attachment: Proposed Order

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON**

In the Matter of the Board of County
Commissioners, Clackamas County,
Oregon, Authorizing Financings for
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WHEREAS, the County is authorized by ORS Section 271.390 to enter into financing 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 financing agreements; and

WHEREAS, the County is authorized by ORS 287A.105 to incur bonded indebtedness within the meaning of Section 10, Article XI of the Oregon Constitution; and

WHEREAS, the estimated weighted average life of a financing agreement shall not exceed the estimated dollar weighted average life of the real or personal property to be financed or refinanced by such financing agreement; and

WHEREAS, the County issued Full Faith and Credit Obligations, Series 2009 in the principal amount of \$34,795,000 (the "Series 2009 Obligations") to finance the following projects (collectively, the "2009 Projects"):

- remodeling and improving the Sunnybrook Service Center, including creating a Clackamas County Sheriff's Office headquarters, updating systems in the building and remodeling the building;
- remodeling and improving the Clackamas County Jail, including replacing the central control complex, modernizing lighting, redesigning interior space, creating courtroom space and offices, relocating visitation space, creating a video visitation unit, adding beds, and creating a secure medical unit;
- providing an evidence processing facility, including compact mobile shelving, modern air handling equipment, offices and space for analysis of evidence;
- completing the Development Services Building; and

WHEREAS, the County entered into the Full Faith and Credit Financing Agreement (Portland-Milwaukie Light Rail Project) dated September 14, 2012 in the principal amount of \$20,080,000 (the "Series 2012 Obligation" and together with the Series 2009 Obligations, the "Refundable Obligations"), to finance a portion of the Portland-Milwaukie Light Rail project (the "2012 Project" and together with the 2009 Projects, the "Refundable Projects"); and

WHEREAS, the County is authorized to refinance the outstanding Refundable Obligations and may be able to reduce its debt service costs and/or favorably restructure its debt by refunding the Refundable Obligations; and

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WHEREAS, the County desires to obtain financing in a maximum principal amount of not more than \$35,700,000 to provide the following projects (collectively, the “New Money Projects”) including equipment and furnishings:

- two library facilities and related infrastructure and improvements in the Oak Lodge and Gladstone service areas;
- a facility and related infrastructure and improvements primarily for the Clackamas County Extension and 4-H District;
- a County road maintenance and repair facility and related infrastructure and improvements;
- relocation of existing facilities to new facilities and related infrastructure and improvements arising from or related to the construction of a new County Courthouse; and
- software and hardware upgrades to existing County financial and technological systems; and

WHEREAS, the County may make expenditures on the New Money Projects (the “Expenditures”) before the County borrows to finance the New Money Projects, and the rules of the United States Internal Revenue Service require the County to declare its official intent to reimburse itself for amounts that the County will spend before it borrows, in order for the County to reimburse itself for those Expenditures from the proceeds of a tax-exempt borrowing;

NOW THEREFORE, IT IS HEREBY ORDERED that the Board determines that the Refundable Projects were needed at the time they were financed and remain needed, and that it is desirable to refinance the Refundable Projects.

IT IS FURTHER ORDERED that the County may refinance all or a portion of the outstanding Refundable Obligations under the authority of ORS 271.390, ORS 287A.105, ORS 287A.360 through 287A.375 and the other applicable provisions of ORS Chapter 287A. The refunding obligations authorized by this section (the “Refunding Borrowings”) may be issued in an amount sufficient to pay and redeem the Refundable Obligations to be refunded, plus an amount sufficient to pay estimated costs related to accomplishing the refunding and the issuing the Refunding Borrowings.

IT IS FURTHER ORDERED that the Board determines that the New Money Projects are needed, and that it is desirable to finance the New Money Projects.

IT IS FURTHER ORDERED that the County may obtain financing in a maximum principal amount of not more than \$35,700,000 (the “Project Borrowings”) to provide the New Money Projects and pay the estimated costs of the Project Borrowings under the authority of ORS 271.390, ORS 287A.105 and the other applicable provisions or ORS Chapter 287A.

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IT IS FURTHER ORDERED that the County hereby declares its official intent pursuant to Section 1.150-2 of the Treasury Regulations to reimburse itself with the proceeds of the Project Borrowings for any Expenditures paid before the Project Borrowings are issued.

IT IS FURTHER ORDERED that the Interim County Finance Director, or the County Administrator, or the Administrator’s designee (each a “County Official”) are hereby authorized, on behalf of the County and without further action by the Board, to:

1. Select all or a portion of the outstanding Refundable Obligations to be refunded.
2. Enter into one or more Refunding Borrowings and Project Borrowings (collectively, the “2020 Borrowings”) for the purposes described in this Order and enter into one or more escrow agreements that authorize the escrow agent to issue obligations (the “Obligations”) that are payable from payments the County makes under the 2020 Borrowings. The 2020 Borrowings shall constitute bonded indebtedness and be subject to the limits of ORS 287A.105. The obligation of the County to make financing payments under the 2020 Borrowings shall be unconditional. Pursuant to ORS 287A.315, 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 2020 Borrowings from any and all of the County’s legally available funds, including granting liens on specific revenue sources. Subject to the limitations of this Order, the 2020 Borrowings 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 2020 Borrowing will be includable in gross income or excludable from gross income under the Internal Revenue Code of 1986, as amended (the “Code”).
4. 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 financing payments payable under the related 2020 Borrowings to be excluded from gross income for federal income tax purposes.
5. 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.
6. Apply for and purchase ratings, municipal bond insurance, or other forms of credit enhancements for the 2020 Borrowings and the Obligations, and enter into related agreements, as necessary.

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7. Enter into additional covenants for the benefit of the purchasers of the 2020 Borrowings and the Obligations which the County Official determines are desirable to sell the 2020 Borrowings and the Obligations on favorable terms.
8. Engage the services of verification agents, escrow agents, paying agents and any other professionals whose services are desirable to accomplish the financings and refinancings.
9. Enter into one or more escrow deposit agreements for the refunding and take actions to call, defease and redeem all or any portion of the outstanding Refundable Obligations.
10. Contribute legally available funds of the County towards the refunding.
11. Negotiate and enter into agreements with various County and external entities to further secure the 2020 Borrowings and Obligations or comply with covenants related to the use of proceeds and projects financed and refinanced.
12. Subject to the limitations of this Order, determine the final principal amount of each 2020 Borrowing, the interest rate or rates which each 2020 Borrowing and each series of Obligations shall bear, and the County's prepayment rights and other terms of each 2020 Borrowing and each series of Obligations.
13. 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 or other lenders, negotiate the terms of the sale of each 2020 Borrowing and sell each 2020 Borrowing to those commercial banks or lenders.
14. Execute and deliver any other certificates or documents and take any other actions which the County Official determines are desirable to accomplish the financing and refinancing with the 2020 Borrowings and the Obligations in accordance with this Order.

DATED this 16th day of April, 2020.

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Chair

Recording Secretary