



Department of County Management
MULTNOMAH COUNTY OREGON

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TO: Board of County Commissioners

FROM: Mindy Harris, Chief Financial Officer

DATE: April 30, 2009

SUBJECT: Capital Budget for Full Faith and Credit Bonds/Debt Capacity

This memo provides a recap of the various debt obligations that are supported by County revenues. It also provides a calculation of the County's legal debt limit.

FULL FAITH AND CREDIT BONDS AND DEBT OBLIGATIONS – SUMMARY

The FY 2010 Approved Budget includes bond proceeds from the sale of Full Faith & Credit Obligations. All projects to be supported by these funds are new projects reflected in program offers purchased by the County Chair.

Debt payments for existing obligations are budgeted according to established schedules. It is worth noting that the FY 2009 budget used approximately \$24 million of one-time-only (OTO) General Fund revenue to buydown current and future debt payments. It supports **\$4.1 million of annual debt payments** that would otherwise need to be charged to departments.

When combined with previous debt buydown allocations, we have been able to reduce chargebacks to departments by \$5.2 million annually. This allows us to free up ongoing General Fund revenue and also provides more capacity under the County's internal debt limit policy.

There are two statutory limits on County borrowing as well as the internal County policy on outstanding debt limits. The more restrictive, the County's internal policy, would **provide for additional long term borrowing of up to approximately \$75 million in FY 2010**. Planned borrowing in the FY 2010 Approved Budget will use \$23 million of that estimated capacity.

FUND 2504 – FINANCED PROJECTS FUND . Program Offer # 72048B

- **New Project - Assessment and Taxation and Systems Upgrade - \$6,500,000**

This project replaces the County's current A&T systems. The new system will replace twenty year old technology that is rapidly becoming obsolete. Upgrading the systems and related information technology will improve operational productivity and efficiency as well as increased accuracy and completeness of property information. The new system will support access to A&T information by users inside and outside the County.

This project is being funded from the following two sources:

- **FY 2010 Full Faith and Credit Financing - \$5,000,000**

The executive budget anticipates issuing debt, to be repaid over seven to eight years, with an annual payment of approximately \$800,000 secured by the General Fund. We expect to recover between \$150,000 and \$200,000 per year in additional CAFFA revenue that will offset the debt payments.

- **General Fund Cash Transfer – \$1,500,000 (OTO)**

Once the system is fully implemented it is anticipated that annual debt payments will be supported by operational savings. Savings are expected due to increased integration with other applications and elimination of duplicate data entry. The OTO General Fund transfer will provide initial capital to begin work on the system.

FUND 2507 - CAPITAL IMPROVEMENT FUND - Program Offer # 72071

- **New Project(s) – Deferred Maintenance - \$12,000,000**

The executive budget anticipates issuing debt, to be repaid over seven to eight years, to fund a number of deferred maintenance projects. Examples of projects to be funded with these proceeds include replacement of courthouse elevators, Justice Center plumbing repairs, HVAC system replacement, and renewable energy projects.

Annual debt service on \$12 million is estimated at \$1.9 million secured through chargebacks to departments. Facilities and Property Management estimates that operating savings resulting from completion of these projects will offset the annual debt payments.

FUND 3503 - INFORMATION TECHNOLOGY FUND - Program Offer # 72071

- **New Project(s) – Technology Upgrades - \$6,000,000**

We anticipate issuing debt, to be repaid over seven to eight years, to fund projects which will provide the County with more effective and efficient technology capabilities. Investments in technology may include convergence of voice and data networks through Voice Over Internet Protocol (VoIP), data center relocation, and eGovernment infrastructure.

Annual debt service on \$6 million is estimated at \$950,000 secured through chargebacks to departments. Information Technology estimates that operating savings resulting from implementation of technology upgrades will offset the annual debt payments.

OUTSTANDING DEBT AND DEBT CAPACITY

There are two statutory limits on County borrowing and a County policy on outstanding debt limits. The most restrictive, the County policy, would allow for additional borrowing of approximately \$75,000,000 in FY 2010.

ORS 287.054 provides a debt limit on voter approved general obligation bonds of 2% of the real market value of all taxable property within the County's boundaries. The following table represents the debt capacity at June 30, 2009.

Real Market Value 2008 - 2009	\$107,381,958,130
Debt limit at 2%	2,147,639,163
Outstanding debt at June 30, 2009	(56,570,000)
Legal Debt Margin	\$2,091,069,163

ORS 287.053 provides a debt limit on full faith and credit bonds of 1% of the real market value of all taxable property within the County's boundaries. The following table represents the debt capacity at June 30, 2009.

Real Market Value 2008 - 2009	\$107,381,958,130
Debt limit at 1%	1,073,819,581
Outstanding debt at June 30, 2009	(233,745,000)
Legal Debt Margin	\$840,074,581

In addition to statutory debt limits, the County's Financial & Budget Policies, adopted by the Board, further limit our debt on non-voter approved debt to annual payments that will not exceed 5% of the County's General Fund budgeted revenues. As of June 30, 2009, the County will have \$71,329,000 in outstanding debt subject to the 5% limit. Based on the policy we are authorized to issue a total of approximately \$150 million of General Fund supported debt, which allows the County to issue additional debt of approximately \$75 million after considering existing outstanding debt.

The real issue when considering the issuance of debt has to do with ability to pay. The General Fund is heavily reliant on two revenue sources – Property Tax and Business Income Tax. One source, Property Tax, is limited by state constitution. The other is highly volatile and tends to follow changes in the economy. Given the mix of revenues in the General Fund the issuance of additional debt should be viewed in terms of how it may limit the ability of the County to support ongoing programs and operations.

April 30, 2009

The following table highlights the County's outstanding debt and debt limit, per the Financial & Budget Policies, as of June 30, 2009 (\$'s are in \$1,000s).

Description	Moody's Rating	Dated	Maturity Date	Amount Issued	Principal Outstanding	2009-10 Prin & Int Payment
General Obligation Bonds	Aa1	2/1/1999	10/1/2016	\$ 66,115	\$ 56,570	\$ 9,247
<u>Revenue Bonds</u>						
Port City (Revenue Bond/200A)	A3	11/1/2000	11/1/2015	\$ 2,000	\$ 1,175	\$ 200
Oregon Food Bank (Revenue Bond/2000B)	A3	11/1/2000	11/1/2015	3,500	2,065	347
				\$ 5,500	\$ 3,240	\$ 547
Pension Obligation Revenue Bonds	Aa2	12/1/1999	6/1/2030	\$ 184,548	\$ 159,113	\$ 14,349
<u>Full Faith and Credit Obligations</u>						
Series 1999A Multnomah Building	Aa2	4/1/1999	8/1/2019	\$ 36,125	\$ 1,685	\$ 1,721
Series 2000A Full Faith	Aa2	4/1/2000	4/1/2020	61,215	2,820	2,961
Series 2003 Full Faith	Aa2	7/1/2000	7/1/2013	9,615	5,135	1,098
Series 2004 Full Faith	Aa2	10/1/2004	8/1/2019	54,235	54,235	3,176
				\$ 161,190	\$ 63,875	\$ 8,956
<u>Certificates of Participation</u>						
1998 JJC Refunding & New	Aa3	2/1/1998	8/1/2017	\$ 48,615	\$ 9,725	\$ 2,882
Sellwood Lofts Capital Lease	N/A	1/1/2002	1/1/2032	1,093	1,032	118
				\$ 49,708	\$ 10,757	\$ 3,000
Total FFFCO, COP's, and Capital					\$ 74,632	\$ 11,956
Less Non General Fund Supported Debt						
Road Fund (Series 2000A/Series 2004 FFCO)					(2,271)	(288)
Library Fund (Sellwood Lofts)					(1,032)	(118)
Total General Fund Obligations					\$ 71,329	\$ 11,550
(Less) Annual Payment From Prior Year's Debt Buydown						(5,170)
Net General Fund Obligation						\$ 6,380
REMAINING BORROWING CAPACITY						
Debt Capacity (Supported by General Government Fund Types Only)						
2009-2010 General Fund Revenues (Excluding ITAX and BWC)					\$	356,000
Policy Limitation (5% of GF Revenues)						0.05
5% Policy Limit Dollar Amount					\$	17,800
Lease/Debt Capacity Used (Total General Fund Obligations)						(11,550)
Annual Payment Available					\$	6,250
Estimated Principal Value Available					\$	75,000