

**Minutes of the Board of Commissioners  
Multnomah Building, Board Room 100  
501 SE Hawthorne Blvd., Portland, Oregon  
Wednesday, April 30, 2014**

**BUDGET WORK SESSION #3**

Chair Marissa Madrigal convened the meeting at 1:09 p.m. with Commissioners Liesl Wendt, Loretta Smith, and Vice-Chair Diane McKeel present. Commissioner Judy Shiprack was excused.

Also attending were Jenny M. Madkour, County Attorney, and Lynda Grow, Board Clerk.

**[THE FOLLOWING TEXT IS THE BYPRODUCT OF THE CLOSED CAPTIONING OF THIS PROGRAM.]**

**BWS-3 Debt Overview Briefing. Presenter: Mark Campbell, Chief Financial Officer.**

**Chair Madrigal:** GOOD AFTERNOON, WELCOME TO TODAY'S BUDGET WORK SESSION, WHICH IS DEBT POLICY OVERVIEW.

**Mr. Campbell:** THANK YOU. MARK CAMPBELL, COUNTY CHIEF FINANCIAL OFFICER. SO, AS THE CHAIR MENTIONED, I'M HERE TO GIVE YOU AN OVERVIEW OF OUR DEBT POLICIES AND HOW THEY RELATE TO THE FINANCING AND CAPITAL PROJECTS. WHAT I WANT TO TALK ABOUT TODAY IS TO JUST GIVE YOU SORT OF A BRIEF OVERVIEW OF CAPITAL PROJECTS. YOU WILL GET A FULL BRIEFING ON THE CAPITAL PROGRAM TOMORROW, AND, IN FACT, IN PRIOR YEAR, WE HAD THIS COMPONENT AS PART OF THIS BRIEFING, BUT WE DECIDED TO PULL IT OUT JUST SO THAT YOU WOULD HAVE MORE TIME TO DEVOTE TO THE ACTUAL PROJECTS. I WILL MENTION THIS CAN BE A VERY BRIEF READING TODAY, BECAUSE WE'RE NOT A VERY LARGE ISSUER OF DEBT. WE DON'T HAVE A LOT TO REPORT. AND THERE HASN'T BEEN MUCH CHANGE SINCE THE LAST TIME I CAME IN AND BRIEFED YOU ON THIS SUBJECT. SO, I ALSO WANT TO TALK A LITTLE BIT ABOUT SOME OF THE FINANCING OPTIONS AVAILABLE TO THE COUNTY AND SORT OF OUR HISTORICAL PREFERENCE FOR PAY AS YOU GO, VERSUS PAY AS YOU USE. AND THE FACT THAT THE ISSUANCE OF DEBT IS AUTHORIZED IN STATE STATUTE. AGAIN, TALK ABOUT OUR POLICY ON DEBT ISSUANCE, AND THEN REVIEW THE CURRENT AND ANTICIPATED DEBT THAT IS IN THE DEBT CAPACITY MEMO, WHICH YOU WILL GET LATER THIS WEEK.

SO, I JUST WANT TO GO OVER BRIEFLY CAPITAL PROJECTS AND HOW IT RELATES TO DEBT FINANCING. CAPITAL PROJECTS IN THIS CONTEXT ARE GENERALLY FOR NEW CONSTRUCTION, RENOVATIONS, OR ADDITIONS TO

EXISTING ASSETS. THEY'RE GENERALLY RELATED TO IMPROVEMENTS THAT EXTEND THE LIFE OF THOSE ASSETS. AND WE DIFFERENTIATE FOR THIS PURPOSE BETWEEN CAPITAL PROJECTS AND OPERATING ACTIVITIES. OPERATING ACTIVITY, ONGOING OPERATIONS AND IS SHORT-TERM IN NATURE. SOMETHING LIKE A MAINTENANCE AND REPAIR BUDGET. A CAPITAL PROJECT IS SOMETHING THAT SUPPORTS LONG-TERM, HIGH-VALUE PROJECTS, GENERALLY IMPACTS A NUMBER OF STAKEHOLDERS AND SPANS A NUMBER OF YEARS. I LISTED OUT THE COUNTY CAPITAL PROGRAMS HERE IN THE FACILITIES TRANSPORTATION AND INFORMATION TECHNOLOGY. I'M NOT GOING TO TOUCH ON THEM HERE. YOU WILL GET A FULLER BRIEFING TOMORROW. THE POINT I WANTED TO MAKE, YOU COULD SEE DEBT PROCEEDS IN ANYONE OF THESE FUNDS. THERE HAVE BEEN AT VARIOUS POINTS THROUGHOUT THE HISTORY. FUND 2,500 DOWNTOWN COURTHOUSE FUND, AND FUND 2510, HEALTH DEPARTMENT AND HEADQUARTERS CONSTRUCTION FUND.

**Mr. Campbell:** SO, IN OUR FINANCIAL AND BUDGET POLICIES THAT I WENT OVER YESTERDAY, WE HAVE POLICIES THAT ARE RELATED TO THE FOLLOWING AREAS. TRANSPORTATION FINANCING, CAPITAL ASSET MANAGEMENT, AND INFORMATION TECHNOLOGY. AND WHAT I'M GOING TO BE DESCRIBING TODAY IS THE POLICY THAT WE HAVE ON SHORT-TERM AND LONG-TERM DEBT FINANCINGS. AS I MENTIONED EARLIER, THE COUNTY HAS TRADITIONALLY HAD A PAY AS YOU GO PREFERENCE, AND IT'S ONLY BEEN RECENTLY THAT WE HAVE UPDATED THE POLICY TO ACTUALLY STATE A PREFERENCE FOR DEBT AND WHAT CONDITIONS WE WOULD ISSUE IT UNDER.

SO, JUST TO KIND OF BRIEFLY COVER THE DIFFERENCES, PAY AS YOU GO IS GENERALLY KIND OF A VEHICLE THAT YOU WOULD USE FOR ROUTINE MAINTENANCE AND REPAIR. I HAVE LISTED SOME KIND OF EXAMPLES THERE. FEES CHARGED TO BILLING OCCUPANTS FOR FACILITIES FOR THINGS LIKE THE CAPITAL IMPROVEMENT PROGRAM AND ASSET PRESERVATION PROGRAM. IN TRANSPORTATION, IT'S GAS TANKS AND STATE REVENUE SHARE FUNDS THAT COME IN TO THE FUNDS. AND THEN IN FACILITIES AND I.T., WE HAVE IDENTIFIED ONE-TIME ONLY GENERAL FUND RESOURCES THAT WE HAVE PUT INTO THOSE AREAS. SO, PAY AS YOU USE WOULD THEN IMPLY THAT THOSE ARE FOR MAJOR CAPITAL CONSTRUCTION RENOVATIONS, AND PAY AS YOU USE, I GUESS YOU COULD TRANSLATE TO LONG-TERM DEBT FINANCING.

SO, THOSE ARE, AGAIN, LONG TERM IN NATURE, AND THE IMPORTANT THING ABOUT DEBT ISSUANCE IS THAT DEBT ISSUANCE UNDER NO CIRCUMSTANCES CAN BE MADE FOR THE SUPPORT OF ONGOING OPERATIONS. AND THEN I DID -- I DIDN'T BRIEFLY MENTION YESTERDAY, THE RECOMMENDATION ON THE CHANGE TO OUR USE OF ONE-TIME ONLY REVENUE. I WON'T DWELL ON THAT. BUT THAT POLICY WOULD ENABLE US TO KIND OF HELP MANAGE OUR

DEBT CAPACITY, IF IT WERE ADOPTED BY THE BOARD. THE COUNTY'S ABILITY TO ISSUE DEBT IS AUTHORIZED IN STATE STATUTE, AND I HAVE LISTED OUT THE RELEVANT STATUTES HERE. AND THEY RELATE TO GENERAL OBLIGATION BONDS UNDER 287 A.100. REVENUE BONDS 287 A.150. FULL FAITH AND CREDIT BONDS ARE UNDER 287 A.315. AND IN ALL OF THESE CASES, THE DEBT CAPACITY, THE STATUTORY DEBT CAPACITY IS PAID TO REAL MARKET VALUE. I WANT TO GO BRIEFLY OVER SORT OF WHAT THE CHARACTERISTICS OF WHAT THESE DEBT CATEGORIES ARE. THEY HAVE DIFFERENT FEATURES, AND DEPENDING ON THE TYPE OF PROJECT AND REVENUE STREAM THAT SUPPORTS THEM, THEY HAVE ADVANTAGES ONE WAY OR THE OTHER. GENERAL OBLIGATION BONDS, THOSE REQUIRE VOTER APPROVAL. AND CURRENTLY THE COUNTY HAS ONE OUTSTANDING GENERAL OBLIGATION BOND FOR PUBLIC SAFETY, AND ONE OUTSTANDING GENERAL OBLIGATION BOND FOR LIBRARY FACILITIES THAT A FEW YEARS BACK WERE ROLLED INTO ONE SEPARATE ISSUE. DUE TO BE RETIRED IN OCTOBER OF 2016. AND BECAUSE THEY RECEIVED VOTER APPROVAL, THEY GET THE HIGHEST RATING FROM MOODY'S.

**Mr. Campbell:** OUR GENERAL OBLIGATION BONDS ARE RATED AAA BY MOODY'S, AND EQUIVALENT RATINGS FROM STANDARD AND POOR'S. THOSE ARE GENERALLY DESIGNED TO FINANCE ESSENTIAL CAPITAL PROJECTS, AND THE THING THAT MAKES GENERAL OBLIGATION BONDS SPECIAL IS THAT THEY'RE FINANCED BY A PROPERTY TAX LEVY THAT IS OUTSIDE OF THE MEASURE 5 AND MEASURE 50 LIMITS. REVENUE BONDS ON THE OTHER HAND GENERALLY ARE FOUR THINGS. WE DON'T DO A LOT OF REVENUE BONDS, BUT THE TYPE OF THINGS THAT YOU MIGHT ISSUE THEM FOR ARE THINGS LIKE WHEN THE CITY ISSUES WATER AND SEWER BONDS, FOR EXAMPLE. THEY'RE BONDS THAT ARE ISSUED PURSUANT TO A DEDICATED FUNDING SOURCE OR MULTIPLE FUNDING SOURCES. THE SIZE OF THE BOND MEASURE IS GENERALLY DEPENDENT ON THE REVENUE ESTIMATES, AND BECAUSE IT IS TIED TO A REVENUE SOURCE, THEY CARRY A SLIGHTLY HIGHER RISK, AND THE RATING IS BASED ON THE PREDICTED CASH FLOW OF THE PROJECT.

AND, SO, PROBABLY WHERE WE ISSUE A REVENUE BOND, THE RATING WOULD BE SLIGHTLY LOWER THAN THE NEXT CATEGORY, WHICH IS FULL-FAITH AND CREDIT OBLIGATIONS, AND AS THE NAME IMPLIES, A FULL FAITH AND CREDIT OBLIGATION PLEDGES THE CREDIT -- USING ANY AVAILABLE RESOURCES THAT ARE WITHIN OUR FINANCES. THE CREDIT RATING ON THOSE IS ONE STEP LOWER THAN -- CURRENTLY AT AA 1. AND FULL FAITH AND CREDIT BONDS CAN BE AUTHORIZED BY A BOARD RESOLUTION. AND THOSE ARE SUBJECT TO BOTH A STATUTORY LIMIT AND OUR OWN INTERNAL POLICY LIMIT WHICH I WILL GET INTO IN A COUPLE OF MINUTES.

A COUPLE OF OTHER THINGS THAT WE DON'T USE AS FREQUENTLY, BUT ARE ALSO AVAILABLE US AS FINANCING TOOLS ARE CAPITAL LEASES. SO, THESE

ARE THINGS WHERE EQUIPMENT OR PROJECTS THAT HAVE A LIMITED USEFUL LIFE. WE USE THEM WHEN BONDING IS NOT ECONOMICALLY FEASIBLE. AND THE PAYMENTS FOR THOSE LEASES ARE INCLUDED IN OPERATING BUDGETS. THE BEST EXAMPLE OF THIS THAT WE HAVE IN THE CURRENT BUDGET IS THE LEASE FOR THE SELLWOOD LIBRARY. THAT WAS DONE AS A CAPITALIZED LEASE AND IT DOES COUNT AGAINST OUR DEBT POLICY. AND I BELIEVE THAT THE PAYMENTS ON THOSE ARE ONLY ABOUT \$115 OR \$116,000 A YEAR -- WE SHOW THEM AS LONG TERM LIABILITY. USED TO BE THAT YOU COULD ONLY DO A BANK PLACEMENT FOR UP TO \$10 MILLION. THE STIMULUS BILL RAISED THAT LIMIT TO \$30 MILLION. THEY HAVE A LOWER COST OF ISSUANCE, AND THEY'RE GENERALLY LESS TIME CONSUMING, AND IN MOST CASES, THE INTEREST RATES ARE COMPARABLE TO WHAT WE WOULD GET IF WE GO OUT AND ISSUE BONDS.

**Mr. Campbell:** I MENTIONED A COUPLE OF WEEKS AGO WHEN I CAME TO ASK FOR YOUR AUTHORIZATION TO REFUND OUR SERIES 2004 BONDS, THAT WE WERE LOOKING AT DOING THAT AS A BANK QUALIFICATION. AND INTERESTINGLY ENOUGH, WE DID GET PROPOSALS BACK FROM FIVE BANKS, HOWEVER, NONE OF THEM WERE IN THE AREA THAT I THOUGHT THAT WE SHOULD BE AT IN TERMS OF THE INTEREST RATES THAT WE WOULD GET. AND, SO, WE ARE NOW IN THE PROCESS OF DOING IT AS A PUBLIC SALE. AND WE STILL EXPECT TO CLOSE BEFORE THE END OF THE YEAR, BUT WHAT THAT MEANS IS HAD WE BEEN ABLE TO DO THIS AS DIRECT BANK PLACEMENT, WE WOULDN'T HAVE TO GO THROUGH A RATING REVIEW WITH MOODY'S. WE WOULDN'T HAVE TO GO THROUGH THE OFFICIAL STATEMENT PUBLICATION. SO, IT WILL COST US A LITTLE BIT MORE IN THESE ISSUANCE COSTS, BUT I THINK IN TERMS OF WHERE WE NET OUT, THE SAVINGS WILL ACTUALLY END UP IN A BETTER PLACE THAN IF WE HAD DONE THIS IN A DIRECT BANK PLACEMENT. IT IS A GOOD THING TO KNOW WE HAVE IT AVAILABLE TO US. AND THE FACT THAT IT IS UP TO \$30 MILLION, WE MIGHT BE ABLE TO USE IT FOR OTHER PROJECTS IN THE FUTURE.

WE ALSO HAVE THE ABILITY TO INTERNALLY FINANCE VARIOUS THINGS THROUGH INTERFUND LOANS. INTERFUND LOAN IS AUTHORIZED IN STATE STATUTE. IT USED TO BE THAT THEY WERE ONLY -- YOU COULD ONLY FINANCE THINGS UP TO FIVE YEARS. BUT A FEW YEARS BACK, THE LOCAL BUDGET LAW WAS CHANGED AND NOW THOSE CAN BE EXTENDED OUT TO 10 YEARS. THERE -- THEY'RE REALLY VALUABLE FOR PROVIDING SHORT-TERM BRIDGE FINANCING OR INTERIM FINANCING FOR PROJECTS WHERE THERE IS A LONG LEAD TIME TO DEVELOP THE PROJECT.

AS AN EXAMPLE, WHEN WE DID THE SELLWOOD BRIDGE INITIALLY, WE MADE AN INTERNAL LOAN FROM THE RISK FUND TO THE BRIDGE FUND TO COVER THE FIRST \$9 MILLION OF COSTS ASSOCIATED WITH SOME OF THE DESIGN AND ENGINEERING WORK. AND THAT WAS PAID OUT WHEN WE DID THE LONG-

TERM DEBT FINANCING, AND WE REPAID THE RISK FUND WITH THOSE PROCEEDS. AND THE THING ABOUT THE INTERFUND LOANS, YOU KNOW, TO THE EXTENT THAT WE HAVE THE AVAILABLE CASH, THEY PROVIDE US WITH THE GREATEST FLEXIBILITY AND THEY ESTABLISH A PAYMENT SCHEDULE. THE LAW ONLY SAYS THAT YOU HAVE TO CHARGE INTEREST. IT DOESN'T SAY WHAT THE INTEREST RATE YOU CHARGE IS. SO, IN TYPICAL INTERFUND LOANS THAT WE HAVE DONE, WE PEGGED IT TO WHAT THE COUNTY EARNES IN THE LOCAL GOVERNMENT INVESTMENT POOL, WHICH TODAY IS ABOUT A HALF A PERCENT.

**Commissioner Smith:** MADAM CHAIR, I HAVE A QUESTION.

**Chair Madrigal:** COMMISSIONER SMITH.

**Commissioner Smith:** CAN WE BORROW MONEY FROM THE CONTINGENCY, LIKE THE BIT? IS THAT WHAT YOU'RE TALKING ABOUT?

**Mr. Campbell:** WE CAN BORROW MONEY FROM ANYTHING NOT SPECIFICALLY ALLOCATED OR DEDICATED BY POLICY OR STATUTE. TYPICALLY WE HAVE DONE IT FROM THE RISK FUND, BECAUSE THAT'S WHERE OUR -- THAT'S WHERE THE LARGEST PORTION OF THE COUNTY'S CASH RESIDES AT ANY ONE TIME. BUT WE COULD TAKE IT OUT OF ANYWHERE, EXCEPT FOR A DEBT SERVICE FUND.

**Commissioner Smith:** OKAY, THANK YOU.

**Mr. Campbell:** SO, THERE ARE LIMITS, AS I MENTIONED, IN THE STATUTES, AND THERE ARE A LIMIT THAT IS OUTLINED IN THE COUNTY'S POLICY. THE STATUTORY LIMITS ARE PRETTY -- THEY'RE PRETTY GENEROUS. FOR GENERAL OBLIGATION BONDS, YOU CAN GO UP TO TWO PERCENT OF REAL MARKET VALUE. AND THIS COUNTY, REAL MARKET VALUE IS AROUND \$100 BILLION. SO, OUR CAPACITY, IF YOU WILL, IS \$1.9 BILLION. REVENUE AND FULL FAITH AND CREDIT BONDS ARE PEGGED TO ONE PERCENT OF REAL MARKET VALUE, AND UNDER STATE STATUTE, WE CAN HAVE UP TO \$980 MILLION IN FULL-FAITH AND CREDIT AND REVENUE BONDS. HOWEVER, THE COUNTY'S POLICY SAYS THAT DIRECT GENERAL FUND DEBT SERVICE CANNOT BE MORE THAN 5% OF ONGOING CORPORATE REVENUE, AND THAT WAS A SLIGHT CHANGE TWO YEARS AGO. WE MADE A CHANGE SO THAT WE COULD ACCOMMODATE THE SELLWOOD BRIDGE PROJECT AS A FULL FAITH AND CREDIT ISSUE.

THE POLICY PREVIOUSLY SAID THAT ALL OF OUR FULL FAITH AND CREDIT DEBT COULD ONLY BE UP TO 5% OF GENERAL FUND REVENUES. WE RECOGNIZE THAT THE SELLWOOD BRIDGE BY ITSELF WOULD HAVE CONSUMED ALL OF THE DEBT CAPACITY UNDER THAT OLD POLICY. WHEN WE

REVISED IT, WE DID SO WITH THE RECOGNITION THAT THE VEHICLE REGISTRATION FEE WAS AVAILABLE AS A SOURCE TO REPAY THOSE BONDS, AND WE DID THAT ISSUE AS A FULL FAITH AND CREDIT SO THAT WE COULD SQUEEZE AS MUCH MONEY AS POSSIBLE OUT OF THAT. WE COULD HAVE DONE IT AS A REVENUE BOND, BUT GOING BACK TO WHAT I TALKED ABOUT BEFORE, OUR RATING PROBABLY WOULD HAVE BEEN AT LEAST A NOTCH LOWER. IT WOULD HAVE COST US A LITTLE MORE MONEY. THE POLICY WAS CHANGED SO THAT NOW IT IS THE ONLY THINGS THAT ARE DIRECTLY SUPPORTED BY THE GENERAL FUND THAT ARE SUBJECT TO THE 5% LIMIT AND I SHOULD MENTION THAT THAT WOULD GO FOR ANY OTHER FUND.

**Mr. Campbell:** SO, IF WE WERE TO ISSUE DEBT LIKE IN AN I.T. FUND, FOR EXAMPLE, IT WOULD BE THE SAME PRINCIPLE. DEBT IS ISSUED IN SUPPORT OF PROJECTS THAT HAVE EXTENDED USEFUL LIFE. WE WOULD TYPICALLY LOOK AT THINGS THAT ARE PROBABLY MORE THAN EIGHT TO 10 YEARS IN USEFUL LIFE, AND ANYTHING LOWER THAN THAT, WE MIGHT LOOK AT TRYING TO FUND SOME OTHER WAY, OR WE WOULD TRY TO FUND THROUGH BUNDLING A NUMBER OF DIFFERENT PROJECTS TOGETHER TO MAKE IT ECONOMICALLY VIABLE. OUR PREFERRED MAXIMUM TERM ACCORDING TO THE POLICY IS 20 YEARS. BUT THE POLICY ALSO HAS A STATEMENT THAT IT RECOGNIZES THAT THERE ARE SOMETIMES WHEN ASSETS CAN HAVE AN EXTENDED LIFE OF GREATER THAN 20 YEARS AND THAT WE WOULD CONSIDER GOING OUT TO SAY, 30 YEARS. SO, AGAIN, THE POLICY CHANGE THAT WE HAD ON ONE-TIME ONLY REVENUE, IF IT SHOULD BE ADOPTED BY THE BOARD, DOES GIVE US A LITTLE MORE CAPITAL RESOURCES AND CAN HELP US MAXIMIZE THAT DEBT CAPACITY. WE WILL HAVE THAT CONVERSATION FURTHER ALONG IN THE BUDGET PROCESS.

OTHER THING I WANTED TO POINT OUT HERE, OUR DEBT IS EXTREMELY LOW COMPARED TO SIMILAR JURISDICTIONS, AND THAT FACT WAS NOTED BY MOODY'S AND ALSO BY STANDARD AND POOR'S, AS ONE REASON FOR OUR CREDIT RATING UPGRADE THAT WE RECEIVED IN 2011. PRIOR TO 2011, OUR RATING ON FULL FAITH AND CREDIT BONDS WAS AA-2. AND, SO, I BELIEVE, AT LEAST WHAT I'VE BEEN TOLD BY ANALYSTS AT MOODY'S, AA-1 IS PROBABLY ABOUT THE HIGHEST WE COULD ACHIEVE IN THE STATE OF OREGON BECAUSE OF MEASURE 50. AND, SO, I THINK THAT, YOU KNOW, WE CAN -- NOT THAT I'M GOING TO STOP TRYING TO SHOOT FOR AAA, BUT UNTIL THE TAX SYSTEM GETS CHANGED, I THINK WE'RE IN THE BEST POSSIBLE PLACE THAT WE CAN BE.

ON THE NEXT PAGE -- SO, HERE ARE OUR SIX DIFFERENT LONG-TERM DEBT OBLIGATIONS THAT WE HAVE OUTSTANDING. AS YOU CAN SEE, THEY TOTAL UP TO \$314 MILLION. SO WE'RE WELL WITHIN THE STATUTORY LIMITATION. THE ONE I WANT TO POINT OUT ON HERE IS THE PENSION OBLIGATION BONDS. THOSE DO GO OUT UNTIL JUNE OF 2030, AND I THINK, AS I

MENTIONED IN THE PERS BRIEFING A FEW WEEKS AGO, WE CANNOT DO ANYTHING ABOUT THOSE. SO, AS MUCH AS I WOULD LOVE TO REFINANCE THOSE, WE'RE KIND OF STUCK WITH THEM AS THEY ARE. BUT ALL THINGS BEING EQUAL, YOU KNOW, THIS IS ALL OF THE DEBT THAT WE HAVE OUTSTANDING, AND THE OTHER ONE I WANTED TO POINT OUT IS THE SELLWOOD BRIDGE, WHICH, AGAIN, IT FITS WITHIN OUR POLICY, BUT WE HAVE A DEDICATED REVENUE SOURCE TO PAY IT OFF. SO, THE THREE THINGS IN THE MIDDLE THERE ARE THE 2004 FULL FAITH AND CREDIT, 2010 FULL FAITH AND CREDIT AND THE -- ARE THE ONES THAT IMPACT THE GENERAL FUND.

**Mr. Campbell:** AND SO I WANT TO WALK YOU THROUGH THIS -- BECAUSE THIS IS KIND OF WHERE SORT OF THE BASIS OF THIS PRESENTATION IS THAT WE GO THROUGH THIS CALCULATION OF WHAT THE -- WHAT THE DEBT CAPACITY MIGHT BE UNDER THE CURRENT POLICY LIMIT, AND SO WHAT I'VE DONE HERE, I'VE LAID OUT ALL OF THE -- ALL OF THOSE DEBT OBLIGATIONS THAT ARE SUBJECT TO THE POLICY, AND YOU'LL SEE THERE IS THE TWO CAPITAL LEASES ON THERE. AND THEN OFF TO THE SIDE, I IDENTIFIED HOW MUCH OF THAT IS PAID BY THE GENERAL FUND. THE SERIES 2010-A FULL FAITH AND CREDIT WAS ONE THAT WE DID THAT FINANCED SOME CAPITAL IMPROVEMENT PROJECTS IN FACILITIES. IT PAID FOR THE DATA WAREHOUSE AND A PORTION OF THE VOICEOVER INTERNET PROGRAM AND I.T., AND THE OTHER ONE WAS THE LIBRARY. WE DID THE LIBRARY RFID PROGRAM. NONE OF THOSE HAVE DIRECT GENERAL FUND IMPLICATIONS, AND THEY'RE ALL PAID OFF IN FISCAL YEAR 2017.

THE SERIES 2010-B FULL FAITH AND CREDIT IS THE EAST COUNTY COURTHOUSE, AND WHAT THAT REPRESENTS RIGHT NOW, FOR THOSE OF YOU WHO WERE HERE AT THE TIME, YOU MIGHT RECALL IN ORDER TO MINIMIZE THE IMPACT ON THE OPERATING BUDGET, WE DID THAT HAS INTEREST ONLY FOR A PERIOD OF 10 YEARS, AND YOU'LL SEE HOW THAT WORKS ON THE NEXT PAGE. BUT WE DID THAT AS INTEREST ONLY FOR 10 YEARS. THIS REPRESENTS JUST INTEREST PAYMENT. BECAUSE WE SOLD THOSE AS RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS, THOSE HAVE A 45% FEDERAL SUBSIDY ASSOCIATED WITH THEM. THE NET COST TO THE COUNTY IS ONLY ABOUT \$390,000. THE SERIES 2004, FULL FAITH AND CREDIT, IS THE ONE WE WILL BE REFUNDING IN A COUPLE OF MONTHS, AND THAT IS A KITCHEN SINK OF A VARIETY OF THINGS THAT -- IT PAID FOR THIS BUILDING, FOR THE SAP SYSTEM. A BUNCH OF THINGS THAT WERE IN THERE. THAT WAS AN ADVANCED REFUNDING OF A BUNCH OF OTHER DEBT ISSUES DONE IN THE LATE 1990s.

SO, WE TALLY ALL OF THAT UP, AND THE NET OBLIGATION -- OR THE GROSS OBLIGATION FOR THE GENERAL FUND IS ABOUT \$8 MILLION. A LITTLE LESS THAN \$8.1 MILLION. HOWEVER, IN 2009, ONE OF THE THINGS THAT WE DID

WITH OUR ONE-TIME ONLY MONEY WAS TO PUT \$24.2 MILLION INTO THE CAPITAL LEASE RETIREMENT FUND THAT WE USED AS SORT OF AN ESCROW FUND SO THAT WE COULD REMOVE THE BURDEN OF MAKING THOSE DEBT PAYMENTS ON THE DEPARTMENTS AND ON THE GENERAL FUND. SO, THE \$2.9 MILLION THAT YOU SEE THERE NETTED OUT AGAINST THAT, IS THE REMAINDER OF THAT \$24.2 MILLION TRANSFER. SO, OUR NET GENERAL FUND OBLIGATION FOR 2015, IS JUST UNDER \$5.2 MILLION. THE POLICY SAYS THAT WE CAN HAVE 5% -- WE CAN HAVE PRINCIPLE AND INTEREST PAYMENTS THAT ARE 5% OF THE GENERAL FUND REVENUES. THE GENERAL FUND REVENUES, EXCLUDING THE BEGINNING WORKING CAPITAL AND EXCLUDING THE AMOUNT THAT IS BUDGETED IN THE GENERAL FUND TO HELP DEPARTMENT FQHC REVENUES, RIGHT AROUND \$396 MILLION. THE 5% LIMIT WOULD SUGGEST THAT WE CAN HAVE DEBT SERVICE PAYMENTS THAT ARE UP TO \$20 MILLION. WE'RE CURRENTLY AT \$5.2 MILLION.

**Mr. Campbell:** SO, THE NET REVENUE THAT WOULD BE AVAILABLE PER NEW DEBT ISSUANCE, \$14.6 MILLION. WHEN I ESTIMATE HOW MUCH WE COULD ISSUE BASED ON THAT DOLLAR AMOUNT, AND I'M BASING THIS ON AN ASSUMPTION THAT WE WOULD ISSUE FOR 20 YEARS, AND I'M USING 4% AS SORT OF THE BASELINE FOR INTEREST RATE -- THAT WE COULD ISSUE UP TO ANOTHER \$200 MILLION. NOW, I HAVE TO BE CAUTIONARY ABOUT THAT, BECAUSE YOU KNOW, DO WE HAVE \$14.6 MILLION THAT WE COULD JUST PLUG INTO DEBT PAYMENTS? PROBABLY NOT. BUT THAT IS WHAT THE POLICY IMPLIES.

SO, HERE IS THE CHART THAT YOU HAVE SEEN OVER THE PAST COUPLE OF YEARS, AND WHAT THIS SHOWS IS OVER TIME THE DEBT THAT WE HAVE BEING PAID OFF AND WHEN WE GET TO THE YEAR 2021, ALL OF THE DEBT THAT WE HAVE CURRENTLY OUTSTANDING UNDER THE POLICY WILL BE RETIRED WITH THE EXCEPTION OF THE EAST COUNTY COURTHOUSE, AND THE CAPITAL LEASE FOR THE SELLWOOD LIBRARY, WHICH MAY ULTIMATELY BECOME AN OBLIGATION OF THE LIBRARY DISTRICT. SO THAT'S WHY IT IS NOT NECESSARILY SHOWN ON HERE. THE OTHER THING THAT IS NOT SHOWN ON HERE IS IN THE BUDGET THIS YEAR, WE HAVE PLACEHOLDERS. WE HAVE PLACEHOLDERS FOR THE COURTHOUSE FUND AND WE HAVE A PLACEHOLDER FOR THE HEALTH DEPARTMENT HEADQUARTERS FUND. IT'S MAYBE NOT LIKELY THAT WE WILL ACTUALLY ISSUE DEBT IN THIS FISCAL YEAR FOR EITHER ONE OF THOSE PROJECTS. THAT'S NOT ON HERE. BUT WHEN WE DO ISSUE DEBT FOR THE HEALTH DEPARTMENT BUILDING, FOR EXAMPLE, THAT'S GOING TO TAKE UP SOME OF THAT SPACE IN THE DEBT CAPACITY.

**Commissioner Smith:** OF THE 14.6?

**Mr. Campbell:** RIGHT, CORRECT. SO, I SAID THIS WAS GOING TO BE BRIEF. IN



SUMMARY, YOU KNOW, WE HAVE A BUNCH OF CAPITAL FINANCING TOOLS AVAILABLE TO US. AND WHAT WE LIKE TO GENERALLY TRY TO DO IS MATCH THE FINANCING TOOL TO THE NATURE OF THE PROJECT. WE WILL ISSUE LONG-TERM DEBT WHEN THE ESTIMATED COST AND USEFUL LIFE OF A PROJECT BEING FUNDED IS -- THAT WARRANTS IT. I WENT OVER A DISCUSSION OF THE FINANCING TOOLS AVAILABLE TO THE COUNTY. AGAIN, OUR DEBT LOAD IS VERY LOW AND ALMOST ALL DEBT SUBJECT TO THIS POLICY IS PAID OFF IN 2020. EXISTING POLICY, ABOUT \$200 MILLION IN DEBT CAPACITY. THE COUNTY LIMITS ARE OBVIOUSLY A LOT MORE RESTRICTIVE AND THE ORS LIMITS, WHETHER WE HAVE \$2 MILLION IN CAPACITY OR CLOSE TO \$1 BILLION IN CAPACITY, THE THING THAT YOU ALWAYS HAVE TO KEEP IN MIND, ULTIMATELY YOUR CAPACITY IS LIMITED TO WHAT YOU CAN AFFORD TO PAY. I THINK THAT IS ABOUT IT FOR MY PRESENTATION. I WILL TAKE ANY QUESTIONS.

**Chair Madrigal:** CAN WE GO BACK TO THE LAST SLIDE THAT YOU HAD WITH THE CHART?

**Mr. Campbell:** UH-HMM.

**Chair Madrigal:** SO, IN 2015, THAT NUMBER THAT YOU GAVE US -- IF WE ISSUED DEBT TODAY, OUR CURRENT DEBT PAYMENT IS \$9.5 MILLION, AND WE COULD DO AN ADDITIONAL 14 IN 2015, IF WE COULD AFFORD IT.

**Mr. Campbell:** RIGHT.

**Chair Madrigal:** OKAY. AND THEN BY 2021, OUR DEBT PAYMENT IS ONLY \$2 MILLION.

**Mr. Campbell:** RIGHT.

**Chair Madrigal:** SO, LOOKING OUT INTO THE FUTURE, AND THE PACING OF THESE PROJECTS THAT WE DO, WE HAVE EVEN MORE FLEXIBILITY THAN THE 14.

**Mr. Campbell:** UH-HMM. AND THE ONE THING I DID WANT TO POINT OUT, YOU ALLOCATED IN THE BUDGET, YOU DID ALLOCATE \$1.8 MILLION TO THE CAPITAL DEBT RETIREMENT FUND. WE DO HAVE SOME THINGS COMING OFF IN THE NEXT COUPLE OF YEARS, BUT WHAT THE PURPOSE OF THAT WAS TO PROVIDE, SO THAT WE HAD THE ABILITY TO CASH FLOW THOSE PAYMENTS, AND WHEN THOSE THINGS DO COME OFF, THAT WE WILL HAVE THE ABILITY THEN TO BACK OUT EVEN MORE GENERAL FUND.

**Chair Madrigal:** OTHER QUESTIONS? OKAY. NO MORE QUESTIONS. THANK YOU. AND THERE BEING NO FURTHER BUSINESS, WE'RE ADJOURNED. [GAVEL]

## **ADJOURNMENT**

The meeting was adjourned at 1:40 p.m.

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Submitted by:  
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Board of County Commissioners  
Multnomah County