

January 21, 2020

RESOLUTION No. 6038

Resolution Authorizing the Sale of Refunding Bonds and Related Matters

RECITALS

- A. On August 20, 2012, the Board of Portland Public Schools, Multnomah County, Oregon also known as Multnomah County School District 1J (“PPS” or the “District”) approved a ballot measure authorizing PPS to issue up to \$482 million of general obligation bonds to finance capital costs to improve schools, as described in the 2012 ballot measure.
- B. On May 1, 2013, the District issued \$68,575,000 in general obligation bonds (the “2013B Bonds”) pursuant to the authority of the 2012 ballot measure.
- C. The District may be able to reduce its debt service expense and the general obligation bond property tax levies by refunding its 2013B Bonds.
- D. The District is authorized by Oregon Revised Statutes Sections 287A.360 to 287A.380 to issue bonds to refund outstanding general obligation bonds.
- E. It is now desirable to authorize the sale of general obligation bonds to refund all or a portion of the 2013B Bonds.

RESOLUTION

- 1. The Board hereby authorizes the issuance of general obligation refunding bonds (the “Refunding Bonds”) to refund all or any portion of the 2013B Bonds. The Refunding Bonds may be issued in an amount that is sufficient to refund all or any portion of the 2013B Bonds and to pay costs related to issuing the Refunding Bonds and refunding the 2013B Bonds.
- 2. The District’s Deputy Superintendent of Business & Operations, Chief Financial Officer or the person designated by the Deputy Superintendent of Business & Operations or Chief Financial Officer to act under this resolution (each of whom is referred to in this resolution as a “District Official”) may, on behalf of the District and without further action by the Board:
 - a. Sell and issue the Refunding Bonds in one or more series which may be sold at different times.
 - b. Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Refunding Bonds.
 - c. Establish the maturity schedule, interest rates, prepayment terms, and other terms of each series of the Refunding Bonds.
 - d. Execute and deliver a bond declaration for each series of the Refunding Bonds. The bond declaration for each series may specify the terms under which the series is issued, and may contain covenants for the benefit of bond owners and any providers of credit enhancement for the Refunding Bonds.
 - e. Publish a notice of sale, receive bids and award the sale of each series of the Refunding Bonds to the bidder complying with the notice and offering the most favorable terms to the District, or select one or more underwriters, commercial banks or other investors and negotiate the sale of any series with those underwriters, commercial banks or investors.

January 21, 2020

- f. Engage the services of verification agents, escrow agents, paying agents and any other professionals whose services are desirable for the Refunding Bonds and negotiate the terms of and execute agreements with those professionals.
- g. Provide for the call, defeasance, and redemption of any 2013B Bonds that are refunded and enter into related agreements and take related actions.
- h. Undertake to provide continuing disclosure for each series of the Refunding Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- i. Apply for ratings for each series of the Refunding Bonds, determine whether to purchase municipal bond insurance or obtain other forms of credit enhancement, including the Oregon School Bond Guaranty Program, for each series of the Refunding Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.
- j. Appoint paying agents and other service providers for the Refunding Bonds and negotiate the terms of and execute agreements with those providers.
- k. Determine whether each series of the Refunding Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, or is includable in gross income under that code. If a series bears interest that is excludable from gross income under that code, the District Official may enter into covenants to maintain the excludability of interest on that series of the Refunding Bonds from gross income.
- l. Prepare and submit an advanced refunding plan to the Oregon State Treasurer's office for the refunding of the 2013B Bonds.
- m. Execute any documents and take any other action in connection with the Refunding Bonds which the District Official finds will be advantageous to the District.



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Date: January 21, 2020
To: School Board
From: Cynthia Le, Chief Financial Officer
Subject: Bond Sale

BACKGROUND

Portland Public Schools (PPS) is undertaking the issuance of general obligation bonds for two purposes:

- 1) **Refunding Bonds.** The attached resolution authorizes PPS to refund its outstanding General Obligation Bonds, Series 2013B for debt service savings. The Series 2013B Bonds were initially issued in the principal amount of \$68,575,000 and there is approximately \$50,410,000 in principal amount of the Series 2013B Bonds outstanding. The savings related to the refunding will be determined based on interest rates available to PPS at the time the refunding bonds are expected to be issued.
- 2) **Bonds for Projects.** In addition to the refunding, PPS also plans to issue general obligation bonds to use the remaining authority from the bond measure presented to voters at the May 2017 election. There remains approximately \$441,320,000 of authority under that measure. Staff is not presenting a resolution to the board related to the bonds for projects because the board has already adopted a resolution authorizing staff to sell the remaining authority under the measure presented to voters at the May 2017 election. That resolution number is 5472 and it was approved on June 20, 2017.

Assuming savings related to the refunding are sufficient to justify going forward, PPS intends to sell the bonds for these two purposes at the same time.

RELATED POLICIES/BEST PRACTICES

It is PPS' goal that property tax levy for the capital bonds be no more than \$2.50/\$1,000 of assessed value.

ANALYSIS OF SITUATION

- 1) **Refunding Bonds:** If the refunding is accomplished, then reduction in debt service expense would benefit property owners as the reduction would result in a lower general obligation bond property tax levy.

- 2) **Bonds for Projects:** The issuance of the remaining 2017 bond measure is needed to secure the funds needed for current projects until the board authorizes a new bond measure.

FISCAL IMPACT

- 1) **Refunding Bonds:** If the refunding is accomplished, then reduction in debt service expense would benefit property owners as the reduction would result in a lower general obligation bond property tax levy.
- 2) **Bonds for Projects:** This bond issue will provide up to \$441 million in bond funds to support the final phase of the capital improvement work outlined in the 2017 bond proposal.

COMMUNITY ENGAGEMENT (IF APPLICABLE)

N/A

TIMELINE FOR IMPLEMENTATION / EVALUATION

Once the Board approves this request, PPS will undertake the 2013B refunding bonds and final issuance of the 2017 bond authorization in the Spring of 2020. PPS staff is working closely with its financial advisor (Piper Jaffray) and its bond counsel (Hawkins Delafield & Wood LLP) to complete this transaction.

BOARD OPTIONS WITH ANALYSIS

N/A

STAFF RECOMMENDATION

Staff recommends the Board of Education approve the issuance of general obligation bonds for refunding the 2013B bonds issuance. The issuance of bonds to use the remaining 2017 bond authorization has been authorized by the board in an earlier resolution.

As a member of the PPS Executive Leadership Team, I have reviewed this staff report.

CH (Initials)