



Bonds 101: Presentation to City of Oregon City

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General Bond Primer

- A “bond” is a loan that is broken into pieces and sold to investors.
- Municipalities use bonds for major capital projects that cannot be financed on a pay as you go basis.
- Bonds come in several varieties:
 - Tax-exempt bonds - how most local governments issue bonds. Bondholder receives repayment of principal and interest. Interest is not subject to federal or state income taxes.
 - Taxable bonds - Bondholder receives repayment of principal and interest. However, interest is subject to federal (not state) income taxes. Local governments have used taxable bonds to fund pension liabilities and non-public purpose projects.
- Municipal bonds are generally subject to prepayment without penalty after the first 10 years.

Bonding Options

1. General Obligation Bonds – secured by property. To the extent necessary, authorizes an additional property tax to be levied against all property within the issuer's boundaries, although other revenues may be used instead. Considered the most secure bonds, have the lowest interest rate.
2. Full Faith and Credit Obligations – secured by the 'Full Faith and Credit' of the borrower and backed by the general fund. No additional revenues are provided for repayment.
3. Revenue Bonds – secured by a given stream of revenues. Certain covenants regarding maintaining fund balance cushions, reserve funds and limitations of ability to issue additional debt are typical.

More on General Obligation Bonds in Oregon

1. Secured by property taxes and Issuer's "full faith and credit".
2. Typically, debt service repaid by levy on all taxable property within issuer's boundaries. Availability of property tax levy results in lowest interest rate; however, debt can be repaid by other sources. Considered highest quality credit a municipality can offer.
3. Interest on bonds is generally exempt from federal and state income taxes.
4. There are 4 election dates every year: March, May, September and November. November and May elections are not subject to double majority.
5. Proceeds can be used for "capital construction and improvements" that have a useful life of one year or more.
6. Bond ballot approves a "not-to-exceed" par (\$) amount of bonds, permitted use of proceeds and maximum years to maturity. Bond ballot cannot approve a "\$ per thousand" amount.

State Debt Limits

Cities are subject to a debt limit of no more than 3% of Real Market Value. This does not apply to non-voted debt.

Real Market Value (Fiscal Year 2016)	\$ 3,750,576,097
Debt Capacity	
General Obligation Debt Capacity (3.00% of Real Market Value)	\$ 112,517,283
Less: Outstanding Debt Subject to Limit	(6,063,649)
Remaining General Obligation Debt Capacity	\$ 106,453,634
Percent of Capacity Issued	5.39%

Use of Proceeds

- Proceeds may be used for “capital construction and improvements” with a useful life of 1 year or more.
- Eligible projects are those where the “weighted average life” of bonds do not exceed the “weighted average life” of capital costs used to finance assets with a useful life of at least one year.
- Projects that are “routine” maintenance are not eligible. However, technology, supplies, furnishings and large scale maintenance projects would all qualify.
- Interest earnings on proceeds must be used for projects in ballot title.

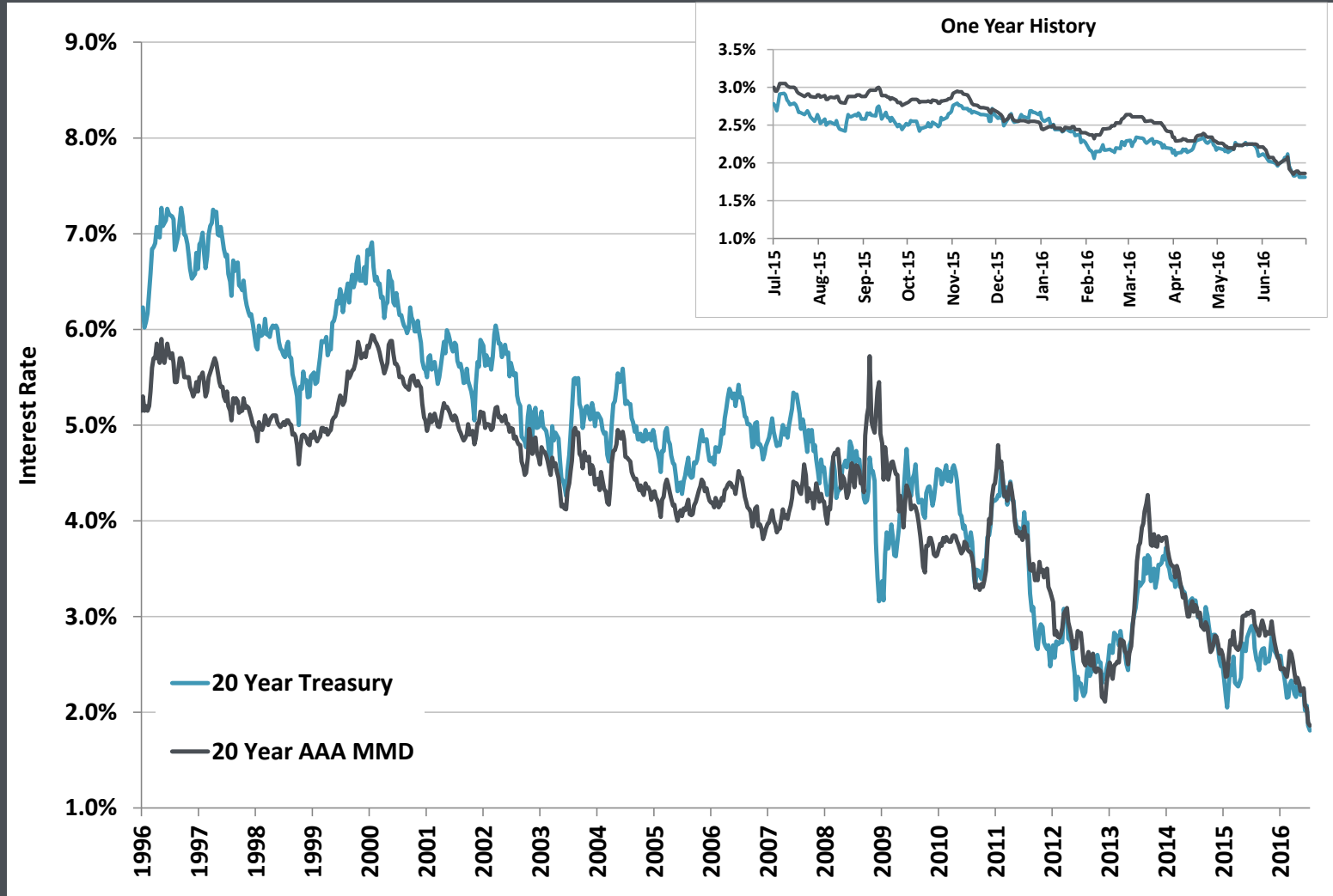
Debt Repayment Options

Length of Issue — *What maturity do you want?*

- Useful life of items being financed
- Trade-off between annual and overall cost
- Specific community priorities and relationship with other outstanding debt

Historic Interest Rates

20 Year Tax-Exempt (AAA MMD) vs. 20 Year Treasury Rates



General Obligation Police Facility Bonds, Series 2017

Annual	\$1,100,000	\$1,100,000
Amortization	15 years	20 years
Par Amount	\$12,610,000	\$16,310,000
Total Interest	\$2,757,917	\$5,646,429
Total Debt Service	\$15,367,917	\$21,956,429
Current Interest Rates	+ 1.00 %	+ 1.00 %
True Interest Cost (TIC)	2.65%	2.93%
Total Interest Cost % of Par	21.9%	34.6%

Election Schedule

Election Date	County Filing/ Voters' Pamphlet Deadline	Ballots Mailed	First FY Taxes Levied
September 20, 2016*	July 21	Sept. 2-6	FY 2017-18
November 8, 2016	September 8	Oct. 21-25	
March 14, 2017*	January 12	Feb. 24-28	
May 16, 2017	March 16	April 28 - May 2	
September 19, 2017*	July 20	Sept. 1-5	FY 2018-19
November 7, 2017	September 7	Oct. 20-24	
March 13, 2018*	January 11	Feb. 23-27	
May 15, 2018	March 15	April 27 - May 1	

- ✓ **Check with your County elections office to verify filing deadlines.**
- ✓ **All elections are by mail.**
- ✓ **Dates apply to both GOs and Local Option Levies.**

* Subject to double majority provisions.

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