

Conduct a second reading of ordinance bill no. 4-20 authorizing the City Manager, or the City Manager's designee, to issue approximately \$60 million in Utility revenue bonds to finance the City of Salem's Utility capital needs and costs of the debt issuance.

SUMMARY:

The revenue bonds will finance improvements to the City's water and wastewater systems. Staff and the City's financial advisors have analyzed the Utility Fund's (water, wastewater, stormwater) rate revenues, expenses and future projections and believe the Utility is in strong financial standing to meet current obligations and this debt issue. There is no General Fund obligation.

Second reading of the ordinance is recommended for this evening's meeting. Having the first and second readings early in the year will allow the City to fund the debt before potential competing governmental debt issuances later this spring or summer. This early issuance will also allow for project construction planning to begin before busy summer months. If approved on February 10th, the City will issue the bonds utilizing a competitive bid method of sale in late March after a required 30-day remonstrance period with a closing in early April.

FACTS AND FINDINGS:

These revenue bonds will fund construction of an ozone treatment facility, treatment filter improvements, enhancement to groundwater wells, and improvements to the Aquifer Storage and Recovery system. In addition, funds will be used for a wastewater pump station and rehabilitation or replacement of aging water or wastewater pipes and facilities. These capital improvements are part of the City's continued dedication to the customers and residents of Salem to maintain Utility infrastructure. The Utility infrastructure is valued at approximately \$4 billion.

During the Summer of 2018, the City of Salem experienced a water advisory as a result of algae blooms in the Detroit Reservoir, the main source of the City's drinking water. The investments in the Utility's infrastructure will ensure the provision of safe drinking water to customers and improve resiliency by enhancing supplemental water sources.

BACKGROUND:

The City's financial policies allow for the financing of debt when fiscally prudent and legally allowable.

Bonded debt that is funded by a specific revenue source, such as utility rates, are called revenue bonds.

In 2009, the City Council approved a \$100 million full faith and credit debt issuance to fund needed improvements for the Utility Fund and then refunded the debt in 2017. This refunding resulted in a savings of approximately \$7.8 million for the Utility. This savings and prudent rate increases have resulted in an opportunity for further investment in the Utility infrastructure.

The City actively manages its Utility debt portfolio based on Council Policy C-2 and Council Policy C-14. The City's Utility is currently paying debt service on two outstanding issuances; the 2012

refunding of revenue bonds and the 2017 refunding of commercial paper. The 2012 refunding is anticipated to be paid off in June of 2025 and the 2017 refunding in June of 2027.

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Attachments:

1. Ordinance Bill No. 4-20