

W. G. A.

Memorandum Date: September 12, 2007
Order Date: September 12, 2007

TO: Board of County Commissioners
DEPARTMENT: Management Services, Finance Division
PRESENTED BY: Kay Blackburn, Financial Services Manager
AGENDA ITEM TITLE: Order/In the Matter of Authorizing the Redemption of Oregon Local Governments Limited Tax Pension Obligation Bonds, Series 2002B, Maturity 2025

I. MOTION

Move approval of Order 07-09-12-XX authorizing the redemption of Oregon Local Governments Limited Tax Pension Obligation Bonds, Series 2002B Maturity 2025.

II. AGENDA ITEM SUMMARY

In 2002, the County issued bonds to pay down the unfunded PERS liability. The bonds were issued in series with varying maturities and varying rates of interest. One series, \$8,065,000 principal at 6.6% interest maturing in 2025 is callable in whole or in part on or after June 1, 2007. The County has accumulated funds in the Employee Benefit Fund (614) for the purpose of mitigating fluctuations in the County's PERS employer rate charge as a result of litigation. This item proposes using the accumulated funds to call a portion of the bonds.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In 2003 the rate PERS charged the County for employer contributions dropped as a result of lawsuits and legislative changes. Those changes were under appeal in the court system at the time, so the County continued to assess the higher employer rate to programs primarily to stabilize the rates in the event the appeals were successful. The County has a balance in the reserve of approximately \$6.5 million.

The \$6.5 million in the reserve could be used to call (payoff) a portion of the outstanding bonds. This would result in interest savings to the County of \$7,722,000 (net present value savings of \$2,139,421 at 4% discount rate).

The Finance and Audit Committee recommended on May 24, 2007 that the funds be used to call the Pension Bonds.

B. Policy Issues

Redemption of the bonds is consistent with the County's debt policies (APM Chapter 2, Section 21) which call for minimizing debt service requirements and maintaining adequate capacity for new debt issuance.

C. Board Goals

This proposal is consistent with the strategic plan goal of providing efficient and effective financial and administrative support and systems, and protecting the public's assets.

D. Financial and/or Resource Considerations

Administrative costs associated with calling the bonds should be minimal. Prepayment of \$6.5 million of the obligation results in annual cash flow savings of \$429,000 through 2024 which equates to a total interest savings of \$7,722,000.

E. Analysis

There are other potential uses for the balance of funds in the Employee Benefit Fund reserve. However, because the funds were collected from programs, including grant-funded programs, as an assessment against PERS-subject salary, the funds will need to be used for PERS-related costs. If the funds are not applied to PERS-related costs in the near future, a portion of the reserve may be required to be refunded to grantor agencies. One grantor audit has already identified the assessment as a "disallowed charge" that will need to be refunded if there is not a plan to apply the balance to the PERS bonds.

F. Alternatives/Options

1. Authorize redemption of the bonds.
2. Recommend that the bonds not be called at this time, and that other options be explored in more depth.

IV. TIMING/IMPLEMENTATION

Upon approval, the Bond Trustee will be notified of intent to call the bonds. Bondholders will be provided with 30 days notice, so the actual liquidation will occur between 30-60 days after notice is provided to the Bond Trustee along with deposit of the funds required to pay the principal amount, plus any outstanding interest.

V. RECOMMENDATION

The Financial Services Manager recommends that the motion be approved.

VI. FOLLOW-UP

If approved, the transaction will be completed as detailed above in Section IV.

VII. ATTACHMENTS

Order # 07-9-12-XX
Exhibit 1

Callable portion of Pension Bonds
 \$8,065,000 at 6.6% maturing 2025

Due Date	Scheduled Payment	Payments if Call 6.5 Million	Cash Flow Savings
6/1/2007	532,290	7,032,290	(6,500,000)
6/1/2008	532,290	103,290	429,000
6/1/2009	532,290	103,290	429,000
6/1/2010	532,290	103,290	429,000
6/1/2011	532,290	103,290	429,000
6/1/2012	532,290	103,290	429,000
6/1/2013	532,290	103,290	429,000
6/1/2014	532,290	103,290	429,000
6/1/2015	532,290	103,290	429,000
6/1/2016	532,290	103,290	429,000
6/1/2017	532,290	103,290	429,000
6/1/2018	532,290	103,290	429,000
6/1/2019	532,290	103,290	429,000
6/1/2020	532,290	103,290	429,000
6/1/2021	532,290	103,290	429,000
6/1/2022	532,290	103,290	429,000
6/1/2023	532,290	103,290	429,000
6/1/2024	532,290	103,290	429,000
6/1/2025	8,597,290	1,668,290	6,929,000
Total Payments	18,178,510	10,456,510	
Gross cash flow reduction - interest payments			7,722,000
Net present value savings at 4%			2,139,421

Rate on Payroll drops average of .56%

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO.) IN THE MATTER OF AUTHORIZING THE REDEMPTION
07-10-17-) OF OREGON LOCAL GOVERNMENTS LIMITED TAX
) PENSION OBLIGATION BONDS, SERIES 2002B
) MATURITY 2025

WHEREAS, Pursuant to Board Order 02-02-13-9 the County issued Oregon Local Governments Limited Tax Pension Obligation Bonds; and

WHEREAS, the County has accumulated funds in the Employee Benefit Fund to mitigate temporary fluctuations in the employer rate charged by PERS; and

WHEREAS, the County has determined that the reserve in the Employee Benefits Fund is no longer needed for rate stabilization; and

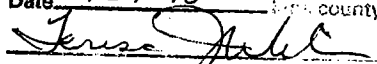
WHEREAS, the Series 2002B Maturity 2025 is callable;

IT IS HEREBY ORDERED that the redemption of \$6,500,000 of the Series 2002B Maturity 2025 is authorized; and

FURTHER ORDERED that the County Treasurer is delegated authority to sign the documents necessary to effect the redemption.

Dated this 17th Day of October, 2007

FAYE STEWART, CHAIR
Board of County Commissioners

APPROVED AS TO FORM
Date 10/8/07 Lane County

OFFICE OF LEGAL COUNSEL