

TOBIAS READ
STATE TREASURER

JACQUELINE KNIGHTS
TREASURER'S DESIGNEE

CHRISTINE REYNOLDS
CHAIR



**MUNICIPAL DEBT
ADVISORY COMMISSION**
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896
(503) 378-4930

PUBLIC MEETING NOTICE AND AGENDA

MUNICIPAL DEBT ADVISORY COMMISSION MEETING

Monday, April 5, 2021
10:00 AM – 11:30 AM

Audio and video participation: [Join Microsoft Teams Meeting](#)
Audio participation only: 971-279-6217 Conference ID: 109 654 654#

Meeting materials are accessible on the [MDAC web page](#) under "Meeting Dates, Agendas, and Minutes"

AGENDA

	<u>BEGIN</u>	<u>END</u> ¹	<u>Presenter</u>
1. Call to order and roll call	10:00 AM	10:05 AM	Christine Reynolds
2. November 3, 2020 meeting minutes/recording https://www.oregon.gov/treasury/oregon-bonds/municipal-debt-advisory/pages/default.aspx			Christine Reynolds
3. MDAC annual report: Review and approval process	10:05 AM	10:15 AM	Christine Reynolds
4. MDAC OAR Amendment: a. OAR 170-061-0000 amendment relative to ORS 238.697 b. Oregon Treasury pension obligation acknowledgement letter c. Oregon Treasury post issuance compliance report	10:15 AM	11:25 AM	Jacqueline Knights Melisse Cunningham
5. Other business	11:25 AM	11:30 AM	
6. Adjournment			

¹ Approximate end time

TAB 4 –

MDAC Oregon Administrative Rule Amendment

Oregon State Treasury

Chapter 170

Division 61

ISSUANCE OF BONDS

170-061-0000

Notice and Reporting Requirements by Public Bodies When Issuing Bonds

(1) Terms used in OAR 170-061 shall have the meanings given in ORS Chapters 286A and 287A unless otherwise specifically defined herein.

(2) Definitions.

(a) "MDAC" means the Oregon Municipal Debt Advisory Commission, including OST when acting as staff for the MDAC pursuant to 287A.632(3).

(b) "OST" means the Office of the State Treasurer.

(c) "Bond marketing date" is the date the public body and underwriter or placement agent agree on the market terms of the bonds. For competitive bid bonds this is the date bids are opened and the bonds are awarded to public bidders pursuant to a published notice of bond sale. For negotiated sales or private placements this means the date the public body gives the verbal award to the underwriter or placement agent.

(d) "Called bonds" are bonds for which the public body has exercised the option or requirement to redeem before the stated maturity date. The call date is the date the bond may be redeemed.

(e) "Closing" means the date the bonds are delivered to the initial bond purchaser and the public body receives payment for the bonds.

(f) "Delivery date" means the date shown by the United States Postal Service or other delivery services' cancellation mark or, if provided electronically, the delivery date is the date shown as electronically received by the OST.

(g) "Governing body" means the person, board, commission, council, officer or other body authorized to direct the issuance of bonds.

(h) "Issuer" means a public body or the State Treasurer.

(i) "Official statement" means the document published by a state agency or public body that discloses material information on the issue of bonds including the purposes of the issue, repayment methods, and the financial, economic and social characteristics of the issuing government. A final official statement is printed after the final terms of the bonds are available.

(j) "Paying officer" means the public officer, other than a fiscal or paying agent, to whom bonds may be presented for payment.

(k) "Public body" means those entities described in ORS 287A.001 and an intergovernmental entity formed pursuant to ORS 238.695.

(l) "State agency" means a related agency defined in ORS 286A.001(8).

(m) "True Interest Cost" (TIC) means the annual discount rate that, when used to discount all debt service payments on the issue to the date of initial delivery of the issue, using a compounding interval equal to the interest payment periods for the issue, results in the aggregate present value of such debt service payments being equal to the original purchase price (including accrued interest) of the issue.

(n) "Independent SEC-registered advisor" has the meaning given in Oregon Laws 2019, chapter 355, section 23(4).

(o) "Pension Obligation Bonds" means issuance of bonds authorized under ORS 238.694.

(p) "Public Offering" means a sale for which an issuer publicizes the upcoming bond issue, provides the timeframe and platform for which bids will be accepted, and provides any additional guidelines or details related to the bond issue and for which the winning bidder(s) generally is the bidder who has offered the lowest total interest costs, including all costs of issuance and underwriter fees.

(q) "Private Placement" means a sale in which funds are provided through direct negotiation with one or more private or governmental entities, effectively providing a loan that must be repaid over time. Private placements do not require many of the disclosure requirements found in public offerings and are not publicly issued or publicly traded.

(r) "Limited Offering" means a sale in which the bonds are offered and sold to a limited number of investors that meet certain established standards for qualifying as a purchaser of the bonds and the offering is exempt from the provisions of Securities and Exchange Commission Rule 15c2-12 because the bonds are sold in authorized denominations of \$100,000 to no more than 35 persons each of whom the underwriter reasonably believes:

(A) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment; and

(B) is not purchasing for more than one account or with a view to distributing the securities.

(s) "Pension Liability Issuance Assessment Report" means the assessment as defined and required in ORS 238.697(1)(a).

(3) Notice of bond sales. Public bodies shall provide notice of publicly offered and limited offering bond sales to MDAC by submitting MDAC Form 1 as set forth in OAR 170-055-0001(4). Notice must include preliminary bond sale information such as: the issuing entity, type of bond, anticipated bond marketing date, bond par amount, project or purpose of the bond issue, source of revenues used to repay the bonds, anticipated closing date, bond counsel, financial advisor and other summary information identified on MDAC Form 1.

(4) Timing. If a public body issues Pension Obligation Bonds, whether by public offering, limited offering or private placement, the public body shall provide the notice described in section 3 of this rule to the MDAC at least 30 days prior to bond marketing date; for all other bond sales the public body shall provide the required notice to the MDAC at least 10 days prior to the bond marketing date.

(5) Pension Bonds Assessment. In addition to the notice required under section 4 of this rule, a public body issuing Pension Obligation Bonds shall also submit to the State Treasurer, through the OST Debt Management Division, at least 30 days prior to ~~the bond marketing~~ issuing the bonds the following items:

(a) A statistically based assessment (Pension Liability Issuance Assessment Report) from an independent economic or financial consulting firm regarding the likelihood that investment returns on the Pension Obligation Bond proceeds, if invested pursuant to the required investment policies and guidelines to which the Issuer is subject, will exceed the interest cost of the bonds over the term of the bond issue and under various market conditions; ~~and~~

(b) The name of the SEC-registered advisor, if any, that will assist the public body in issuing the Pension Obligation Bonds; ~~and~~

(c) Attest that the Issuer has made the public disclosure pursuant to ORS 238.697(b).

(6) Confirmation of notice. After receipt of the notice required under section 4 of this rule, the MDAC shall provide a letter verifying such. The letter includes a statement that the notice complies with OAR 170-061-0000 and is conclusive evidence of such compliance. Compliance letters are sent to bond counsel. Noncompliance letters state the reason for non-compliance and are sent to the public body and its bond counsel.

(7) Issuers receiving MDAC Compliance Letters for Pension Obligation Bonds issued on or after June 11, 2019 and which remain outstanding shall:

(a) Confirm receipt of the Acknowledgement Letter that will be issued by the OST Debt Management Division, indicating potential risks associated with Pension Obligation Bonds and

(b) Provide the following statistical data initially and annually using the OST's Post Issuance Annual Compliance Report:

(A) The actual interest rate owed over the term of the bonds;

(B) The projected rate of return on bond proceeds as determined by the assessment;

(C) The actual rate of return on bond proceeds in the previous fiscal year; and

(D) The cumulative rate of return on the bond proceeds.

~~(87)~~ Postponement. For postponed or changed bond sales the public body complies with notice requirements when, on a best efforts basis, it submits an updated MDAC Form 1 to the MDAC as set forth in OAR 170-055-0001(4).

~~(98)~~ Reporting results. Any public body issuing bonds shall report bond sale results by submitting MDAC Form 2, and a public body preparing an official statement shall provide a final copy of such official statement, to the MDAC within seven business days after the bond marketing date. Sale results must

include all of the information identified on MDAC Form 2. The public body and its bond counsel will receive written notice of non-compliance if sale results are not reported.

(109) Exceptions. The MDAC, through a vote of the commissioners, may waive any or all provisions of this rule

Statutory/Other Authority: ORS 287A.634 & 287A.640

Statutes/Other Implemented: ORS 287A.634 & ORS 287A.640

History:

[OST 5-2019, amend filed 12/16/2019, effective 12/20/2019](#)

[OST 2-2019, temporary amend filed 07/24/2019, effective 08/01/2019 through 01/27/2020](#)

OST 3-2010, f. & cert. ef. 2-2-10

OST 7-2008, f. & cert. ef. 12-29-08

TD 2-1995, f. & cert. ef. 12-26-95

TD 1-1995, f. 6-29-95, cert. ef. 7-3-95

TD 2-1994, f. & cert. ef. 9-9-94

TD 1-1985, f. & ef. 1-24-85

TD 4-1982, f. & ef. 7-7-82

TD 2-1982(Temp), f. & ef. 1-27-82

TD 1-1982(Temp), f. & ef. 1-11-82

TD 2-1981(Temp), f. & ef. 12-23-81

DRAFT



[date]

[Public Issuer of POBs]

Subject: Pension Obligation Bond Issuance Acknowledgment Letter and Post Issuance Annual Compliance Report

Dear [Issuer Contact]:

Pursuant to ORS 238.697, [] (the Issuer) is requested to acknowledge receipt of this letter indicating potential risks associated with the issuance of pension obligation bonds (POBs) or other debt instruments to fund the Issuer's unfunded pension liability. These risks include, but are not limited to:

1. Despite funding, the Issuer's unfunded pension liability may increase in the future due to any or all of the following factors:
 - a. Investment returns on pension plan assets fall below the assumed investment rate;
 - b. The Issuer's actual annual contribution to its pension plan is below the Actuarially Determined Contribution Rate established by the plan's actuary;
 - c. The pension plan's experience changes such that the liability increases. Examples include: longevity of plan participants exceeds assumptions made by the actuary; or plan benefits increases above what was projected in the most recent valuation and others; and/or
 - d. Reduction in the assumed rate of return by the PERS system.
2. Further, the use of POBs introduces additional leverage to the Issuer's pension funding plan which could further increase the future unfunded liability as follows:
 - a. If investment returns on pension plan assets fall below the interest cost of the POBs, as measured as the all-in issuance cost, the Issuer will incur additional liability due solely to the leveraging. For example, if the actual rate of return is -1% and the interest cost of the bonds is 3.50%, the Issuer incurs the full cost of issuing the debt in addition to the lower than expected return below the assumed investment rate.

The Treasurer's office encourages you to consult with an independent SEC registered municipal advisor to evaluate these risks as well as benefits of a POB issue.

In order to comply with ORS 238.697 and OAR 170-061-0000(3-6), the State Treasurer requires data on the attached Post Issuance Annual Compliance Report form to be submitted annually.

Please respond by email acknowledging receipt of this letter.

Please let me know if you have any questions or would like any additional information.

Sincerely,

By: _____
Jacqueline B. Knights
Director, Debt Management Division
Oregon State Treasury



**PENSION OBLIGATION BOND
POST-ISSUANCE COMPLIANCE REPORT**

References: [ORS 238.697 / SB 1049, Section 23 \(2019 Legislative Session\)](#)
[OAR 170-061-0000 Sections \(3\), \(4\), \(5\) and \(6\)](#)

Issuer: _____
 Authorized Representative & Title: _____
 Email: _____ Phone #: _____
 Series: _____ Closing Date: _____

SUBMIT AT CLOSING

	Actual interest rate cost, inclusive of all issuance costs, over the term of the bonds
	Projected rate of return on the bond proceeds, as determined by the assessment

SUBMIT ANNUALLY BY DECEMBER 1

	1. Issuer's actual rate of return on bond proceeds in the previous fiscal year
	2. Issuer's cumulative rate of return on the bond proceeds
	3. <i>OPTIONAL</i> - Issuer's Actuarially Determined Contribution (ADC) rate for the prior year at: a. Normal cost rate b. UAL rate
	4. <i>OPTIONAL</i> - Issuer's actual contribution rate at a. Normal cost rate b. UAL rate

Issuer Authorized Representative Signature: _____ Date: _____

