

COMMISSIONER TOBIAS READ, CHAIR  
*Oregon State Treasurer*

COMMISSIONER TIMOTHY A DUY  
PUBLIC MEMBER

COMMISSIONER NANCY NATHANSON  
*Representative, Oregon House of Representatives*

COMMISSIONER BETSY JOHNSON  
*Senator, Oregon Senate*

COMMISSIONER KATY COBA  
*Director, Department of Administrative Services*



STATE DEBT POLICY  
ADVISORY COMMISSION  
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**STATE DEBT POLICY  
ADVISORY COMMISSION**

**PUBLIC MEETING NOTICE**

**WILL MEET ON  
Tuesday, October 27, 2020  
9:00 A.M. – 10:00 A.M.**

**VIA TEAMS MEETING**

**DIAL-IN: +1 971-279-6217** United States, Portland (Toll)

**CONFERENCE ID: 787 370 417#**

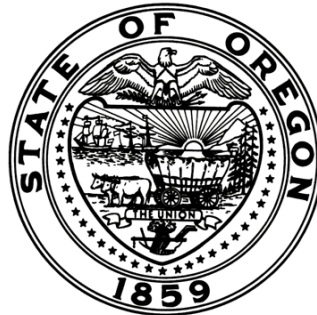
- I.** Call to Order
- II.** Review and Approve update of 2020 SDPAC Legislative Update based on September Economic/Revenue Forecast
- III.** Other Business
- IV.** Adjourn

# **State Debt Policy Advisory Commission**

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## **Update to the 2020 State Debt Capacity Report**

**Based on the September 2020  
Economic and Revenue Forecast**



**Office of the State Treasurer  
Debt Management Division**

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**October 27, 2020**

# State Debt Policy Advisory Commission Annual Report Process

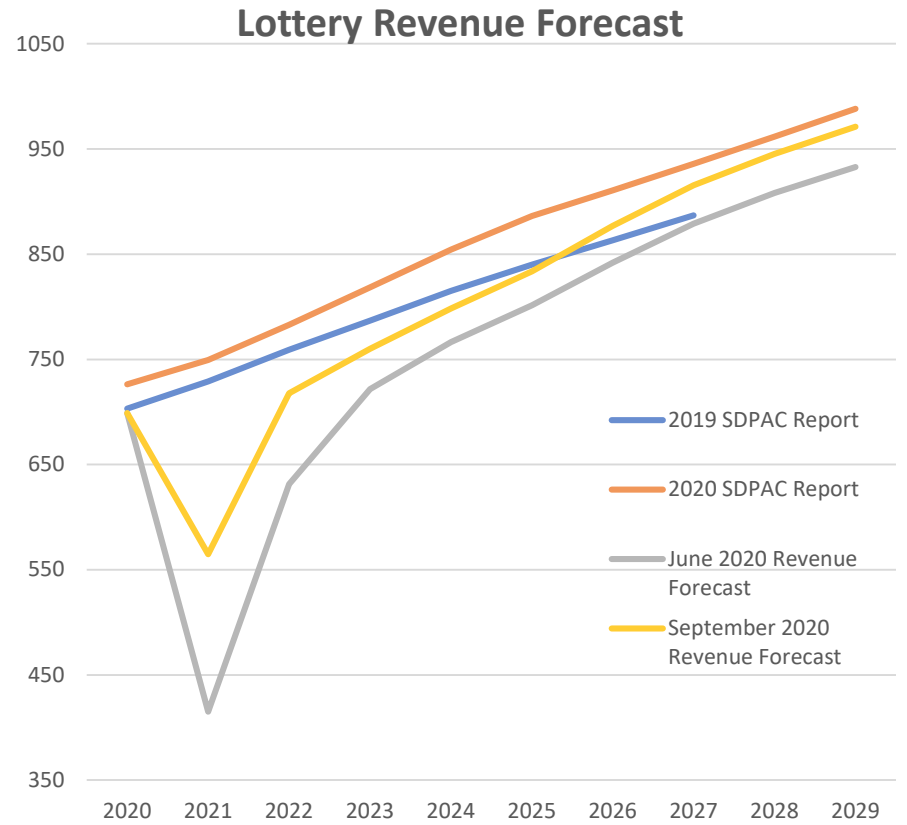
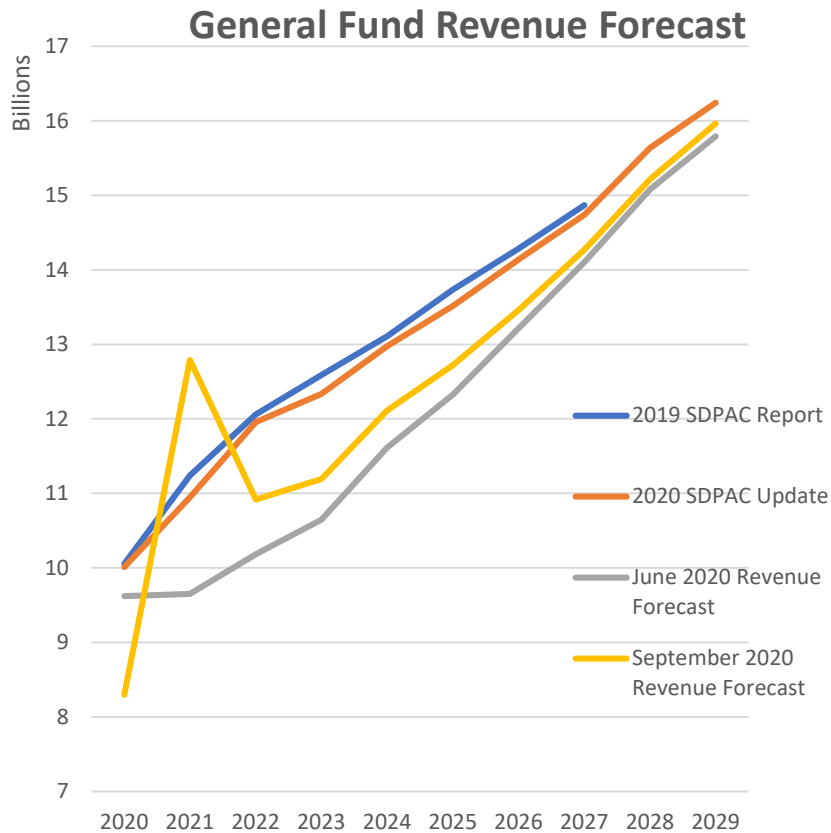
- The Commission, composed of five members, is chaired by the State Treasurer and staffed by the Debt Management Division of the State Treasurer's office
- Current Commission members include:
  - State Treasurer Tobias Read
  - Senator Betsy Johnson
  - Representative Nancy Nathanson
  - DAS Director Katy Coba
  - Professor Tim Duy, University of Oregon
- The Commission publishes an annual report that reviews the State's current general fund and lottery-backed debt position and recommends the maximum amount of new debt that can be authorized based on the long-term revenue projections of the Office of Economic Analysis and the Commission's long-established debt capacity target constraints
- In June 2020, OST produced its update to the 2020 SDPAC Legislative Report to reflect OEA's June 2020 Economic and Revenue Forecast, which included the effect of reduced economic activity due to the COVID-19 pandemic
- This current report revises OST's analysis of the 2020 SDPAC Report to adjust for revisions to the Governor's Bond Bill and projections contained in the September 2020 Economic and Revenue Forecast



# COVID19 Pandemic has Impacted State's Long-term Revenue Projections

The September 2020 Economic and Revenue Forecast provides positive indicators

- General Fund Revenues spiked in the 1<sup>st</sup> QTR of FY 2021 due in part to impact of Federal Stimulus programs to maintain employment and supplement income
- Lottery Revenues dipped but not as much as anticipated in the June Economic and Revenue Forecast and the September Forecast projects speedier recovery of Lottery Revenues



# General Fund Debt Capacity



# Inputs & Assumptions

- Accounts for all debt issued and outstanding as of June 30, 2020
- Uses General Fund Revenues contained in the September 2020 Economic and Revenue Forecast
- Assumes the issuance of **\$1,139.5 million** in GF-backed debt is issued by the end of the 2019-21 biennium
  - Includes \$946 million originally authorized by the 2019 Legislative Session (HB 5005) and further amended by the 2020 2nd Special Legislative Session (SB 5721)
- Bond structuring assumptions include
  - Level debt service payments over 20 year term
  - 4.50% long-term interest rate
  - Target of 5% of General Fund revenues to support debt service



## General Fund-Supported Debt

### Revised Forecast of Additional General Fund-Supported Debt Capacity

Fiscal Year Ending June 30 <sup>th</sup>	Maximum Amount that can be issued within Target Capacity (\$ Millions)	Total Debt Service as a % of General Fund Revenues
2021	1,139.5	3.5%
2022	679.8	5.0%
2023	236.0	5.0%
2024	831.4	5.0%
2025	679.9	5.0%
2026	504.1	5.0%
2027	644.0	5.0%
2028	2,014.4	5.0%
2029	574.0	5.0%
<b>Total</b>	<b>\$ 7,303.1</b>	



## General Fund-Supported Debt

### Changes in General Fund Debt Capacity Since Release of the January 2020 SDPAC Report (in millions)

Based on December 2019 Forecast			Based on September 2020 Forecast		
Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium	*Additional Available this Biennium	*Now Through FY 2029	Average Per Future Biennium
\$ 315	\$ 6,304	\$ 1,497	\$ 0	\$ 6,163.6	\$ 1,541

\*Nets out the \$1,139.5M issued in the 2019-2021 Biennium





## General Fund-Supported Debt

- The original bond bill (HB5005) authorized \$946 million of debt for the 2019-21 Biennium
- The September 2020 Revenue Forecast will permit the State to finance the full \$1,139.5 million of authorized projects in SB5721 during the current biennium while maintaining debt service under 5% of General Fund Revenues
- For the period FY 2022 through FY 2029, General Fund debt capacity is \$6,163.5 and remain under the 5% of revenue target
- The Commission may consider recommending that the State follow the biennial \*‘‘averaging approach’’ in order to increase General Fund debt capacity once the pension obligation bonds are retired in FY 2027
  - This approach would result in \$1.54 billion in general fund debt capacity in the next biennium, but the ratio of debt service to general fund revenues would exceed the 5% target for several years but returns below the 5% target in FY28-29

\*Averaging approach – averages the debt capacity for each of the 8 forecasted fiscal years



# Lottery Debt Capacity



# Inputs & Assumptions

- Accounts for all debt actually issued and outstanding at June 30, 2020
- Uses September 2020 Lottery Revenue Forecast and excludes Sports Betting Revenues
- Bond Structuring Assumptions Include:
  - Assumes level debt service payments over 20-year term
  - **4.50%** long-term fixed rate
  - Lottery Revenues provide 4 times debt service coverage or debt service may not exceed 25% of net lottery revenues



## Lottery Revenue Secured Debt

# Revised Forecast of Additional Lottery Bond Capacity

Fiscal Year Ending June 30 <sup>th</sup>	Maximum Amount that can be issued within Target Capacity (\$ Millions)	Debt Service Coverage Ratio (Times)	Debt Service as a % of Lottery Revenues
2020	-		
2021	92.6	4.0	25%
2022	364.3	4.0	25%
2023	129.2	4.0	25%
2024	110.3	4.0	25%
2025	102.7	4.0	25%
2026	170.4	4.0	25%
2027	246.7	4.0	25%
2028	332.5	4.0	25%
2029	252.2	4.0	25%
<b>Total</b>	<b>\$ 1,800.8</b>		



## Changes in Lottery Debt Capacity Since Release of the January 2020 SDPAC Report (in millions)

Based on December 2019 Forecast				Based on September 2020 Forecast			
Planned for Issuance this Biennium	Additional Available this Biennium	Now Through FY 2029	Average Per Future Biennium	Authorized Issuance this Biennium	Capacity for Issuance this Biennium*	Issuance Capacity Now Through FY 2029	Average Bond Capacity Per Future Biennium
\$ 303	\$ 30	\$ 2,024	\$ 423	\$ 247	\$92	\$ 1,801	\$ 427

\*FY 2019-2021 Biennium issuance capacity falls below amounts authorized in the Lottery Bond Bill. Excess or full authorization may be financed in subsequent fiscal year.



## Lottery Revenue Secured Debt

- With the significant drop in Net Lottery Revenue during the 4<sup>th</sup> QTR of FY 2020 and the projected ramp up for the coming fiscal year, the State has the capacity **to issue \$92 million of its authorized** \$247 million in Lottery Revenue Bonds in the Spring of 2021
  - The current bond indenture includes a two-pronged additional bond test
    - Highest Net Unobligated Lottery Revenues in 12 consecutive of the last 18 months are at least **4.0 times** the annual debt service on existing bonds
    - Projected Net Unobligated Lottery Revenues in the 12 months inclusive of the next quarter are at least 4.0 times the total annual debt service on existing bonds and the bonds to be issued
  - Based on the September 2020 Revenue Forecast, FY 2021 lottery revenues will provide 4.2 times coverage of existing Lottery debt service
    - Excess revenues of \$7 million will support \$92 million on issuance during FY 2021
- Based on the September Forecast, Lottery Revenues can support issuance of the authorized \$247 million in late 2021/2<sup>nd</sup> Quarter of FY 2022; however the next Legislative Session would need to authorize this in the 2021-2023 bond bill
- Lottery Revenue Bond refunding opportunities are available and if executed can provide cash flow savings and improve the Lottery Revenue debt capacity in the current biennium (subject to market conditions)
- Treasury staff will monitor the December 2020 Economic and Revenue Forecast, evaluate refundings and apprise the Treasurer of available options for possible improvements in FY 2021 bonding capacity



# AUTHORIZED LOTTERY PROJECTS



APPENDIX A – 2019-21 BIENNIUM LOTTERY REVENUE BONDS –PROJECT ESTIMATES AS OF 9/20/2020

Agency	Project Name	Tax Status	PROJECT
DAS	Center for Hope and Safety Hope Plaza	Tax-Exempt	2,500,000
	Multnomah County School District Health Center	Tax-Exempt	2,331,872
	Port of Morrow Early Learning Center Expansion	Tax-Exempt	-
	Eugene Family YMCA Facility	Tax-Exempt	15,000,000
	Southern Oregon Medical Workforce Center	Tax-Exempt	10,000,000
	Oregon Coast Aquarium Capital Improvements	Tax-Exempt	5,000,000
	Gradin Community Sports Park Expansion	Tax-Exempt	2,000,000
	Curry Medical Center Emergency Room & Equipment	Tax-Exempt	-
	Parrott Creek Child & Family Services Buildings Renovation	Tax-Exempt	3,500,000
	Umatilla County Jail Renovation & Expansion	Tax-Exempt	1,600,000
	Wallowa Valley Integrated Health Services Facility	Tax-Exempt	-
	Jefferson County Health and Wellnes Center	Tax-Exempt	4,100,000
	Port of Cascade Locks Business Park Expansion	Tax-Exempt	2,400,000
	Beaverton Hoop YMCA Acquisition & Renovation	Tax-Exempt	2,500,000
	Community Spaces for Las Adelitas Housing	Tax-Exempt	-
	<b>DAS Total</b>		
OBDD	Brownfields Redevelopment Fund	Taxable	5,000,000
	Patricia Reser Center for the Arts	Tax-Exempt	1,500,000
	Lincoln City Cultural Plaza and Exterior Grounds	Tax-Exempt	1,500,000
	Port of Coos Bay Channel Improvements	Tax-Exempt	15,000,000
	Special Public Works Fund Capitalization	Taxable	30,000,000
	Levee Projects Grant Program	Tax-Exempt	15,000,000
	Salem Drinking Water System Improvements	Tax-Exempt	-
	Mill City Storm Drainage System Improvements	Tax-Exempt	1,880,000
	Sweet Home Wastewater Treatment Plant Rehabilitation	Tax-Exempt	-
	Hood River Waterfront Storm Water Line Replacement	Tax-Exempt	1,700,000
	Warm Springs Wastewater Treatment Plant Improvements	Tax-Exempt	-
<b>OBDD Total</b>			<b>71,580,000</b>





APPENDIX A – 2019-21 BIENNIUM LOTTERY REVENUE BONDS –PROJECT ESTIMATES AS OF 9/20/2020 (CONT.)

Agency	Project Name	Tax Status	PROJECT
ODOT	Sherwood Pedestrian Connection Improvements	Tax-Exempt	2,000,000
	Coos Bay Rail Link Repairs & Bridge Replacement	Tax-Exempt	-
<b>ODOT Total</b>			<b>2,000,000</b>
ODVA	YMCA Veterans' Affordable Housing	Tax-Exempt	4,000,000
<b>ODVA Total</b>			<b>4,000,000</b>
OHCS	Affordable Housing Preservation	Tax-Exempt	25,000,000
	Affordable Market Rate Housing Acquisition Loan Program	Taxable	15,000,000
<b>OHCS Total</b>			<b>40,000,000</b>
WRD	Water Supply Development Fund	Tax-Exempt	15,000,000
	Wallowa Lake Dam Rehabilitation	Tax-Exempt	14,000,000
	Deschutes Basin Board of Control Piping	Tax-Exempt	10,000,000
	Big Creek Dams Replacement	Taxable	4,000,000
<b>WRD Total</b>			<b>43,000,000</b>
OPRD	Main Street Revitalization Grant Program	Tax-Exempt	5,000,000
<b>OPRD Total</b>			<b>5,000,000</b>
<b>Grand Total</b>			<b>216,511,872</b>



# AUTHORIZED GENERAL FUND PROJECTS



## Appendix B – 2019-21 Biennium General Fund revenue bonds –Project ESTIMATES AS of 9/20/2020

Bond Type	Agency	Project Name	PROJECT
XI-Q	DAS	Justice Building Exterior Renovations	5,000,000
		Portland State Office Building Improvements	8,600,000
		Revenue Building Electrical System Upgrades	10,000,000
		State Fair Horse Barn	3,000,000
		State Fair Poultry Barn	2,000,000
		Wilsonville Building Purchase	24,000,000
		State Fair Facilities Capital Improvements	5,325,925
		<b>DAS Total</b>	
	DEQ	Environmental Data Management System	5,000,000
	<b>DEQ Total</b>		<b>5,000,000</b>
	DHS	ONE Integrated Eligibility and Medicaid Eligibility System	15,000,000
		ONE Integrated Eligibility and Medicaid Eligibility System	17,500,000
	DOC	Camera System	3,250,000
		Camera System	5,383,804
		Radio System	6,743,432
		Radio System	7,254,793
		Capital Improvement & Renewal	24,478,039
	<b>DOC Total</b>		<b>47,110,068</b>
	HECC	Public Universities Capital Improvement & Renewal	65,000,000
		OIT - OMIC R&D Rapid Toolmaking Center, Rapid Prototypir	3,000,000
		OIT - OMIC R&D Rapid Toolmaking Center, Rapid Prototypir	3,000,000
		OIT - OMIC R&D Rapid Toolmaking Center, Rapid Prototypir	3,500,000
		OIT - OMIC R&D Rapid Toolmaking Center, Rapid Prototypir	3,200,000
		OIT - Boivin Hall Rehabilitation	18,270,000
		UO - Huestis Hall Renovation	50,880,000
		PSU - Science Building 1 Renovation and Expansion	52,500,000
		UO - ShakeAlert Seismic Detection System	7,500,000
<b>HECC Total</b>		<b>206,850,000</b>	



Appendix B – 2019-21 Biennium General Fund revenue bonds –Project ESTIMATES AS of 9/20/2020 (cont.)

OBDD	Salem Drinking Water System Improvements	20,000,000
<b>OBDD Total</b>		<b>20,000,000</b>
ODF	Toledo Facility Replacement (GF)	1,227,446
	Toledo Facility Replacement (OF)	1,705,519
<b>ODF Total</b>		<b>2,932,965</b>
OHCS	LIFT Housing Program	75,000,000
	LIFT Housing Program	125,000,000
	Permanent Supportive Housing	20,000,000
	Permanent Supportive Housing	30,000,000
<b>OHCS Total</b>		<b>250,000,000</b>
OMD	Salem & Pendleton Aviation Facility Emergency Enhanceme	9,852,000
	ASLEP - Portland Jackson Armory	4,275,000
	ASLEP - Salem Owen Summers & Anderson Readiness Cent	5,800,000
	Oregon Military Museum	2,000,000
<b>OMD Total</b>		<b>21,927,000</b>
OYA	Control Room Renovations	577,500
	Control Room Renovations	1,195,000
	MacLaren West Cottages Renovation	1,400,000
	MacLaren West Cottages Renovation	2,100,000
	MacLaren West Cottages Renovation	10,600,000
	Oak Creek Medical & Dental Renovations	160,000
	Oak Creek Medical & Dental Renovations	1,111,202
	Rogue Valley Facility Improvements	1,900,000
	Rogue Valley Facility Improvements	6,078,465
	Tillamook Medical & Dental Renovations	190,000
	Tillamook Medical & Dental Renovations	1,331,875
	Capital Improvements	3,000,000
	Capital Improvements	2,207,249
	MacLaren Infirmery and Pharmacy Renovation & Expansion	342,760
	MacLaren Infirmery and Pharmacy Renovation & Expansion	1,461,240
<b>OYA Total</b>		<b>33,655,291</b>



## Appendix B – 2019-21 Biennium General Fund revenue bonds –Project ESTIMATES AS of 9/20/2020 (cont.)

	LAC	Document Publishing and Management System (DPMS)	1,889,000
		Document Publishing and Management System (DPMS)	2,976,000
		Document Publishing and Management System (DPMS)	4,262,000
		Capitol Accessibility, Maintenance & Safety (CAMS)	57,050,000
		Capitol Accessibility, Maintenance & Safety (CAMS)	11,000,000
	<b>LAC Total</b>		<b>77,177,000</b>
	OJD	Clackamas County Courthouse	31,500,000
		Lane County Courthouse	-
		Linn County Courthouse	-
		Multnomah County Courthouse	8,500,000
		Supreme Court Building Renovation	27,820,000
	<b>OJD Total</b>		<b>67,820,000</b>
<b>XI-Q Total</b>			<b>827,898,249</b>
<b>XI-G</b>	HECC	OIT - Boivin Hall Rehabilitation	1,015,000
		UO - Huestis Hall Renovation	6,360,000
		OSU - Arts and Education Complex	35,000,000
		PSU - Science Building 1 Renovation and Expansion	7,500,000
	<b>HECC Total</b>		<b>49,875,000</b>
<b>XI-G Total</b>			<b>49,875,000</b>
<b>XI-M</b>	OBDD	Seismic Rehabilitation Grants - Schools	50,000,000
		Seismic Rehabilitation Grants - Schools	50,000,000
	<b>OBDD Total</b>		<b>100,000,000</b>
<b>XI-M Total</b>			<b>100,000,000</b>
<b>XI-N</b>	OBDD	Seismic Rehabilitation Grants - Emergency Svcs Bldgs	10,000,000
		Seismic Rehabilitation Grants - Emergency Svcs Bldgs	10,000,000
	<b>OBDD Total</b>		<b>20,000,000</b>
<b>XI-N Total</b>			<b>20,000,000</b>
<b>XI-P</b>	ODE	School District Capital Costs Grants	125,000,000
	<b>ODE Total</b>		<b>125,000,000</b>
<b>XI-P Total</b>			<b>125,000,000</b>
<b>Grand Total</b>			<b>1,122,773,249</b>

