

Local Government Bonding in Oregon

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What is a bond issue?

- The process of issuing bonds is the process of borrowing money
- A bond is a certificate that represents a promise to repay investors who loan money
- Specified schedule of principal and interest payments

OFFICIAL STATEMENT DATED JUNE 6, 2012

This Official Statement has been prepared on behalf of the State of Oregon, acting by and through the Oregon State Treasurer and the Oregon Department of Transportation, to provide information on the 2012 Bonds. Selected information is presented on this cover for the convenience of the users. To make an informed decision regarding the 2012 Bonds, a prospective investor should read this Official Statement, including all Appendices, in its entirety. Unless otherwise indicated, capitalized terms used on the cover page have the meanings given in this Official Statement.

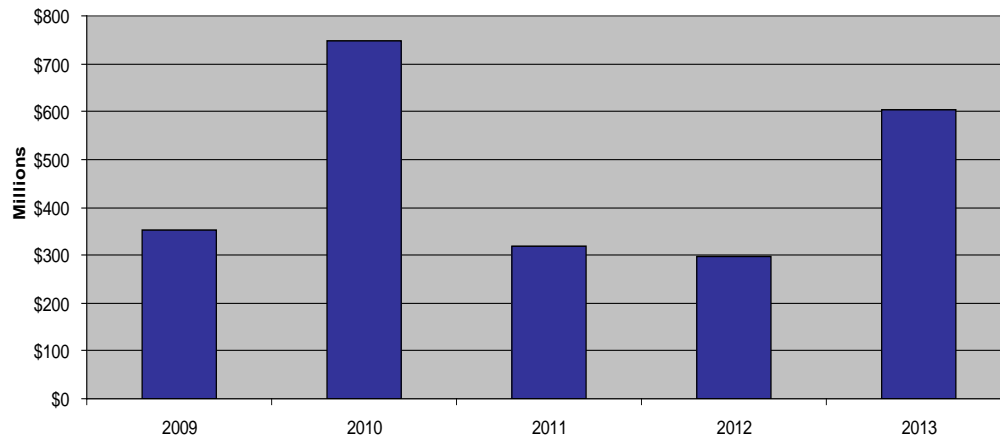
New Issues
Book-Entry-Only

SEE "RATINGS" HEREIN

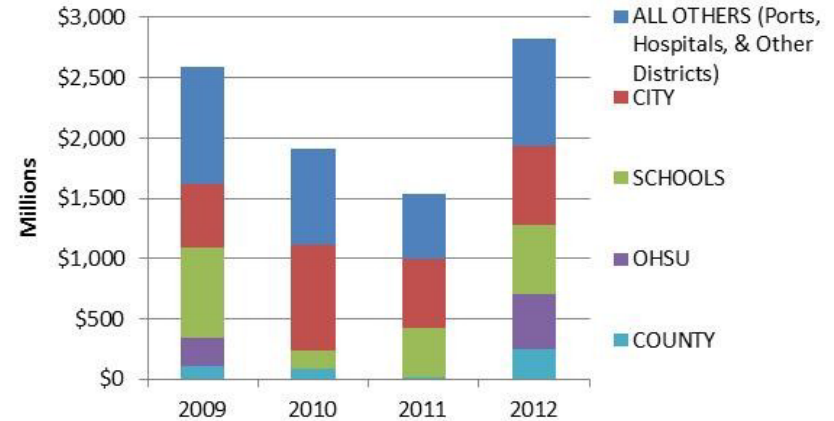
STATE OF OREGON	
DEPARTMENT OF TRANSPORTATION	
HIGHWAY USER TAX REVENUE BONDS	
\$129,980,000	\$70,850,000
Senior Lien Refunding Bonds	Senior Lien Refunding Bonds
Series 2012A	Series 2012B
(Tax-Exempt)	(Federally Taxable)
Dated: Date of Delivery	Base CUSIP: 68607D
Tax Exemption	Due: November 15, as shown on inside cover
Purpose and Authorization	Security
Interest Calculation	Denominations
Redemption	Closing/Settlement
Legal Counsel	Legal Counsel
Paying Agent	Paying Agent

Oregon Local Debt Issuance Volume

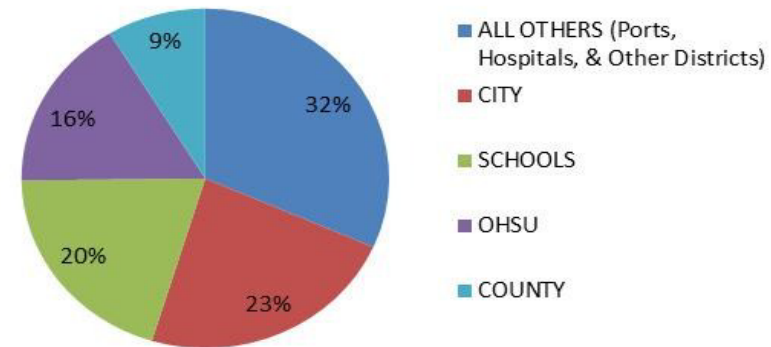
Oregon Water & Sewer Bonds Issued x Year



Trends in Local Government New Debt Issuance



Local Government New Debt Issuance in 2012



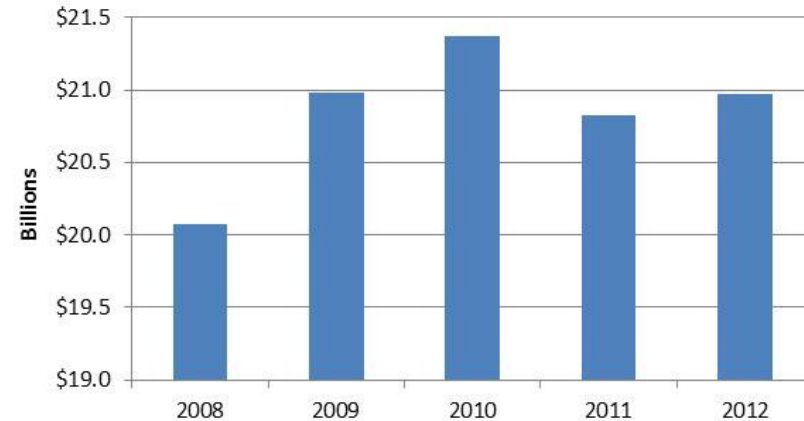
Oregon Local Debt Outstanding

OUTSTANDING BY PURPOSE

(AS OF 12/31/12)

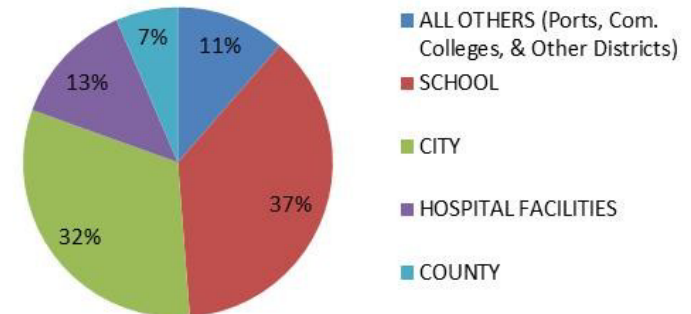
Education	\$ 4,949,610,635
Pension	3,829,511,883
Utilities	3,376,810,634
Health Care	2,983,020,542
Public Facilities	1,621,276,576
Transportation	1,419,225,824
Development	957,275,690
General Purpose	544,163,460
Environmental	445,731,280
Electric Power	435,437,375
Housing	362,067,697
Unknown	47,675,761
TOTAL	\$20,971,807,357

Outstanding Principal by Year



Total Outstanding Principal

as of 12-31-12



Why does the State issue bonds?

- Major source of funding for the State's long-term infrastructure and capital needs
- Allows assets to be acquired as needed rather than when enough cash has been saved
- Spreads costs of capital assets over time to all those who benefit from it
- Interest on Oregon's state and local bonds issued for "governmental purpose" projects are exempt from both federal and state taxation
 - Investors are willing to accept a significantly lower interest rate due to the double tax-exemption offered

Timing of Sales of Bonds

- Based on authorization requirements
- Program spending needs
- Federal tax law considerations
 - Generally must be able to spend all tax-exempt proceeds within 3 years
- State Treasurer's office maintains a "Bond Calendar"
 - Goal -- keeping in-state retail interest high for each sale reduces overall interest cost
 - Helps state avoid pricing bonds when other large transactions, economic announcements are impacting capital markets
 - Allows local government issuers to optimally time the credit market as well

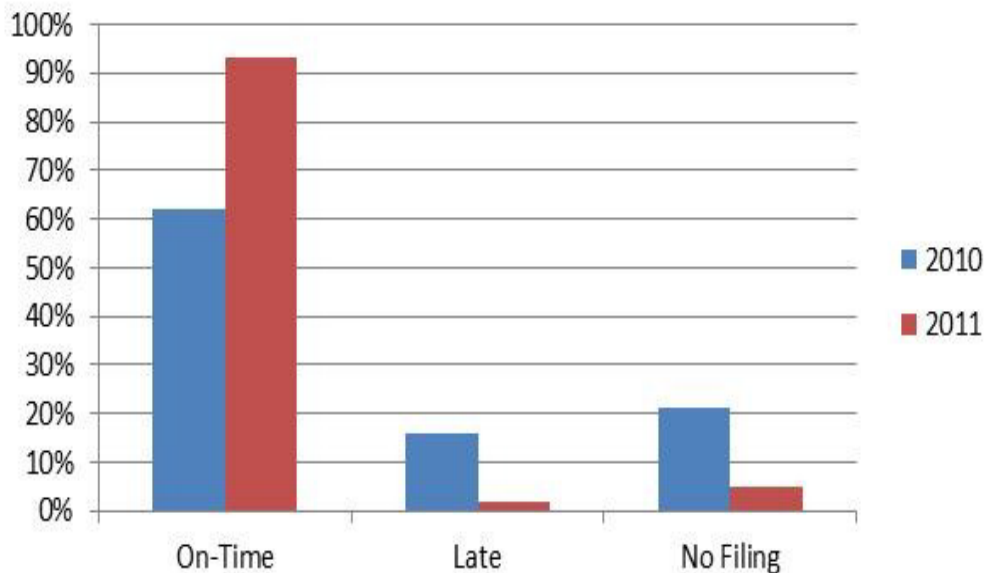
What is a bond credit rating?

- Credit ratings provide investors with an easily identifiable way to assess the degree of risk in an issuer's securities
- Three major firms in municipal market
 - Standard and Poor's
 - Moody's Investors Service
 - Fitch Investors Service
- Different rating schemes, but same underlying theme:
 - AAA for highest rated securities
 - AA to A to BBB levels as perceived risk increases
 - BBB- is below investment grade
- Credit ratings impact:
 - Bond interest rates
 - Overall borrowing costs of capital

Disclosure

- Preliminary Official Statement
- Final Official Statement
- Required Financial Statement Reporting Annually to the Municipal Securities Rulemaking Board (MSRB)
- Required filing of “Material Event” notices to the MSRB

Oregon Local Government
Continuing Disclosure Filings



Bond Professionals

■ Bond Counsel¹

- an attorney or law firm, retained by the issuer, to give a legal opinion that the issuer is authorized to issue proposed municipal securities

■ Financial Advisor¹

- a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings

■ Underwriter¹

- a broker-dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering

¹ MSRB Online Glossary

Municipal Debt Advisory Commission

- Provide assistance and consultation, upon request of the state or of local government units, to assist them in the planning, preparation, marketing and sale of new bond issues to reduce the cost of the issuance to the issuer and to assist in protecting the issuer's credit.
- Collect, maintain and provide financial, economic and social data on public bodies pertinent to their ability to issue and pay bonds.
- Collect, maintain and provide information on bonds sold and outstanding and serve as a clearinghouse for all local bond issues.
- Recommend changes in state law and local practices to improve the sale and servicing of local bonds.

Where can I get more information on Oregon municipal bonds?

- Oregon State Treasury

- <http://www.oregon.gov/treasury>

- Oregon Bond Calendar and Bond Index
 - Oregon Bond Education Center
 - State Debt Policy Advisory Commission reports
 - Municipal Debt Advisory Commission reports

- GFOA

- <http://www.gfoa.org/>

- An Elected Official's Guide to Debt Issuance
 - An Elected Official's Guide to Rating Agency Presentations