ADMINISTRATIVE POLICIES

SECTION:	**Financial Management**	**POLICY #:**	**408**
TITLE:	**Revenue Bonds in Partnership with Nonprofit agencies**	**PROCEDURE #:**	
		ORDER #:	**02-60**
DEPT:		**DIVISION:**	
ADOPTED:	**5/22/2002**	**REVIEWED:**	**REVISED:**

1. POLICY

1.1 Policy: The Marion County Board of Commissioners may approve issuance of tax exempt revenue bond financing in partnership with a 501(c)(3) agency to further a public purpose of the county as determined by the board of commissioners. The board of commissioners may approve pledging video lottery revenues in support of the revenue bond financing.

1.2 Principles: The issuance of tax exempt revenue bond financing under this policy should be at no cost to the county; should not risk impairment of the county's credit rating; should be only for a public purpose of the county; and should be adequately secured to avoid any loss to the county.

2. REFERENCES AND GUIDELINES

2.1 Statutory References: Oregon law provides that the county may borrow and expend public funds in partnership with for profit and nonprofit agencies for public purposes. *Carruthers v. Port of Astoria*, 249 Or 329 (1968), *Miles v. City of Eugene*, 252 Or 528 (1969), 40 *A. G. Opinion* 11 (1979). The county has authority to issue revenue bonds under the Uniform Revenue Bond Act, ORS 288.805 through 288.945. The county has broad authority to act in matters of county concern under ORS 203.035.

2.2 County Legislative or Historical References: From time to time Marion County has acted as a conduit agency for grants and loans to nonprofit agencies when the board of commissioners has considered the project to advance a public interest. The county has relied on specific statutory and grant programs. The county has responded to requests, and made its decisions on a case-by-case basis. The Marion County Board of Commissioners has adopted *Goals and Objectives for the New Century* (December, 1999) and *Marion County Strategic Plan 2001*. Both documents emphasize strengthening financial management. Debt management is a significant part of overall financial management. A formal policy to guide issuance of revenue bonds in partnership with nonprofit agencies will promote sound debt management practices.

2.3 Operational Guidelines - General:

2.3.1 Approval by Board: All financings shall be issued in accordance with this policy and applicable state and federal laws, subject to the specific approval of the Marion County Board of Commissioners.

2.3.2 Responsibilities: The Marion County Chief Administrative Officer, in consultation with the Marion County Treasurer and through the Financial Services Division, is responsible for coordinating the overall process of accepting and reviewing proposals by nonprofit agencies to enter into partnership with the county for revenue bond financing, and for making recommendations to the board of commissioners. County departments with related programs are responsible for analyzing proposals for conformity with related program policies and guidelines. The Financial Services Division is responsible for analyzing proposals for conformity with this policy and other applicable policies and for implementing revenue bond financing partnerships, as approved by the board of commissioners.

2.3.3 Issuance of revenue bonds is subject to the following conditions:

2.3.3.1 The nonprofit agency must be an IRS 501(c)(3) organization and must demonstrate that it cannot obtain conventional financing at a reasonable cost.

2.3.3.2 In general, the county will only assist nonprofit agencies with at least $1,000,000 in total annual revenue from all sources.

2.3.3.3 The planned use of the revenue bond proceeds must be consistent with a public purpose as determined by the board of commissioners.

2.3.3.4 The nonprofit agency must provide the county with five years of historical financial information and operational trends.

2.3.3.5 The nonprofit agency must provide the county with a capital and business expansion plan including a five year revenue and expenditure forecast.

2.3.3.6 The nonprofit agency must demonstrate ability to conduct a capital fund raising campaign.

2.3.3.7 The nonprofit agency must be non-discriminatory in providing access to its services and in its employment practices.

2.3.3.8 The nonprofit agency shall be responsible for 100% of the capital project costs. The county will assist the nonprofit agency by issuing tax exempt revenue bonds to finance not more than 60% of the capital project and related allowable debt issuance costs.

2.3.3.9 The nonprofit agency shall be responsible for all bond issuance costs.

2.3.3.10 The nonprofit agency shall reimburse the county for all administrative costs incurred in the issuance and administration of the debt financing. The county may consider setting an annual fee to cover administrative costs.

2.3.3.11 The nonprofit agency shall be responsible for all ongoing costs related to the financing, including annual debt payments, paying agent costs, and other related costs. The nonprofit agency shall be obligated for the term of the financing without exception.

2.3.3.12 The nonprofit agency must raise 75% of the project funds for which it is responsible. As agreed with the county, a portion of the project funds may be in a form of well-secured promissory notes from grantors or private contributors. The remaining nonprofit agency contributions must be deposited before matching debt funds are released, on a schedule negotiated in the agreement with the county for each project.

2.3.3.13 It is expected that all private funds will be collected within one year of the county's approval of the bond financing partnership. If the private funds are not collected within two years of the approval, the county may terminate its commitment to the revenue bond financing partnership.

2.3.3.14 The county must have title, or first lien rights if the escrow agent holds title on behalf of the lender, to the property while debt is outstanding.

2.3.3.15 The nonprofit agency shall be responsible to provide the entire reserve fund required by the lenders. In no case shall the reserve fund be less than an amount equal to six months payments on the annual debt service.

2.3.3.16 The county shall conduct a risk analysis and fully disclose this information to the board of commissioners prior to approval of the debt. The county reserves the right to have a third party perform a credit analysis.

2.3.3.17 The board of commissioners must approve the financing by resolution or ordinance.

2.3.3.18 Contractual language must be in place to protect the county in case of late payments or default by the nonprofit agency.

2.3.3.19 The nonprofit agency must provide an annual, independently audited financial report to the county.

2.3.3.20 The county will not issue revenue bond financing in partnership with a nonprofit agency in an amount greater than $5,000,000 of principal.

2.3.3.21 The maximum term of revenue bonds issued under this policy shall be fifteen years.

2.3.4 The county may pledge video lottery revenues received pursuant to ORS 461.547 for economic development activities, so long as the pledge does not require the county to reserve video lottery revenues to secure the revenue bonds.

2.4 Exceptions: Exceptions may be made only by specific decision of the Marion County Board of Commissioners in public meeting.

2.5 Periodic Review: The Chief Administrative Officer shall review this policy at least every five (5) years.

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