

Meeting Minutes

Multnomah County Library Bond Oversight Committee
January 24, 2022
5:30 - 7:00pm | Virtual Meeting

Committee Members Present

Ana Brophy, Cheryl Russell, Jason Green, Jeffrey Scherer, Karl Dinkelspiel, Kourtney Strong, Nicole Pexton, Randall Edwards, Rob Edmiston, Sophia Suhu

Staff Present

Eric Arellano, Multnomah County Chief Financial Officer; Judith Moses, Bond Program Administrative Assistant; Kate Vance, PMO Deputy Director-DCA; Katie O'Dell, PMO Deputy Director-Library; Maddelyn High, Library Director's Assistant / Committee Staff Support; Mike Day, Bond Program Management Office (PMO) Director; Tracey Massey, Director, Multnomah County Department of County Assets (DCA); Vailey Oehlke, Director, Multnomah County Library

Welcome + Introductions

Library Director Vailey Oehlke welcomed attendees, noting that this meeting (the committee's second) continues an orientation focus. Oehlke read a land acknowledgement, and attendees introduced themselves, sharing pronouns, and something they are looking forward to in 2022.

Public Comment

Public comment was requested to be submitted via email ahead of the meeting. No known emails came in for public comment. One community member, Stephanie Nystrom, attended the meeting as an observer.

Committee Business

Oehlke announced committee leadership — Randall Edwards as Chair and Jeffrey Scherer as Vice-Chair — and reminded that initially, committee leadership was selected by staff. Summarizing these leadership roles, Oehlke noted that the Chair will facilitate committee meetings, build consensus, and ensure delivery of the committee's annual report. The Vice-Chair serves as Chair in the Chair's absence, and assists the Chair with other duties as needed. Should both the Chair and Vice-Chair be absent for a meeting, the committee will select a temporary facilitator. Oehlke thanked Edwards and Scherer for taking on these leadership roles.

Edwards moved to approve minutes for the November 15, 2021 meeting, and Scherer seconded. Meeting minutes were unanimously approved.

Bond Financial Overview

County Chief Financial Officer Eric Arellano gave an overview of bond financing structures, types, and requirements. Arellano explained that his is the County office responsible for issuing and managing debt and ensuring compliance with bond requirements.

Arellano defined what a bond is, and shared what kinds of things bonds can finance, why investors buy bonds, and examples of different types of bonds. The library bond is a *general obligation municipal bond*, backed by the issuer (Multnomah County) which has the power to tax residents with voter approval (Measure 26-211).

Arellano explained the difference between *taxable* and *tax exempt* issuance — noting that a portion of the library bond is taxable and another portion is tax exempt. Each type is subject to different tax rules, and may be preferable for different reasons, including current interest rates.

Allowable usage of library bond proceeds includes acquisition, construction, and renovation of capital assets; but not routine maintenance or general operations (bond proceeds cannot be used for those purposes). Staff costs and internal administration are permissible use. Spend-down requirements are also applicable; 5% must be committed within six months of issuance and 85% of bond proceeds must be spent within three years of issuance.

Arellano also reviewed SECC disclosure requirements, summarizing information that the County has to provide (via a portal) on an ongoing basis so investors get updates on some key statistics for the entity issuing the bond — including audited finances, annual adopted budgets, and any material events with respect to the library bond.

Arellano shared an overview of the library bond debt structure:

- Date of Issuance: 1/26/21
- Maturity Date: 6/15/29
- Total Bond Amount (Par): \$387m
- Method: Public Sale (Rating Moody's and S&P)
- True Interest Cost (TIC): 0.585%
- Issued in two series
 - Tax-Exempt: \$154.68m (premium \$50.5m)
 - Taxable: \$232.32m (premium \$232K)
- Tax Rate 2021-22: \$0.5951 per \$1,000 of assessed value

The library bond was issued with a *premium*, which ends up as additional cash that can be used to cover unanticipated costs or to lower the applied levy rate. The bond is structured as a *level levy*, meaning that the tax rate is flat or slightly declining over the lifetime of the bond. A snapshot of the debt service schedule over the eight-year period was provided. Arellano closed by sharing how bond funds are accounted for with total transparency, with a dedicated capital construction fund and a dedicated debt service fund.

PMO Deputy Director Kate Vance shared information about how the project budgets were developed in partnership with estimators prior to passage of Measure 26-211 using a cost per square footage model based on three different project scenarios (refresh project, remodel project, or new construction project). After the measure passed and the PMO team formed, cost estimates were refined and validated based on more specific information — including rising inflation and other pandemic impacts. Vance defined *hard costs* and *soft costs*, and shared some examples of factors that can influence actual costs compared to budgeted costs (including site-specific jurisdictional codes and permitting, and current market conditions). Vance also noted that

contingencies (both for design and escalation, and for construction) help cover uncertainty and risk, and amounts are based on a percentage of hard and soft costs.

Vance shared a summary breakdown of the current bond budget, which is broken into categories, noting that each project includes a contingency that is specific to that particular project and project site. So far, contingencies and the owner premium have not had to be utilized. Bond PMO Director Mike Day added that the budget includes a reserve to address marketing conditions (escalation and supply chain inflation), and, at the same time, spend-down requirements must also be met. Day noted that qualified project managers at all levels of project management are watching current conditions, alongside requirements, very closely. Vance noted that Green Energy Technology and One Percent for Art requirements are being managed at the portfolio level.

Bond Accountability Structures

Director of Department of County Assets Tracey Massey gave an overview of bond accountability structures that exist in addition to the PMO structure, briefly describing the role of each:

- The *Board of County Commissioners* approves the overall structure of the bond program and provides approvals at key stages/phases; and receives quarterly updates.
- The *Executive Steering Committee* is an internal stakeholder group of key subject matter experts making frequent top-level decisions as a team.
- The *Finance Committee* is an internal team that ensures the bond program is funded appropriately and has the right financial infrastructure; and manages compliance and financial reporting.
- The *Bond Oversight Committee* is an external committee providing oversight
- The *Equity Oversight Committee* is external committee that is just now forming

Bond and construction audits are also conducted.

Bond Implementation Update

Mike Day, Bond Program Management Office (PMO) Director shared the [bond project sequence chart](#) for the first batch of projects, and Vance gave a summary of where each of these projects stand to date. O'Dell added information about community engagement to date. Current projects underway include:

- The operations center ("Preface Project"), the first project scheduled to start construction in July 2022 for a target grand opening in November 2023
- Albina and North Portland libraries ("Chapter One" projects), both scheduled to start construction in spring 2023 with substantial completion by summer 2024. Both projects involve historic renovation.
- Midland and Holgate libraries ("Chapter One" projects), both scheduled to start construction in early 2023 with substantial completion by spring 2024 (Midland) and summer 2024 (Holgate). Holgate is a complete tear-down and rebuild, and Midland is a substantial addition.
- Refresh Projects: Scope and budgets for all refresh projects are being refined, with design in progress for Central, Capitol Hill, and Rockwood libraries
- Technology: A variety of technology projects are also planned to create better access, safer spaces, better efficiency, and self service. Research, planning, and/or design are underway.

Day reminded that diversity, equity, and inclusion (DEI) are informing all aspects of the bond program, and is infused into community engagement efforts. Some recent highlights include focused efforts in the RFP procurement for the East County Flagship, as well as ongoing collaboration with CM/GC partners and National Association of Minority Contractors (NAMC) to further develop and enhance contracting opportunities on current projects. The County is also in the process of finalizing a Regional Project Labor Agreement (PLA) which will be the lens for how DEI will be managed at the project level.

Massey shared that the bond program team is monitoring a series of potential risks that may be on the horizon, including market conditions and escalation; supply chain issues and labor shortages due to the ongoing pandemic; and any issues related to site acquisition for the East County flagship (for which the search is still ongoing).

Action Items + Closing

High flagged some action items ahead of the committee's next meeting, including determining a quarterly meeting schedule and sharing feedback about the content and/or level of information provided on bond progress. Committee members were also invited to share their interest in upcoming procurement RFP review opportunities.

The meeting was adjourned at 7:06 pm.