

State of Oregon

Lottery Revenue Bond Program **- Overview and Issuance Process**



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STATE
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DAS

DEPARTMENT OF
ADMINISTRATIVE
SERVICES

Presentation to:
House Committee On Gambling Regulation

February 7, 2023

Presentation Participants

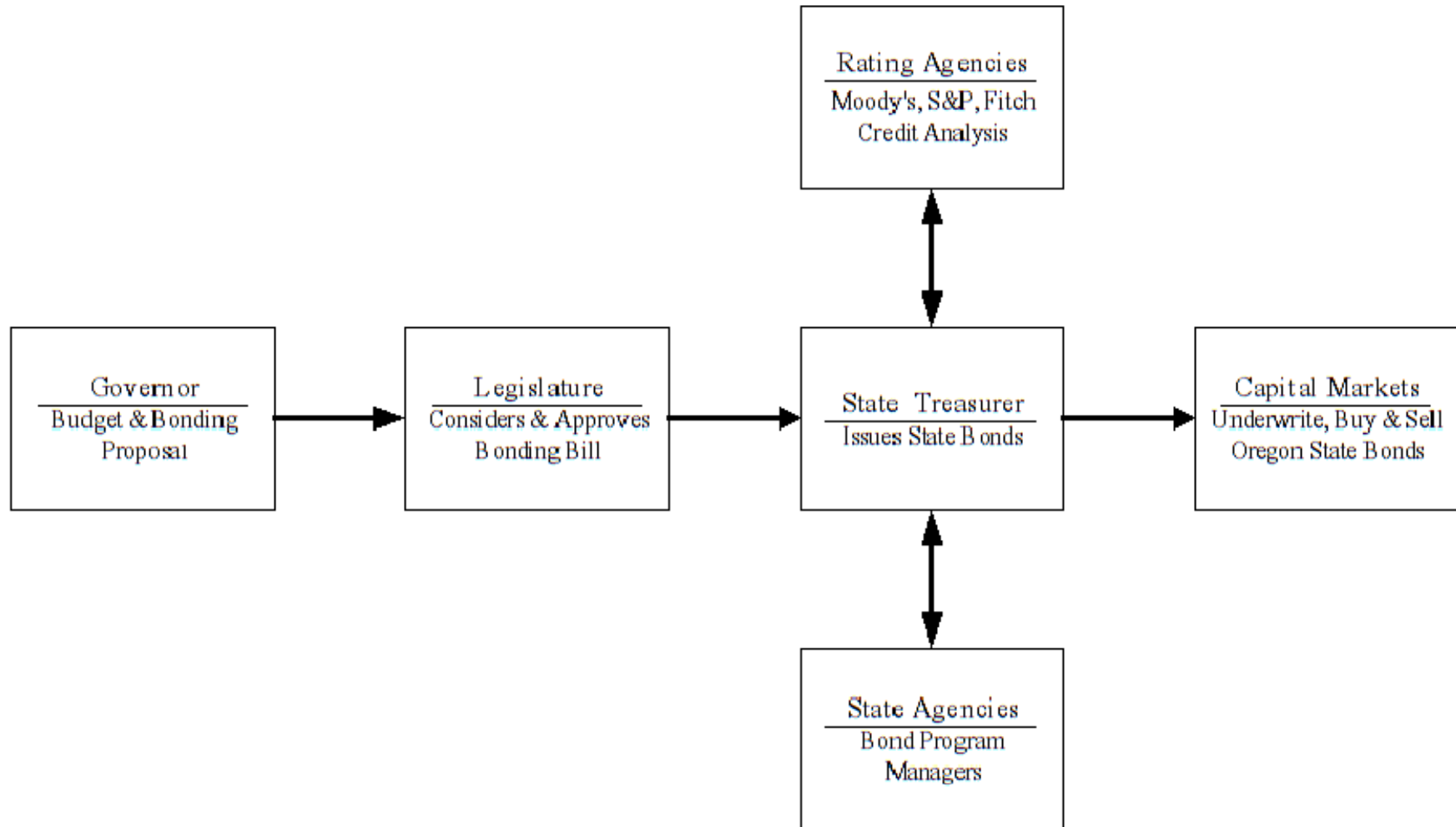
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1. Lottery Revenue Bond Program Issuance Process Overview



Oregon Bonding Process



Lottery Revenue Bond Issuance Process



State of Oregon
Legislative
Assembly

**Biennium
Bond Bill**



Together, we do good things.



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- Assemble Finance Team
- Engage Rating Agency, Bond Counsel, Market Participants, Fiscal Agent, Trustee
- Review Lottery transfers, verify reserve funds, ensure Indenture provisions are met
- Verify Bond Bill authorization, capacity and coverage for issuance
- Manage ratings process
- Lead review and signoff on all financing documents
- Manage the pricing and sale of the bonds to investors
- Ensure all disclosure requirements are met
- Ensure bonds are duly issued and settled

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DAS Capital Finance

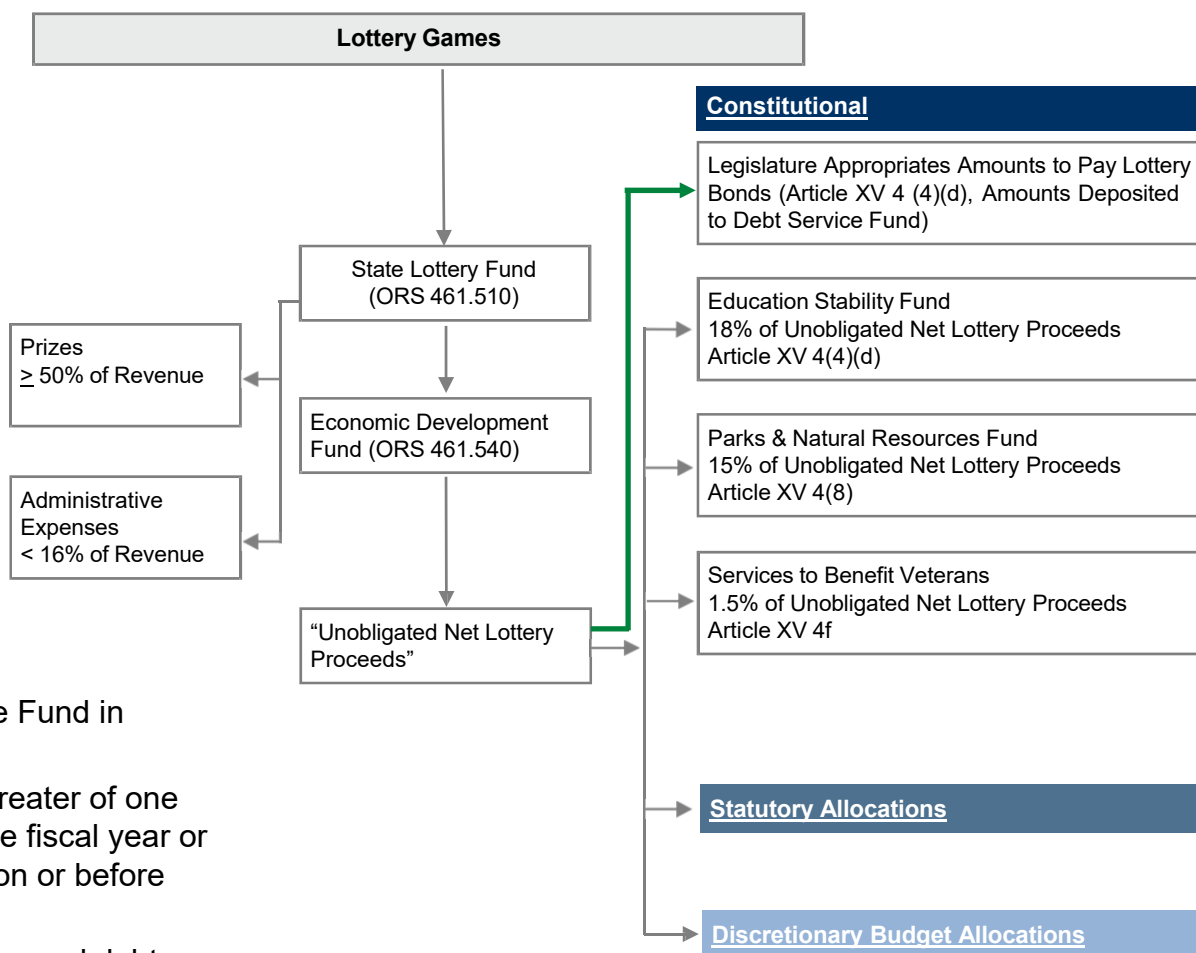
- Project Due Diligence
- Review Lottery Revenue Transfers and calculate Debt Service coverage
- Compile List of Authorized Projects to Finance
- Request that Treasurer to issue debt
- Participate and provide input at all levels of the financing process



Lottery Bond Program Flow of Funds

The payment of Lottery Revenue Bond debt service has a priority claim on Lottery Revenue after Prizes and Administrative Expenses

- After prizes and administrative expenses, Lottery revenues are transferred quarterly to the Economic Development Fund
- Once in the Economic Development Fund, Lottery proceeds become pledged revenues (“Unobligated Net Lottery Proceeds”)
- Oregon Constitution requires Legislative Assembly to appropriate amounts sufficient to pay Lottery Bonds before appropriating the net proceeds from the State Lottery for any other purpose
- Deposits are made to the Debt Service Fund in accordance with the Bond Indenture
 - From July 1 to September 30, the greater of one half of annual debt service due in the fiscal year or all debt service required to be paid on or before December 31 of that fiscal year
 - October 1 through FYE, remaining annual debt service due in the fiscal year



2. Lottery Revenue Bond Program Overview



Lottery Bond Program Security Features

LRBs are further secured by other provisions of the Bond Indenture and the moral obligation of the State

- Additional new money Lottery Revenue Bonds may only be issued if Unobligated Net Revenue provide at least 4 times coverage of the maximum annual debt service on outstanding LRBs on both historical and projected basis
- The LRB Indenture requires reserves to be funded at the maximum annual debt service on outstanding LRBs
- The Moral Obligation of the State is pledged to replenish draws on the Debt Service Reserve Fund

Lottery Revenue Bonds Reserve Subaccounts

	Prior Bonds Reserve Subaccount	2007 Subaccount	2009A&B Subaccount	2009D Subaccount	2010A&B Subaccount
Current Requirement (\$Mil) ⁽¹⁾	\$96.2	\$11.7	\$35.6	\$3.2	\$3.0
Secured Series	2011 Series C 2012 Series A/B 2013 Series A/C 2014 Series A 2015 Series A/B/C 2017 Series A/B/C 2019 Series A/B 2021 Series A/B Series 2022A/B	2014 Series B	2014 Series C 2015 Series D	2015 Series E	2015 Series F
Method of Funding	Cash and investments ⁽²⁾	Reserve Credit Facility ⁽³⁾	Cash and investments	Cash and investments	Cash and investments

1. Figures are as of February 6, 2023

2. Includes an investment contract with AIG Matched Funding Corp. in the amount of \$2.5 million collateralized at 104-105% with a weekly mark-to-market expiring April 1, 2027

3. Provided by AGM

Source: Department of Administrative Services as confirmed by Oregon State Treasury



Historical Debt Service Coverage

Lottery Bonds have a history of high debt service coverage, even during pandemic challenges

Oregon Lottery Revenue Bonds Historical Coverage (\$ in Millions)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022 ²
Unobligated Net Lottery Proceeds ⁽¹⁾	\$701.3	\$712.3	\$722.0	\$589.9	\$658.4	\$908.6
Lottery Revenue Bond Debt Service	\$117.4	\$128.0	\$124.7	\$133.1	\$133.3	\$131.7
Debt Service Coverage	6.0x	5.6x	5.8x	4.4x	4.9x	6.9x

1. Historical Unobligated Net Lottery Proceeds are presented in the table above on an accrual basis of accounting

2. Estimated based on 2022 COS Forecast

Source: Oregon State Lottery, Annual Financial Reports and Department of Administrative Services

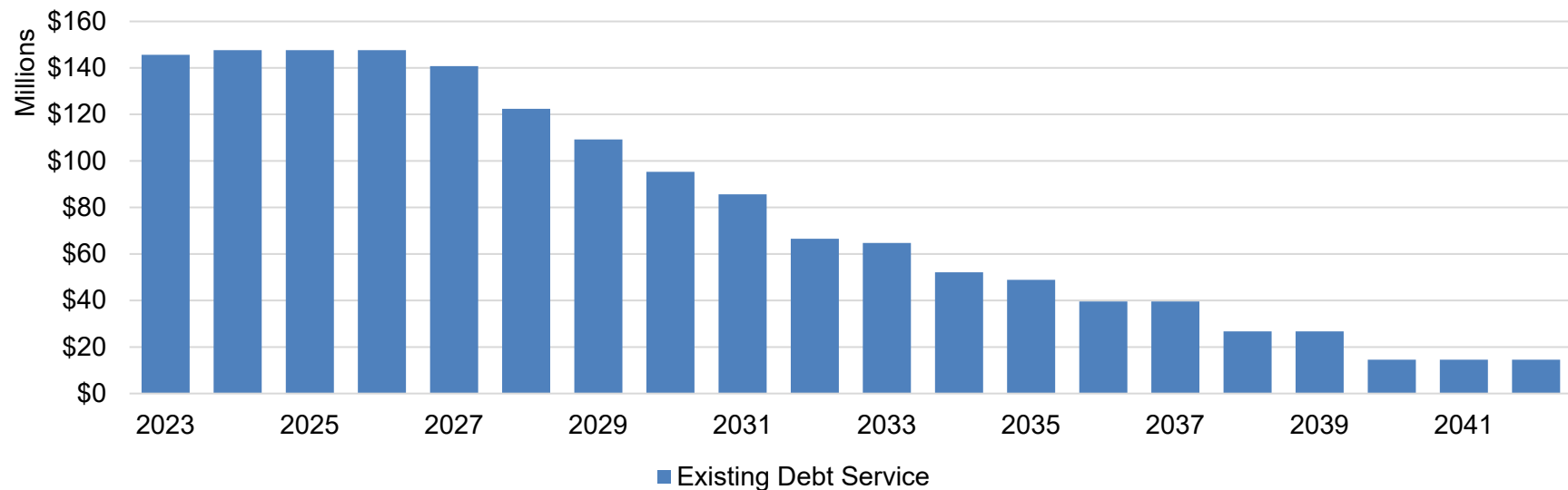


Projected Debt Profile

The Lottery debt service profile remains conservative with front-loaded amortization

- Currently, there is \$1.17 billion in Lottery Revenue Bonds outstanding (all fixed-rate debt)
- Authorized and unissued amount for the 2021-23 Biennium is \$297.8 million

Lottery Revenue Bond Debt Service Profile⁽¹⁾



1. Preliminary and subject to change



3. Projects Funded and Due Diligence



Lottery Revenue Bond Restrictions

Proceeds of bonds are allowed to be used for the same purposes as net revenues from operation of the State Lottery as identified in the Oregon Constitution Article XV, Section 4

- Creating Jobs
- Furthering Economic Development
- Financing Public Education in Oregon
- Restoring and Protecting Oregon's:
 - Parks
 - Beaches
 - Watersheds
 - Native Fish and Wildlife
- Must have debt capacity and 4x coverage available for project



2021-23 Lottery Revenue Bond Authorizations

- SB 5534 (2021)
 - \$445 million of Project Funding
 - \$492 million Par Cost (Project Cost, Cost of Issuance, Reserve Account Deposit)
- SB 5701 (2022)
 - \$21 million of Project Funding
 - \$23 million of Par Cost (Project Cost, Cost of Issuance, Reserve Account Deposit)

Total Biennium Par Cost \$515 million



2021-23 Project Authorizations by Agency

Agency/Project	Par Amount	Project Amount
Department of Administrative Services	214,140,000	194,499,294
Oregon Business Development Department	104,405,000	94,149,378
Oregon Department of Education	19,545,000	17,500,000
Oregon Department of Transportation	6,715,000	6,100,000
Oregon Department of Veteran's Affairs	6,615,000	6,000,000
Oregon Health Authority	22,320,000	20,000,000
Oregon Housing and Community Services Department	55,765,000	50,000,000
Oregon Parks and Recreation Department	11,055,000	10,000,000
Water Resources Department	74,950,000	68,000,000
Grand Total	\$515,510,000	\$466,248,672

Note: A full project list has been provided as a separate attachment

