



INFORMATIONAL MEMORANDUM

TO: Finance Committee

FROM: Peggy McCarthy, Finance Director

CC: Mayor Ekberg

DATE: May 31, 2017

SUBJECT: Approve Ordinance for the 2017 LTGO Bond Sale for Residential Street Projects

ISSUE

Approve an ordinance authorizing the sale of up to \$8.8 million in limited tax general obligation bonds for the 42nd Ave S Phase III project and the 53rd Ave S project.

BACKGROUND

The 2017-2018 capital funding plan was discussed at the April 18th Finance Committee meeting. Part of the plan calls for the sale of bonds to finance the City's share of two residential street projects – the 42nd Ave S, Phase III, project and the 53rd Ave S project. Bonding for these two projects is estimated at \$6.4 million for the 42nd Ave S Phase III project and \$2 million for the 53rd Ave S project. The annual debt service for this bond issue has been budgeted at \$672 thousand beginning in 2018 (CIP page XXVI).

DISCUSSION

The projects, the associated bond sale, and the debt service costs were considered during the budget process and are reflected in the 2017-2018 Biennial Budget and the 2017-2022 Capital Improvement Program (CIP). Funding from the bond sale will allow these projects to move forward for the benefit of Tukwila residents and other users of these residential streets.

FINANCIAL IMPACT

The bond sale is projected to yield \$8.4 million in proceeds for project funding with the remaining \$400,000 available to cover costs of issuance and any effects of a discount bid (if the lowest interest cost bid contains a discount bond structure). The bond sale is scheduled for the week of July 10th with closing expected the last week of July.

RECOMMENDATION

The Council is being asked to approve the ordinance authorizing the sale of up to \$8.8 million in limited general obligation bonds and consider this item at the June 12, 2017 Committee of the Whole Meeting and subsequent June 19, 2017 Regular Meeting.

ATTACHMENTS

Draft bond ordinance
CIP pages XXVI, 2 and 3
PFM Overview

DRAFT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$8,800,000 TO FINANCE COSTS RELATED TO STREET IMPROVEMENTS AND PAYING COSTS OF ISSUING THE BONDS; PROVIDING THE FORM, TERMS AND COVENANTS OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF THE SALE OF THE BONDS; DELEGATING AUTHORITY TO APPROVE THE METHOD OF SALE AND THE FINAL TERMS OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATING THERETO; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City Council (the "Council") of the City of Tukwila, Washington (the "City") has deemed it is in the best interest of the City to make certain street improvements in the City (the "Project"); and

WHEREAS, after due consideration the Council has determined that it is in the best interest of the City to authorize the issuance and sale of limited tax general obligation bonds to pay all or a portion of the costs of the Project and to pay costs of issuance for the Bonds; and

WHEREAS, the Council wishes to delegate authority to the Finance Director, or his or her designee (the "Designated Representative"), for a limited time, to approve the method of sale and the interest rates, maturity dates, redemption terms and principal maturities for the bonds within the parameters set by this ordinance; and

WHEREAS, the Bonds shall be sold by negotiated or competitive public sale as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY ORDAINS AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Bond Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

Bond Purchase Contract means the contract, if any, for the purchase of any Bonds sold by negotiated sale to the Underwriter, executed pursuant to Section 12.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agent of the State, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds mean the City's Limited Tax General Obligation Bonds, 2017, or other such series designation as approved by the Designated Representative, authorized to be issued pursuant to the terms of this ordinance.

Certificate of Award means the certificate, if any, for the purchase of any Bonds sold by competitive sale awarding the Bonds to the initial purchaser as set forth in Section 12 of this ordinance.

City means the City of Tukwila, a municipal corporation duly organized and existing under the laws of the State.

City Clerk means the duly appointed and acting City Clerk of the City or the successor to the duties of that office.

City Administrator means the duly appointed and acting City Administrator, including anyone acting in such capacity for the position, or the successor to the duties of that office.

Closing means the date of delivery of the Bonds to the Underwriter.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the United States Securities and Exchange Commission.

Continuing Disclosure Certificate means the written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

Council or **City Council** means the Tukwila City Council, as the general legislative body of the City as the same is duly and regularly constituted from time to time.

Debt Service Fund means the fund or account created pursuant to this ordinance for the purpose of paying debt service on the Bonds.

Designated Representative means the Finance Director, or his or her designee.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 of this ordinance.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means the certificate executed by the Designated Representative setting forth the requirements of the Code for maintaining the tax exemption of interest on the Bonds, and attachments thereto.

Finance Director means the duly appointed and acting Finance Director of the City or the successor to such officer.

Government Obligations means direct or indirect obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Letter of Representations means the Blanket Issuer Letter of Representations given by the City to DTC, as amended from time to time.

Mayor or City Mayor means the elected Mayor of the City or the successor to the duties of that office.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Official Statement means the disclosure documents prepared and delivered in connection with the issuance of the Bonds.

Project means the capital projects described in Section 2 of this ordinance.

Project Fund means the account created pursuant to Section 8 of this ordinance.

Record Date means the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Sale Document means the Bond Purchase Contract or Certificate of Award, if any, executed by the Designated Representative in connection with the sale of the Bonds pursuant to Section 12 of this ordinance, which shall provide for the name, principal and interest payment dates and amounts, redemption/prepayment rights, and other terms to describe such Bonds as determined to be necessary by the Designated Representative.

State means the State of Washington.

Underwriter means any underwriter, in the case of a negotiated sale, or initial purchaser, in the case of a competitive sale, the Bonds selected pursuant to Section 12.

Section 2. Authorization of the Project. The Bonds are being issued to finance and/or reimburse the City for costs of making certain street improvements in the City (the "Project") and paying costs of issuance for the Bonds. The cost of all necessary and other costs incurred in connection with the Project shall be paid from other City funds legally available for such purposes.

Section 3. Authorization of Bonds and Bond Details.

(a) For the purpose of paying and/or reimbursing the City for costs of the Project and paying costs of issuance, the City shall issue and sell limited tax general obligation bonds in an aggregate principal amount not to exceed \$8,800,000 (the "Bonds").

(b) The Bonds shall be general obligations of the City and shall be designated "City of Tukwila, Washington, Limited Tax General Obligation Bonds, 2017" with additional series designation or other such designation as determined to be necessary by the Designated Representative. The Bonds shall be dated as of the date of Closing; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest from their date payable on the dates and commencing as provided in the Sale Document; and shall mature on the dates and in the principal amounts set forth in the Sale Document, as approved and executed by the Designated Representative pursuant to Section 12 of this ordinance.

Section 4. Registration, Exchange and Payments.

(a) **Bond Registrar/Bond Register.** The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) **Registered Ownership.** The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in the Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(g), but such Bond may be transferred as herein provided. All such payments made as described in Section 4(g) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) **DTC Acceptance/Letters of Representations.** The Bonds initially shall be held by DTC acting as depository. The City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any

DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held by a depository, DTC or its successor depository or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity of that series then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that: (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained; or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain physical Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds of such

series shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) **Registration of Transfer of Ownership or Exchange; Change in Denominations.** The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Bond during the 15 days preceding any principal payment or redemption date.

(f) **Bond Registrar's Ownership of Bonds.** The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners or beneficial owners of Bonds.

(g) **Place and Medium of Payment.** Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are held by a depository, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) ***Mandatory Redemption of Term Bonds and Optional Redemption.*** The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Sale Document and as approved by the Designated Representative pursuant to Section 12. The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Sale Document approved by the Designated Representative pursuant to Section 12.

(b) ***Purchase of Bonds.*** The City reserves the right to purchase any or all of the Bonds offered to it at any time at a price deemed reasonable by the Finance Director plus accrued interest to the date of purchase.

(c) ***Selection of Bonds for Redemption.*** For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) ***Notice of Redemption.***

(1) ***Official Notice.*** For so long as the Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar shall provide any notice of redemption to any beneficial owners. The notice of redemption may be conditional. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

(A) the redemption date;

(B) the redemption price;

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(D) any conditions to redemption;

(E) that unless conditional notice of redemption has been given and such conditions have either been satisfied or waived, on the redemption date the redemption price shall become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless such redemption has been rescinded or revoked, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) **Effect of Notice; Bonds Due.** If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) **Additional Notice.** In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus: (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the series and maturity date of

each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 14 and the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) **Amendment of Notice Provisions.** The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile or manual signature of the Mayor and shall be attested to by the facsimile or manual signature of the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted, or otherwise reproduced thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the City before said Bonds shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the City by such persons who, at the actual date of execution of such Bond shall be the proper officer of the City, although at the original date of such Bond such persons were not such officers of the City.

Only such Bonds as shall bear thereon a Certificate of Authentication manually executed by an authorized representative of the Bond Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

Section 8. Application of Bond Proceeds. The Finance Director is hereby authorized to create a fund or account (the "Project Fund"), and subaccounts therein as necessary, for the purposes set forth in this section. A portion of the proceeds of the Bonds net of any Underwriter's discount and fees, shall be deposited in the Project Fund in the amounts specified in the closing memorandum prepared in connection with the issuance of the Bonds. Such proceeds shall be used to pay and/or reimburse the City for the costs of the Project and to pay costs of issuance of the Bonds. The Finance Director shall invest money in the Project Fund and the subaccounts contained

therein in such obligations as may now or hereafter be permitted to cities of the State by law and which will mature prior to the date on which such money shall be needed, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Upon completion of the Project, Bond proceeds (including interest earnings thereon) may be used for other capital projects of the City or shall be transferred to the Debt Service Fund.

Section 9. Tax Covenants. The City will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the following:

(a) **Private Activity Bond Limitation.** The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) **Limitations on Disposition of Project.** The City will not sell or otherwise transfer or dispose of: (i) any personal property components of the Project other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4); or (ii) any real property components of the Project, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

(c) **Federal Guarantee Prohibition.** The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) **Rebate Requirement.** The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(e) **No Arbitrage.** The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) **Registration Covenant.** The City will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code until all Bonds have been surrendered and canceled.

(g) **Record Retention.** The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least three years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(h) **Compliance with Federal Tax Certificate.** The City will comply with the provisions of the Federal Tax Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this section will survive payment in full or defeasance of the Bonds.

(i) **Bank Qualification.** The Finance Director is hereby authorized to designate the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions if the City does not reasonably expect to issue more than \$10,000,000 of qualified tax-exempt obligations in the calendar year in which the Bonds are issued.

Section 10. Debt Service Fund and Provision for Tax Levy Payments. The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the Bonds (the “Debt Service Fund”). No later than the date each payment of principal or interest on the Bonds becomes due, the City shall transmit sufficient funds, from the Debt Service Fund or from other legally available sources, to the Bond Registrar for the payment of such principal or interest. Money in the Debt Service Fund may be invested in legal investments for City funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Any interest or profit from the investment of such money shall be deposited in the Debt Service Fund.

The City hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid that each year it shall include in its budget and levy an *ad valorem* tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due.

The City hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the property tax levy permitted to cities without a vote of the electorate, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds when due.

Section 11. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance. The City shall give written notice of defeasance of the Bonds in accordance with the Continuing Disclosure Certificate.

Section 12. Sale of Bonds.

(a) **Bond Sale.** The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative, for a limited time, the authority to determine the method of sale for the Bonds and to approve the final interest rates, maturity dates, redemption terms and principal maturities for the Bonds.

(b) **Negotiated Bond Sale.** If the Designated Representative determines that the Bonds are to be sold by negotiated public sale, the Designated Representative shall solicit proposals from one or more qualified underwriting firms and shall select the Underwriter that submits the proposal that is in the best interest of the City. Such Bonds shall be sold to the Underwriter pursuant to the terms of a Bond Purchase Contract.

(c) **Competitive Sale.** If the Designated Representative determines that the Bonds are to be sold at a competitive public sale, the Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit accompany each bid; (4) cause notice of the public sale to be given; and (5) provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. The Designated Representative shall cause the notice of sale to be given and provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. Such Bonds shall be sold to the Underwriter pursuant to the terms of a Certificate of Award.

(d) **Sale Parameters.** Subject to the terms and conditions set forth in this Section 12, the Designated Representative is hereby authorized to approve the method of sale and the final interest rates, aggregate principal amount, principal maturities, and redemption rights for the Bonds in the manner provided hereafter so long as:

(1) the aggregate principal amount of the Bonds does not exceed \$8,800,000;

- (2) the final maturity date for the Bonds is no later than December 1, 2037;
- (3) the aggregate purchase price for the Bonds shall not be less than 98% of the aggregate stated principal amount of the Bonds, excluding any original issue discount; and
- (4) the true interest cost for the Bonds (in the aggregate) does not exceed 4.50%.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the appropriate Sale Document on behalf of the City.

Following the execution of the Sale Document, the Designated Representative shall provide a report to the Council describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 12 shall expire 180 days after the effective date of this ordinance. If a Sale Document for the Bonds has not been executed within 180 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds are re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a Sale Document or establishing terms and conditions for the authority delegated under this Section 12.

(e) ***Delivery of Bonds; Documentation.*** Upon the passage and approval of this ordinance and execution of the Sale Document, the proper officials of the City, including the Designated Representative, the City Administrator, the Mayor and the City Clerk, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Sale Document. Such documents may include, but are not limited to, documents related to a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Bonds as provided therein, if such insurance is determined by the Designated Representative to be in the best interest of the City.

Section 13. Preliminary and Final Official Statements. The Designated Representative is hereby authorized to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. The Designated Representative is further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement relating to the issuance and sale of the Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed by him or her to be appropriate.

Section 14. Undertaking to Provide Ongoing Disclosure. The City covenants to execute and deliver at the time of Closing a Continuing Disclosure Certificate. The Designated Representative is hereby authorized to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the City.

Section 15. Lost, Stolen or Destroyed Bonds. In case any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, date and tenor to the Registered Owner thereof if the owner pays the expenses and charges of the Bond Registrar and the City in connection therewith and files with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership thereof, and furnishes the City and the Bond Registrar with indemnity satisfactory to both.

Section 16. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 17. Payments Due on Holidays. If an interest and/or principal payment date for the Bonds is not a business day, then payment shall be made on the next business day and no interest shall accrue for the intervening period.

Section 18. Corrections by City Clerk. Upon approval of the City Attorney and Bond Counsel, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 19. Effective Date. This ordinance or a summary thereof shall be published in the official newspaper of the City, and shall take effect and be in full force five days after passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON,
at a Regular Meeting thereof this _____ day of _____, 2017.

ATTEST/AUTHENTICATED:

Christy O'Flaherty, MMC, City Clerk

Allan Ekberg, Mayor

APPROVED AS TO FORM BY:

Filed with the City Clerk: _____

Passed by the City Council: _____

Published: _____

Effective Date: _____

Ordinance Number: _____

Pacifica Law Group LLP, Bond Counsel

Attachments:

Exhibit A – Form of Bond

Exhibit B – Certificate (by City Clerk)

Exhibit A
Form of Bond

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF TUKWILA

LIMITED TAX GENERAL OBLIGATION BOND, 2017

INTEREST RATE: %

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The City of Tukwila, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 20____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 20____, and semiannually thereafter on the first days of each succeeding _____ and _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No.____ duly passed by the City Council on June 19, 2017 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$_____ and is issued pursuant to the Bond Ordinance to provide a portion of the funds necessary to pay the cost of certain street improvements in the City and to pay costs of issuance.

The bonds of this issue are subject to redemption prior to their stated maturities as provided in the [Bond Purchase Contract/Certificate of Award].

The City has irrevocably covenanted with the owner of this bond that it shall include in its annual budget and levy taxes annually, within and a part of the tax levy permitted to the City without a vote of the electorate, upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond when due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this bond exist and have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Tukwila, Washington, has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City to be imprinted, impressed or otherwise reproduced hereon as of this _____ day of _____, 2017.

[SEAL]

CITY OF TUKWILA, WASHINGTON

By _____
Allan Ekberg, Mayor

ATTEST:

Christy O'Flaherty, MMC, City Clerk

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Limited Tax General Obligation Bonds, 20____, of the City of Tukwila, Washington, dated _____, 2017.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By _____

Exhibit B

CERTIFICATE

I, the undersigned, City Clerk of the City of Tukwila, Washington (the "City"), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. _____ (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on June 19, 2017 as that ordinance appears in the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its passage and publication as provided by law; and

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. That Ordinance No. _____ has not been amended, supplemented or rescinded since its passage and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2017.

CITY OF TUKWILA, WASHINGTON

Christy O'Flaherty, MMC, City Clerk

OPERATING TRANSFERS – DEBT SERVICE

**DEBT SERVICE
2017 - 2022 Analysis in 000's**

Use of Debt Proceeds			BUDGET		PROJECTIONS				TOTAL
			2017	2018	2019	2020	2021	2022	2017-2022
EXISTING DEBT:									
1	LTGO 2008 Refunding	City Hall Annex, 6300 bldg, and Urban revitalization - Tukwila Village	\$ 810	\$ 809	\$ 811	\$ -	\$ -	\$ -	\$ 2,430
		City Hall Annex, 6300 bldg	364	364	365	-	-	-	1,094
		Tukwila Village	445	445	446	-	-	-	1,337
2	SCORE 2009	South County Correctional Entity, SCORE Jail facility	-	-	427	428	428	428	1,711
		Scheduled debt service	427	428	428	428	426	427	2,565
		Estimated contribution by SCORE	(427)	(428)	-	-	-	-	(856)
3	LTGO 2010	Southcenter Parkway Extension, emergency management	520	519	567	558	552	543	3,259
		Southcenter Parkway Extension	381	38	416	409	405	398	2,390
		Emergency Management	138	138	151	149	147	145	868
4	LTGO 2011 Refunding	Arterial street portion of 2003 bond – South Park bridge, Fort Dent, Tukwila Pool transaction	552	549	549	545	546	552	3,294
5	LTGO 2012	Tukwila Metropolitan Park District	113	113	113	113	113	113	679
6	LTGO 2014	Urban Renewal line of credit	40	2,290	-	-	-	-	2,330
7	LTGO 2014	Urban Renewal Bonds	260	261	261	261	261	261	1,564
8	LTGO 2015	Interurban/Boeing Access Rd Brdg	391	389	392	390	388	390	2,340
		Interurban	22	-	22	21	225	21	357
		Boeing Access Road	164	60	65	64	163	169	98
9	Existing debt		\$ 2,686	\$ 4,931	\$ 3,120	\$ 2,295	\$ 2,288	\$ 2,287	\$ 17,606
PROPOSED DEBT:									
10	LTGO 2017	Residential Street \$ 8,400	-	672	672	672	672	672	3,360
		42nd Ave S \$ 6,000							
		53rd Ave S \$ 2,000							
11	LTGO 2017	Public Works Shops \$29,493	-	246	712	1,180	1,180	1,180	4,498
12	Planned debt \$ 37,893		\$ -	\$ 918	\$ 1,384	\$ 1,852	\$ 1,852	\$ 1,852	\$ 7,858
13	TOTAL Estimate / Projections		\$ 2,686	\$ 5,849	\$ 4,504	\$ 4,147	\$ 4,140	\$ 4,139	\$ 25,464

CITY OF TUKWILA CAPITAL PROJECT SUMMARY

2017 to 2022

PROJECT: 42nd Ave South Phase III

Project No. 99410303

DESCRIPTION: Design and construct street improvements, drainage, sidewalks, bike facilities, and driveway adjustments.

JUSTIFICATION: Provide pedestrian and vehicle safety, drainage, and neighborhood revitalization.

STATUS: Phase III (S/C Blvd (154th) - S 160 St), Design began in 2012, construction in 2017. Project No. 99410303

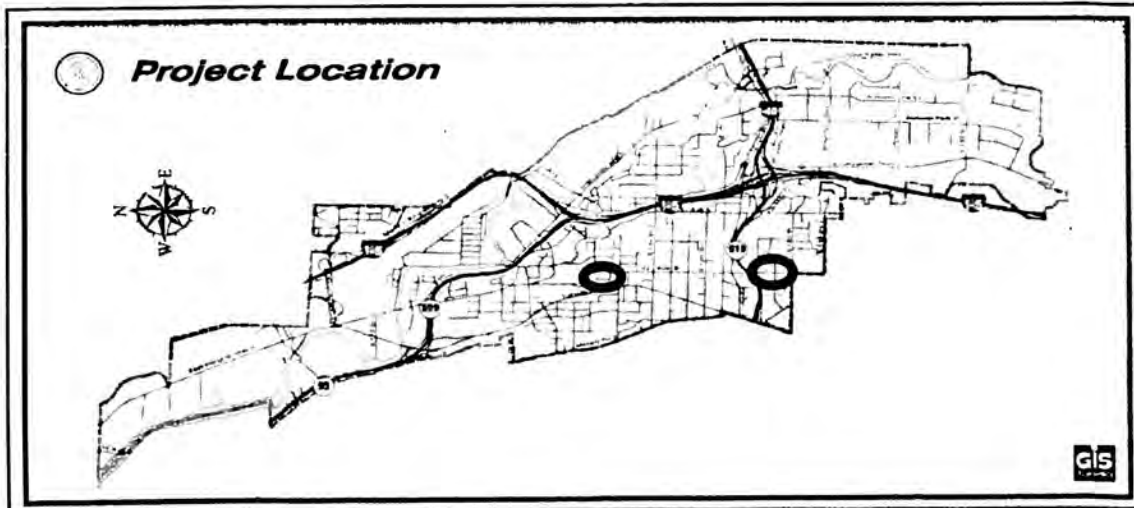
Phase IV (S 139 St - S 131 Pl) in beyond. Project No. 99410301

Phase I 90-RW15 (S/C Blvd (154) - 144 St) \$3,796 & Phase II 94-RS02 (144-139) \$1,850, both completed.

MAINT. IMPACT: Reduce pavement, shoulder, and drainage work.

COMMENT: Only Phase III is shown in active years. Project includes Surface Water's Gilliam Creek 42nd Ave S Culvert project for \$1.3m and is part of the Walk & Roll Plan. Seattle City Light's funding is a 60/40 underground split.

FINANCIAL (In \$000's)	Through Estimated									TOTAL
	2015	2016	2017	2018	2019	2020	2021	2022	BEYOND	
EXPENSES									Phase IV	
Design	1,000	125								1,125
Land (R/W)			100							100
Const. Mgmt.			750	322					560	1,632
Construction			2,534	1,086					3,800	7,420
Undergrounding			2,467	1,057						3,524
TOTAL EXPENSES	1,000	125	5,851	2,465	0	0	0	0	4,360	13,801
FUND SOURCES										
Seattle City Light			1,077	462						1,539
Surface Water	144	4								148
Other Utilities	1		150	136						287
Bond			4,600	1,800						6,400
City Oper. Revenue	855	121	24	67	0	0	0	0	4,360	5,427
TOTAL SOURCES	1,000	125	5,851	2,465	0	0	0	0	4,360	13,801



CITY OF TUKWILA CAPITAL PROJECT SUMMARY
2017 to 2022

PROJECT: 53rd Ave S (S 137th St - S 144th St)

Project No. 99110301

DESCRIPTION: Design and construct urban residential street improvements that include curb, gutter, sidewalk, undergrounding, and illumination. Street will coordinate with Water \$1.1m, Sewer \$185k, and Surface Water \$920k CIP projects.

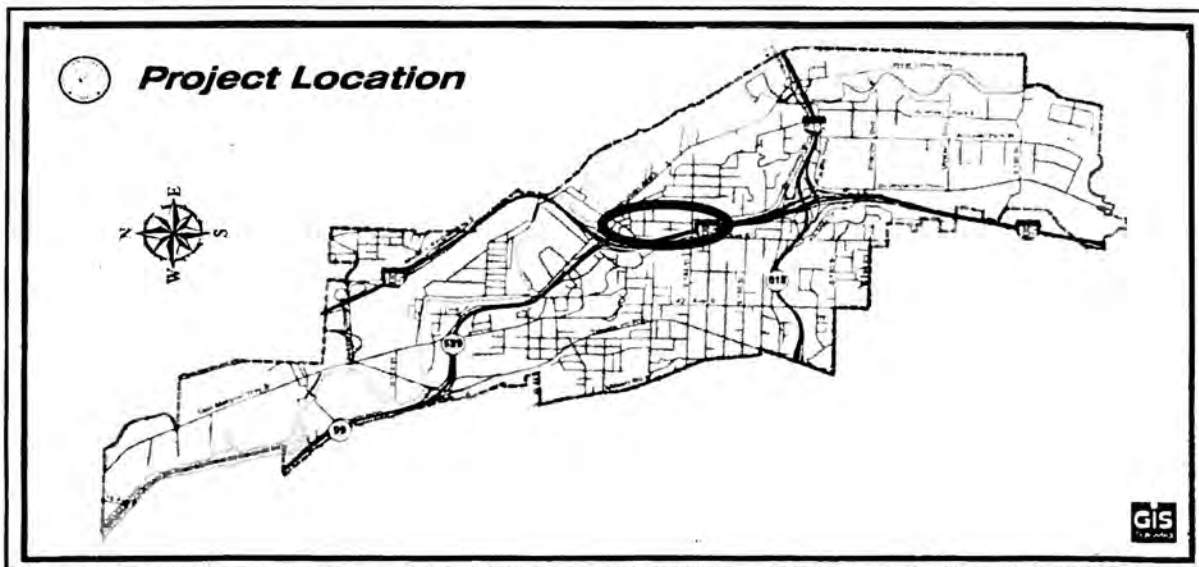
JUSTIFICATION: Provide pedestrian and vehicle safety, drainage, and neighborhood revitalization.

STATUS: Undergrounding is included at this time.

MAINT. IMPACT: Reduce pavement, shoulder, and drainage work.

COMMENT: State TIB grant for \$2.14M for roadway and drainage. See additional pages in Enterprise funds under 53rd Ave S Projects. Seattle City Light is now negotiating a 60/40 underground split and undergrounding costs have been added to project. Bond for \$2 million.

FINANCIAL (in \$000's)	Through		Estimated							TOTAL
	2015	2016	2017	2018	2019	2020	2021	2022	BEYOND	
EXPENSES										
Design	83	107	3							193
Land (R/W)	2	98								100
Const. Mgmt.			435	435						870
Construction			1,050	1,050						2,100
Undergrounding			1,125	1,125						2,250
TOTAL EXPENSES	85	205	2,613	2,610	0	0	0	0	0	5,513
FUND SOURCES										
Utilities W/S/SWM	25									25
Awarded TIB Grant			900	900		Remainder of grant in SWM				1,800
Seattle City Light			675	675						1,350
Bond			1,000	1,000						2,000
City Oper. Revenue	60	205	38	35	0	0	0	0	0	338
TOTAL SOURCES	85	205	2,613	2,610	0	0	0	0	0	5,513





pfm

City of Tukwila

Finance Committee Meeting

June 6, 2017

Public Financial
Management, Inc.

1200 Fifth Avenue
Suite 1220
Seattle, WA, 98101

Susan Musselman
(360) 445-0238
Duncan Brown
(206) 858-5367



Overview

1) Overview of Outstanding Debt

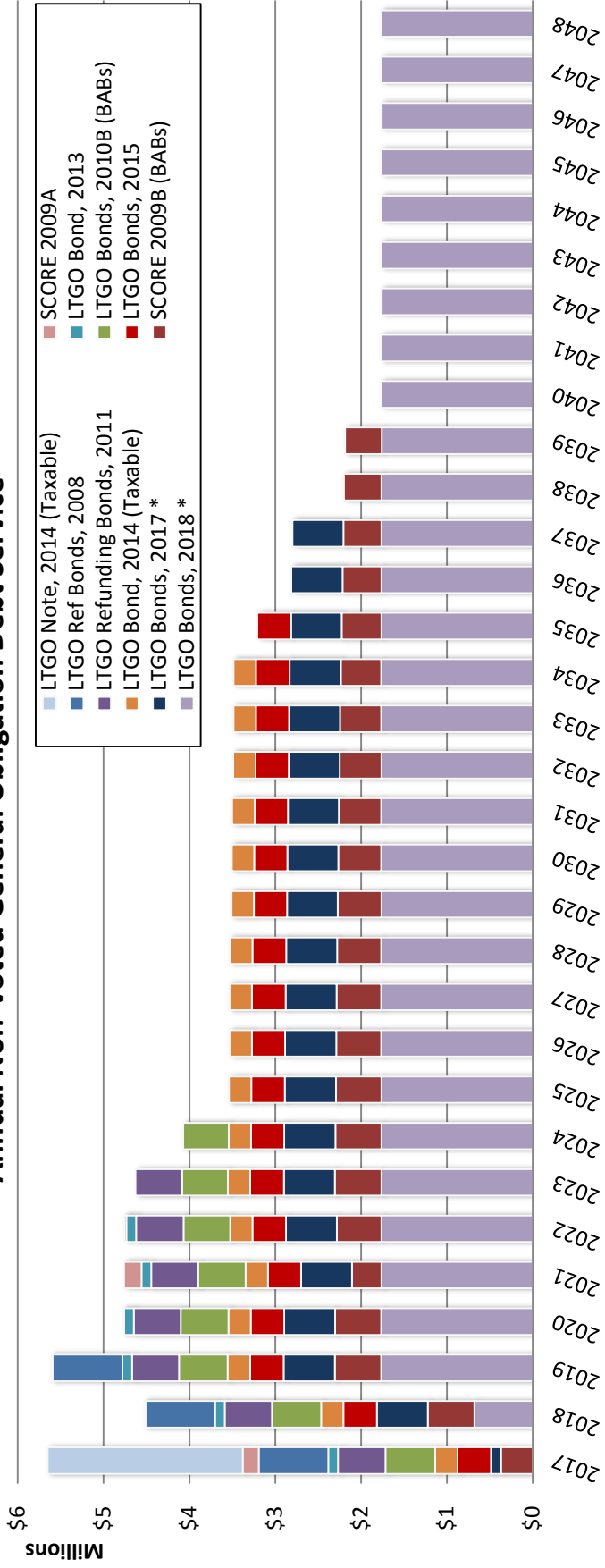
2) Debt Capacity



Outstanding General Obligation Debt

- As of May 2017, the City has \$27,218,577 of non-voted general obligation debt and \$32,990,000 of voted general obligation debt outstanding
- The chart below reflects annual debt service for the City's outstanding LTGO obligations, plus estimated debt service requirements for the proposed LTGO Bonds, 2017 (Residential Streets) and 2018 (City Shops)

Annual Non-Voted General Obligation Debt Service



* Preliminary; subject to change



Calculation of Debt Capacity

- The table below summarizes the City's statutory non-voted and total general obligation debt capacity, also reflecting the inclusion of the proposed LTGO Bonds, 2017 and 2018

Non-Voted General Obligation Debt Capacity	
2016 Assessed Value for 2017 Tax Year	\$5,751,820,403
Non-Voted Debt Capacity (1.5% of AV)	\$86,277,306
Less: Outstanding Non-Voted Debt	(27,218,577)
Less: Upcoming Financings (2017 and 2018 LTGO Bonds) ⁽¹⁾	<u>(34,790,000)</u>
Remaining Non-Voted Debt Capacity	\$24,268,729
Total General Obligation Debt Capacity for General Municipal Purposes	
2016 Assessed Value for 2017 Tax Year	\$5,751,820,403
Total Debt Capacity (2.5% of AV)	\$143,795,510
Less: Outstanding Voted Debt	(32,990,000)
Less: Outstanding Non-Voted Debt	(27,218,577)
Less: Upcoming Financings (2017 and 2018 LTGO Bonds) ⁽¹⁾	<u>(34,790,000)</u>
Remaining Total Debt Capacity for General Municipal Purposes	\$48,796,933