



INFORMATIONAL MEMORANDUM

TO: Finance Committee
FROM: Peggy McCarthy, Finance Director
CC: Mayor Ekberg
DATE: October 11, 2017
SUBJECT: Refinancing Urban Renewal Short Term Debt

ISSUE

Approve the issuance of a \$2.35 million taxable bond to refinance the urban renewal 3-year note that matures December 1, 2017.

BACKGROUND

For the purpose of urban renewal, the City purchased three crime ridden motels in 2014 for \$3.6 million and an additional motel and structure in 2015 for \$1.6 million for a total of \$5.2 million. To finance these purchases, in December 2014 a taxable 20-year \$3.85 million bond was issued to Zions First National Bank and a taxable 3-year \$2.25 million note was issued to Bank of the West. It was anticipated that the 3-year \$2.25 million note would be paid from proceeds of the sale of property. The motel property has not yet been sold and the 3-year note comes due on December 1, 2017.

DISCUSSION

Based on feedback from the Finance Committee on June 6, 2017, City staff and PFM moved forward with the solicitation of replacement financing. A replacement financing Request For Proposal was published on September 7, 2017 and seven banks responded. Cashmere Valley Bank offered the lowest borrowing costs and most favorable terms. The proposal was accepted and includes these key terms:

Table with 4 columns: Amount, Interest rates (Year 1-3, Year 4, Year 5), and Prepayment Option. Row 1: \$2,350,000, 2.6%, 2.8%, 3.0%, The bond may be prepaid in whole or in part at any time prior to the maturity date with no prepayment penalty.

FINANCIAL IMPACT

The 2017-2018 biennial budget models the note as being paid in 2018. The effect of refinancing the note instead of paying it off is additional annual interest expense of approximately \$20,000 in 2018, \$61,100 in 2019 and 2020, \$65,800 in 2021 and \$70,500 in 2022, should the bond not be paid early.

RECOMMENDATION

The Council is being asked to approve the bond ordinance and consider this item at the October 23, 2017 Committee of the Whole meeting and subsequent November 6, 2017 Regular Meeting.

ATTACHMENTS

- Draft bond ordinance
PFM Presentation



# DRAFT

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AUTHORIZING THE ISSUANCE AND SALE OF A LIMITED TAX GENERAL OBLIGATION BOND OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$2,350,000 TO REFUND THE CITY'S OUTSTANDING LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2014 (TAXABLE NON-REVOLVING LINE OF CREDIT) AND TO PAY THE COST OF ISSUING THE BOND; PROVIDING THE FORM OF THE BOND; AUTHORIZING THE SALE OF THE BOND TO CASHMERE VALLEY BANK; AND PROVIDING FOR OTHER MATTERS RELATING THERETO; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Tukwila, Washington (the "City"), has outstanding its Limited Tax General Obligation Bond Anticipation Note, 2014 (Taxable Non-Revolving Line of Credit), issued on December 9, 2014 pursuant to Ordinance No. 2464 passed by the City Council (the "Council") on December 1, 2014, as amended by Ordinance No. 2472 passed by the Council on March 16, 2015 (as amended, the "Note Ordinance"), in the original principal amount of \$2,250,000 (the "Note"); and

**WHEREAS**, the Note is scheduled to mature on December 1, 2017; and

**WHEREAS**, the Note Ordinance authorizes the City to prepay all or a portion of the outstanding principal on the Note in advance of its maturity date at any time; and

**WHEREAS**, after due consideration it appears that it is in the best interest of the City to pay at maturity or prepay the Note from proceeds of a limited tax general obligation bond issued in the principal amount of not to exceed \$2,350,000 (the "Bond"); and

**WHEREAS**, the City has received the offer of Cashmere Valley Bank (the "Purchaser") set forth in Exhibit A attached hereto (the "Proposal"), to purchase the Bond; and

**WHEREAS**, it is deemed necessary and advisable that the City accept the Purchaser's offer and issue the Bond as set forth herein;

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

**Section 1. Definitions and Interpretation of Terms.**

(a) **Definitions.** As used in this ordinance, the following words shall have the following meanings, unless the context or use indicates otherwise, words importing the singular number shall include the plural number and vice versa.

**Adjustment Date** means the First Interest Rate Adjustment Date and the Second Interest Rate Adjustment Date.

**Bond** means the City's Limited Tax General Obligation Bond, 2017 (Taxable), authorized to be issued pursuant to the terms of this ordinance.

**Bond Counsel** means Pacifica Law Group LLP, or an attorney at law or a firm of attorneys, selected by the City.

**Bond Register** means the registration records for the Bond maintained by the Bond Registrar.

**Bond Registrar** means the City Finance Director, whose duties include registering and authenticating the Bond, maintaining the Bond Register, transferring ownership of the Bond, and paying the principal of and interest on the Bond.

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

**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.

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

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

**Commission** means the United States Securities and Exchange Commission.

**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 Bond.

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

**First Interest Rate Adjustment Date** means December 1, 2020.

**Interest Rate** means: (a) from the date of issuance to (but not including) the First Interest Rate Adjustment Date, a fixed rate of interest of 2.6% per annum; (b) from the First Interest Rate Adjustment Date to (but not including) the Second Interest Rate Adjustment Date, a fixed rate of interest of 2.8% per annum; and (c) from the Second Interest Rate Adjustment Date to the Maturity Date, a fixed rate of interest of 3.0% per annum.

**Maturity Date** means the final date of maturity stated in the Bond, which shall be approximately five years from the date of issuance of the Bond.

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

**Note** means the City's Limited Tax General Obligation Bond Anticipation Note, 2014 (Taxable Non-Revolving Line of Credit), issued on December 9, 2014 pursuant to the Note Ordinance.

**Note Ordinance** means Ordinance No. 2464 passed by the Council (on December 1, 2014, as amended by Ordinance No. 2472 passed by the Council on March 16, 2015.

**Proposal** means the proposal letter submitted by the Purchaser substantially in the form attached hereto as Exhibit A.

**Purchaser** means Cashmere Valley Bank, Cashmere, Washington, and its successors and assigns.

**Registered Owner** means the person named whose name the Bond is registered on the Bond Register.

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

**Second Interest Rate Adjustment Date** means December 1, 2021.

**State** means the State of Washington.

(b) **Interpretation.** In this ordinance, unless the context otherwise requires:

(1) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(2) Words of the masculine or feminine gender shall mean and include correlative words of any gender and words importing the singular number shall mean and include the plural number and vice versa;

(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(5) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

## **Section 2. Authorization of the Bond.**

(a) For the purpose of paying at maturity or prepaying the Note and paying costs of issuance of the Bond, the City is hereby authorized to issue and sell a limited tax general obligation bond in the principal amount not to exceed \$2,350,000 (the "Bond").

(b) The Bond shall be a general obligation of the City and shall be designated "City of Tukwila, Washington, Limited Tax General Obligation Bond, 2017 (Taxable)" or other such designation as set forth in the Bond and approved by the Finance Director. The Bond shall be dated as of its date of delivery to the Purchaser, shall be fully registered as to both principal and interest, shall be in one denomination, and shall mature on the Maturity Date. The Bond shall bear interest from its dated date or the most recent date to which interest has been paid at the Interest Rate then in effect, as the same may be adjusted pursuant to the Proposal and set forth herein. The Interest Rate shall reset on each Adjustment Date, and shall remain in effect until but not including the next Adjustment Date. Interest on the principal amount of the Bond shall be calculated per annum on a 30/360 basis, or as otherwise provided in the Bond. Principal of the Bond shall be payable on the Maturity Date and interest on the Bond shall be paid semi-annually on June 1 and December 1, beginning June 1, 2018, to the Maturity Date or prior prepayment.

## **Section 3. Registration, Exchange and Payments.**

(a) **Registrar/Bond Registrar.** The Finance Director shall act as Bond Registrar. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bond if transferred or exchanged in accordance with the provisions of the Bond and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance.

(b) **Registered Ownership.** The City and the Bond Registrar may deem and treat the Registered Owner of the Bond as the absolute owner for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of the Bond shall be made only as described in subsection (d) below. All such payments made as described in subsection (d) below shall be valid and shall satisfy the liability of the City upon the Bond to the extent of the amount so paid.

(c) **Transfer or Exchange of Registered Ownership.** The Purchaser shall have the right at any time to assign, transfer or convey the Bond in whole but no such assignment, transfer or conveyance shall be effective as against the City unless and until the Purchaser has delivered to the City prior written notice thereof that discloses the name and address of the assignee and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Purchaser or (ii) banks, wholly-owned direct or indirect subsidiaries of banks or bank holding companies, insurance companies or other financial institutions or their affiliates that signs a qualified purchaser letter in substantially the same form as provided by the Purchaser in connection with the issuance of the Bond and otherwise satisfactory to Bond Counsel. Nothing herein shall limit the right of the Purchaser or its assignees to sell or assign participation interests in the Bond to one or more entities listed in (i) or (ii).

(d) **Place and Medium of Payment.** Both principal of and interest on the Bond shall be payable in lawful money of the United States of America. Principal and interest on the Bond shall be payable by check, warrant, ACH transfer or by other means mutually acceptable to the Purchaser and the City. Upon final payment of principal and interest of the Bond, the Registered Owner shall surrender the Bond for cancellation at the office of the Bond Registrar in accordance with this ordinance.

**Section 4. Prepayment.** The outstanding principal amount of the Bond may be prepaid in whole or in part at any time prior to the Maturity Date at a price of par plus accrued interest to the date of prepayment. The City shall provide at least 15 calendar days prior written notice of any intended prepayment. If the Bond is prepaid in full in accordance with this Section 4, interest shall cease to accrue on the date the Bank receives such prepayment.

**Section 5. Form of Bond.** The Bond shall be in substantially the form set forth in Exhibit B, which is incorporated herein by this reference.

**Section 6. Execution of Bond.**

(a) The Bond shall be executed on behalf of the City with the manual or facsimile signature of the Mayor, and shall be attested by the manual or facsimile signature of the Clerk.

(b) Only such Bond as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit B, manually executed by 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 Bond so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

(c) In case either of the officers who shall have executed the Bond shall cease to be an officer or officers of the City before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bond may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed

the same had continued to be such officers of the City. The Bond may also be signed and attested on behalf of the City by such persons who at the date of the actual execution of the Bond, are the proper officers of the City, although at the original date of such Bond any such person shall not have been such officer of the City.

**Section 7. Application of Bond Proceeds.** Proceeds of the Bond shall be distributed as follows:

(a) The amount necessary to pay or prepay the outstanding principal of and interest on the Note on the date of maturity or prepayment, respectively, plus any prepayment penalties or related fees, shall be deposited into the Note Account (as defined in the Note Ordinance) and shall be used within 30 days of the issuance of the Bond to redeem the Note in accordance with its terms. After the Note is paid in full, the Note shall be cancelled and delivered to the City.

(b) The remaining proceeds of the Bond shall be used by the City to pay costs of issuance of the Bond or shall be deposited into the Debt Service Fund.

(c) The Finance Director is hereby authorized to select the date of prepayment (if any) and to call the Note for prepayment prior to maturity on such date in accordance with the terms of the Note Ordinance. The Finance Director and the appropriate City officials are further authorized to execute such documents and to take such actions as necessary to pay or prepay the Note in accordance with its terms and this ordinance.

**Section 8. Pledge of Funds and Credit; General Obligation.**

(a) The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the Bond (the "Debt Service Fund"). No later than the date each payment of principal of or interest on the Bond becomes due, the City shall transmit sufficient funds, from the Debt Service Fund or from other legally available sources, to the Registered Owner for the payment of such principal or interest. Money in the Debt Service Fund may be invested in legal investments for City funds.

(b) The City hereby irrevocably covenants and agrees for as long as the Bond is outstanding and unpaid that each year it will 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 other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bond when due.

(c) 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 tax levy permitted to cities without a vote of the people, 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 Bond will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bond. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bond when due.



## **Section 9. Sale of the Bond.**

(a) The Bond shall be sold to the Purchaser pursuant to the terms of this ordinance and the Proposal. The City hereby accepts the Proposal, which is attached as Exhibit A and incorporated herein by this reference. The Finance Director is hereby authorized: (a) to approve the principal amount of the Bond; (b) to execute a bond purchase agreement with the Purchaser; and (c) to agree to any other terms, conditions and covenants that are in the best interest of the City and in accordance with the Proposal, so long as the principal amount of the Bond does not exceed \$2,350,000 and the terms of the Bond are otherwise consistent with the terms of this ordinance.

(b) The appropriate City officials, including but not limited to the City Mayor, City Administrator and the Finance Director, are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bond and for the proper application and use of the proceeds thereof.

## **Section 10. Ongoing Disclosure; Covenants.**

(a) **Ongoing Disclosure.** The Bond is exempt from ongoing disclosure requirements of the Rule.

(b) **Covenants.** So long as the Bond is outstanding, the City hereby covenants and agrees to provide the Registered Owner:

(1) Copies of the City's audited financial statements within a reasonable time after such statements become available; and

(2) Financial or other information as may be reasonably requested from time to time.

**Section 11. Lost, Stolen or Destroyed Bond.** In case the Bond shall be lost, stolen or destroyed while in the Registered Owner's possession, the Bond Registrar may at the request of the Registered Owner execute and deliver a new Bond of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon its filing with the City written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof. In the case the Bond shall be lost, stolen, or destroyed while in the Registered Owner's possession, the Registered Owner may elect upon final payment of principal and interest of the Bond to surrender a photocopy of the Bond for cancellation at the office of the Bond Registrar together with written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof.

**Section 12. 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 Bond. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

**Section 13. Payments Due on Holidays.** If an interest and/or principal payment date for the Bond 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 14. 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 15. 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: \_\_\_\_\_

\_\_\_\_\_  
Pacifica Law Group LLP, Bond Counsel

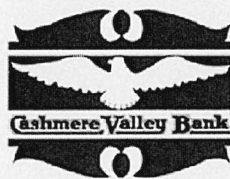
Ordinance Number: \_\_\_\_\_

Attachments:

Exhibit A – Proposal – Cashmere Valley Bank

Exhibit B – Form of Bond / Certificate of Authentication and Registration

**Exhibit A**  
**Copy of Purchaser's Proposal**  
[attached]



City of Tukwila  
Limited Tax General Obligation Bond, 2017 (Taxable)  
Term Sheet  
(Subject to Bank underwriting and credit approval)  
September 25, 2017

1. Issuer: City of Tukwila, King County Washington (the "City")
2. Amount: \$2,350,000
3. Form: Registered Limited Tax General Obligation Bond, 2017 (Taxable) (the "Bond") issued by the City and purchased by Cashmere Valley Bank at private sale.
4. Purpose: Proceeds would be used to refund the City's LTGO Bond Anticipation Note, 2014 (Taxable) which was used to acquire certain improved property on Tukwila International Boulevard for the purpose of redevelopment, and to pay certain costs of Bond issuance.
5. Bond Terms:

a) Interest Rate and Terms:

The Bond would be structured as a taxable non-amortizing bond with a final maturity of either 3, 4 or 5 years. The rate of interest for the first 3 years would be 2.6%. The rate of interest for year 4 would be 2.8%, and for year 5, 3.0%. Interest would be computed on the basis of a 360-day year consisting of twelve 30-day months. The Bond would be dated the Date of Delivery and would bear interest from its date. The City may choose if interest is paid monthly, quarterly or semi-annually.

b) Transferability

Cashmere Valley Bank would hold the Bond with no intent to sell or transfer. The Bond may be transferred only in whole to a qualified investor.

c) Security

The Bond would be a limited tax general obligation supported by the full faith and credit of the City.

6. Prepayment:

The outstanding principal amount of the Bond may be prepaid in whole or in part at any time prior to the Maturity Date at par plus accrued interest to the date of prepayment. The City would provide the Bank with written notice of any intended prepayment at least 15 days prior to such prepayment date.

7. Fees: The Bank would not charge any fees for the Bond, and does not expect any legal costs.

8. Additional Terms: The Bond documents would be in the standard forms customarily required by the Bank for municipal funding and would include additional terms and conditions not discussed above. The City would provide its annual financial report to the Bank during the period the Bond is outstanding and held by the Bank. At the date of closing the Bond, the financial condition and credit of the City and all other features of this transaction would be as represented to the Bank without material adverse change.

Please note that this term sheet is for discussion purposes only and does not represent a commitment on the part of the Bank to lend funds. The Bank agrees to the proposed schedule of events presented in the Request for Proposals.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**



**Exhibit B**  
**Form of Bond**

UNITED STATES OF AMERICA

NO. R-1

\$ \_\_\_\_\_

STATE OF WASHINGTON

CITY OF TUKWILA

LIMITED TAX GENERAL OBLIGATION BOND, 2017 (TAXABLE)

DATE OF ISSUANCE: [ \_\_\_\_\_, 2017]

MATURITY DATE: [ \_\_\_\_\_, 2022]

REGISTERED OWNER: CASHMERE VALLEY BANK, CASHMERE WASHINGTON

PRINCIPAL AMOUNT: \_\_\_\_\_ MILLION AND \_\_\_\_\_ DOLLARS

The City of Tukwila, Washington, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, on or before the Maturity Date identified above, the Principal Amount identified above. This bond shall bear interest on the outstanding principal balance at the interest rate then in effect (the "Interest Rate"), as follows:

- (a) from the Date of Issuance identified above to (but not including) the First Interest Rate Adjustment Date (December 1, 2020), a fixed rate of interest of 2.6% per annum,
- (b) from the First Interest Rate Adjustment Date to (but not including) the Second Interest Rate Adjustment Date (December 1, 2021), a fixed rate of interest of 2.8% per annum, and
- (c) from the Second Interest Rate Adjustment Date to the Maturity Date, a fixed rate of interest of 3.0% per annum.

Interest on this bond shall accrue from the Date of Issuance until paid and shall be computed per annum on the principal amount outstanding on a 30/360 basis. The Interest Rate shall reset on each Adjustment Date as described above, and shall remain in effect until but not including the next Adjustment Date. Principal of this bond shall be payable on the Maturity Date and interest on this bond shall be paid semi-annually on June 1 and December 1, beginning June 1, 2018, to the Maturity Date or prior prepayment.

Both principal of and interest on this bond shall be payable in lawful money of the United States of America. Principal and interest on this bond shall be payable by check or warrant or by other means mutually acceptable to the Registered Owner and the City. Upon final payment of principal and interest of this bond, the Registered Owner shall surrender this bond for cancellation at the office of the Bond Registrar in accordance with Ordinance No. \_\_\_\_\_ of the City (the "Bond Ordinance").

This bond is issued pursuant to the Bond Ordinance to redeem the City's Limited Tax General Obligation Bond Anticipation Note, 2014 (Taxable Non-Revolving Line of Credit) and to pay costs of issuance for this bond. Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

The City may prepay this bond on any date upon providing at least 15 calendar days prior written notice to the Registered Owner, as further provided in the Bond Ordinance.

The City has in the Bond Ordinance authorized the creation of a fund to be used for the payment of debt service on this bond, designated as the Debt Service Fund. The Debt Service Fund shall be drawn upon for the sole purpose of paying the principal of and interest on this bond.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

Owners of this bond do not have a security interest in particular revenues or assets of the City. This bond is not a debt or indebtedness of the State of Washington, or any political subdivision thereof other than the City.

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 issued pursuant to the Constitution and laws of the State of Washington, and duly adopted ordinances of the City. This bond is transferable upon compliance with the 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, to have happened, been done and performed precedent to and in the issuance of this bond exist, have happened, been done and performed and that the issuance of this bond 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 signature of the Mayor of the City Council and attested by the manual or facsimile signature of the Clerk, as of this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

[SEAL]

CITY OF TUKWILA, WASHINGTON

By \_\_\_\_\_  
Allan Ekberg, Mayor

ATTEST:

\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

### CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This bond is the City of Tukwila, Limited Tax General Obligation Bond, 2017 (Taxable) described in the within mentioned Bond Ordinance and is registered in the name of the Registered Owner on the books of the City, in the office of the City Finance Director (the "Bond Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this bond shall be made by the City to the Registered Owner from the Debt Service Fund.

Date of Registration	Name and Address of Registered Owner	Signature of Bond Registrar
_____, 2017	_____ _____ _____	_____ Finance Director

**CERTIFICATE**

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

1. That the attached 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 November 6, 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 the 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



# City of Tukwila

## Finance Committee Meeting

### 2014 Bond Anticipation Note

October 17, 2017

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PFM Financial  
Advisors LLC

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1200 Fifth Avenue  
Suite 1220  
Seattle, WA, 98101

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



## **Overview**

- 1) Background**
- 2) Lender RFP and Results**
- 3) Proposed LTGO Bond, 2017**
- 4) Next Steps**

**Appendix: Debt Capacity and Market Update**



## Review of 2014 LTGO Bonds and Note

- In December 2014, the City issued its \$2.25 million Limited Tax General Obligation Bond Anticipation Note, 2014 (the "2014 Note") and \$3.85 million Limited Tax General Obligation Bonds, 2014 (the "2014 Bonds")
  - Both were used to acquire properties along Tukwila International Boulevard (TIB)
  - The 2014 Note has a final maturity of **December 1, 2017**
  - The 2014 Bond has a final maturity of December 1, 2034, and is subject to optional redemption on December 1, 2019
- At the time of issuance, the City anticipated using proceeds from the sale of the TIB properties to repay the 2014 Note
  - Properties are anticipated to be sold to a private party for new development
  - However, the properties have not yet been sold



## 2014 Note - Considerations

The City has several options to address the upcoming maturity of the 2017 Note:

- 1) Refinance with cash**
  - City could use proceeds from other sources (i.e. Tukwila Village), if available
- 2) Refinance with long-term Limited Tax GO (non-voted) debt**
  - If property will be used for some other governmental purpose of the City
- 3) Extension or replacement**
  - Most flexible option (could be refinanced on a longer-term basis with other options – cash, LTGO, or UTGO – at a later date)
  - Based on feedback from the Finance Committee on June 6, 2017, City staff and PFM moved forward with the solicitation of replacement interim financing



## Limited Tax General Obligation Bond, 2017 (Taxable)

- The holder of the existing 2014 Note (Bank of the West) is not interested in extending the existing facility
- On September 7<sup>th</sup>, PFM distributed an Request for Proposals for replacement financing on behalf of the City
  - The RFP was distributed to 18 banks, of which 7 responded
  - Cashmere Valley Bank provided the most advantageous financing terms for the proposed Limited Tax General Obligation Bond, 2017 (Taxable) (the "2017 TIB Bond")
  - Five year final maturity (December 1, 2022)
  - Initial rate of 2.60%, increasing to 2.80% in year 4 and 3.00% in year 5
  - Estimated "True Interest Cost" of 2.71% through maturity
  - Prepayable at any time – as TIB properties are sold, the 2017 TIB Bond may be paid down



## 2017 TIB Bond – Next Steps

<u>Activity</u>	<u>Date</u>
Finance Committee Meeting – Consideration of Bond Ordinance (5:30 p.m.)	10/17
Committee of the Whole – Consideration of Bond Ordinance (7:00 p.m.)	10/23
City Council Meeting – Consideration of Bond Ordinance (7:00 p.m.)	11/6
Bond Ordinance Published	11/9
Bond Closing – funds delivered and 2014 Note redeemed	11/14



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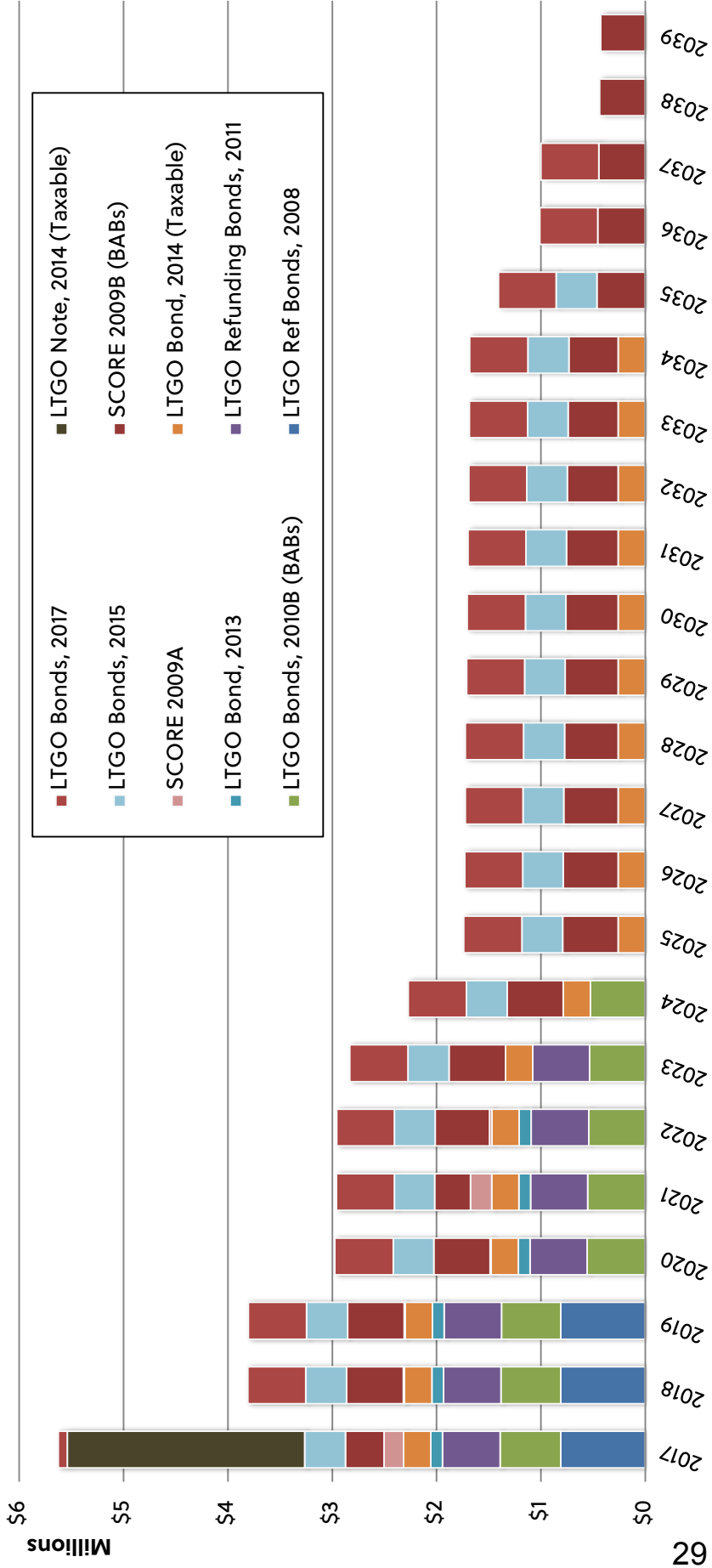
# Appendix: Debt Capacity and Market Update



## Outstanding Limited Tax General Obligation Debt

- As of October 2017, the City has \$35,398,577 of non-voted general obligation debt and \$32,990,000 of voted general obligation debt outstanding

## Annual Non-Voted General Obligation Debt Service





# Outstanding Long-Term General Obligation Debt

Series Name	Outstanding Par	Call Date	Purpose	Coupon Range	Final Maturity	Insurer
LTGO Refunding Bonds, 2008	\$2,165,000	n/a	Advance refund LTGO Bonds, 1999	6.00%	12/1/2019	Assured Guaranty
LTGO Bonds, 2010B (Taxable BABs – Direct Payment)	3,575,000	6/1/2020	Acquisition & construction of Southcenter Parkway improvements; emergency preparedness facilities, fixtures, tech.	3.96 – 5.41%*	12/1/2024	n/a
LTGO Refunding Bonds, 2011	3,360,000	12/1/2021	Advance refund LTGO Bonds, 2003A	3.00 – 4.00%	12/1/2023	n/a
LTGO Bond, 2013	609,977	n/a	Park district facility improvements (pool)	3.00-4.00%	12/1/2022	n/a
LTGO Bond, 2014 (Taxable)	3,560,000	12/1/2019	Tukwila International Boulevard – property acquisition	0.85 – 4.86%**	12/1/1934	n/a
LTGO Note, 2014 (Taxable)	2,250,000	anytime		LIBOR + 1.00%	12/1/2017	n/a
LTGO Bonds, 2015	5,605,000	6/1/2025	Pay and reimburse the City for the cost of certain road construction and related improvements	2.25 – 3.00%	12/1/2035	n/a
LTGO Bonds, 2017	8,180,000	6/1/2027	Pay or reimburse the City for the cost of certain road construction and related improvements	3.00% – 3.50%	12/1/2037	n/a
<b>Subtotal</b>	<b>\$29,304,977</b>					
SCORE Bonds, 2009A	220,400	1/1/2020	SCORE Facility	4.50 – 5.00%	1/1/2022	n/a
SCORE Bonds, 2009B (Taxable BABs- Direct Payment)	5,873,200	1/1/2020		5.00 – 6.616%*	1/1/2039	n/a
<b>Subtotal</b>	<b>\$6,093,600</b>					
<b>Total – LTGO</b>	<b>\$35,398,577</b>					
UTGO Bonds, 2016	32,990,000	12/1/2026	Pay and reimburse the City for the cost of constructing fire stations and acquiring related firefighting apparatus/equipment, constructing a justice center	4.50 – 5.00%	12/1/2036	n/a
<b>Subtotal</b>	<b>\$32,990,000</b>					
<b>Total – General Obligations</b>	<b>\$68,388,577</b>					

As of October 10, 2017.

\* Build America Bonds coupons are shown as gross rates, not reflecting Federal subsidy (35% prior to sequestration).

\*\* A portion of the 2014 Bonds will have interest rates reset every five years, based on the Five Year Advance Fixed Bullet Rate, as published by the Seattle Federal Home Loan Bank.



## Calculation of Debt Capacity

- The table below summarizes the City's non-voted and total general obligation debt capacity, as limited by statute

<b>Non-Voted General Obligation Debt Capacity</b>	
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	<u>(35,398,577)</u>
<b>Remaining Non-Voted Debt Capacity</b>	<b>\$50,878,729</b>

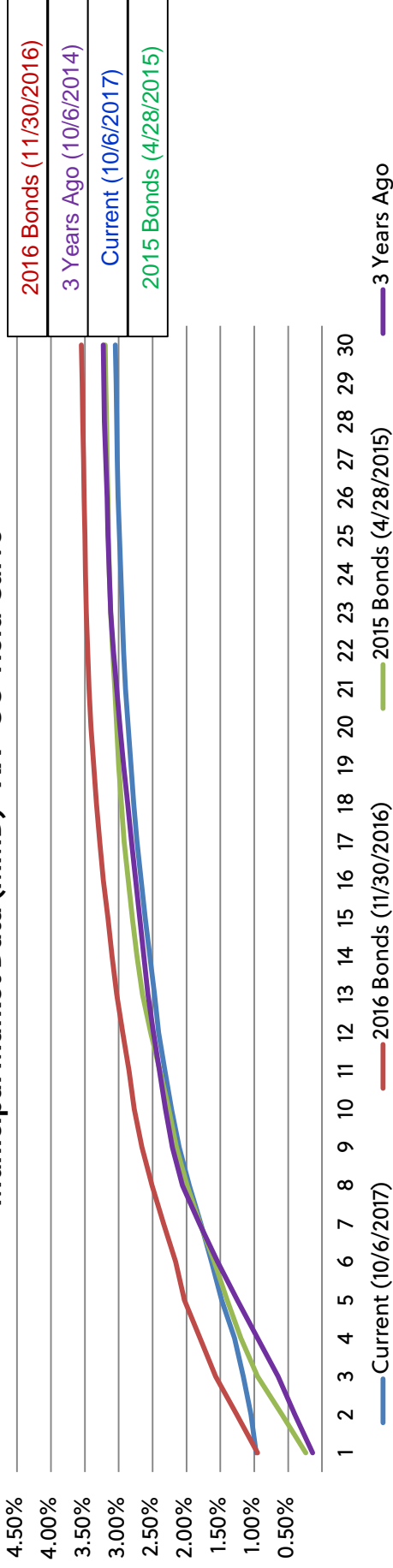
  

<b>Total General Obligation Debt Capacity for General Municipal Purposes</b>	
2016 Assessed Value for 2017 Tax Year	\$5,751,820,403
Total Debt Capacity (2.5% of AV)	\$143,795,510
Less: Outstanding Voted Debt	(32,990,000)
Less: Outstanding Non-Voted Debt	<u>(35,398,577)</u>
<b>Remaining Total Debt Capacity for General Municipal Purposes<sup>(1)</sup></b>	<b>\$75,406,933</b>

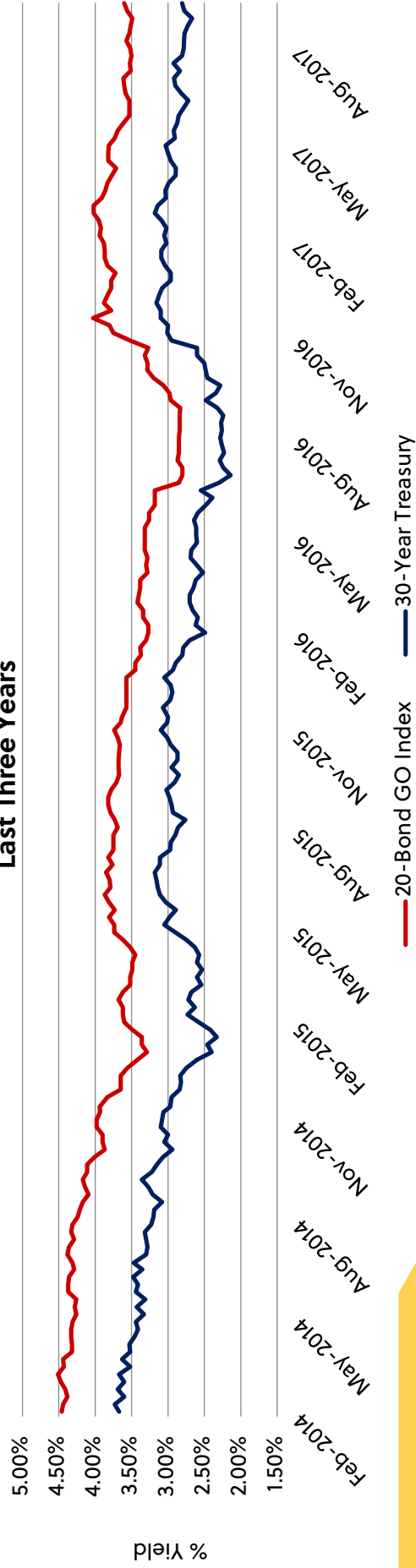


# Market Update

## Municipal Market Data (MMD) "AA" GO Yield Curve



## Bond Buyer 20-Bond GO Index vs. 30-Year Treasury Last Three Years





## Market Update – Interest Rate Forecasts

- Most market participants expect interest rates to rise modestly through the end of 2017 and 2018
- The chart below shows consensus forecasts from numerous financial institutions

