



INFORMATIONAL MEMORANDUM

TO: Finance Committee

FROM: Peggy McCarthy, Finance Director

CC: Mayor Ekberg

DATE: April 11, 2018

SUBJECT: Ordinance Amending Bond Ordinance 2559, Finance the Public Works Shops portion of the Public Safety Plan

ISSUE

Approve an ordinance amending bond ordinance 2559, allowing for bond maturities up to thirty years and setting the expiration date for the Designated Representatives' authority at December 31, 2018.

BACKGROUND

The Public Safety Plan includes the siting and construction of Public Works Shops. On November 6, 2017, the City Council authorized the acquisition of property to site the shops, the justice center, and fire station 54. On December 4, 2017, the City Council approved bond ordinance 2559 for the issuance of up to \$20 million of limited tax general obligation (LTGO) bonds for financing the acquisition of property for the Public Works shops and to pay for soft costs through mid-2019. The ordinance specified a final maturity date for the bonds of no later than December 1, 2038 and granted authority to the Designated Representatives until one year after the effective date of the ordinance.

DISCUSSION

A financial framework has been developed to model financing options for funding the Public Safety Plan, including the Public Works shops. One financing option extends the \$20 million LTGO bond payment term to thirty years from the twenty-year period written into bond ordinance 2559. By lengthening the maturity period, the annual debt service is reduced. Based on the assumptions used by the City's financial advisor, PFM Financial Advisors LLC, in the attached Overview of Debt Service Scenarios, the annual debt service savings using a 30-year term rather than a 20-year term would be between \$264,000 and \$356,000 depending on whether interest only payments are made during the construction period. Half of this annual savings would benefit the City's utility funds and the other half would benefit the City's governmental funds.

The proposed amendment specifies that the final bond maturity date shall be no later than December 1, 2048 and the authority granted to the Designated Representatives shall expire on December 31, 2018. It is recommended that the City Council approve the amending ordinance to allow for flexibility in structuring the bond sale and to reduce the estimated annual debt service payments on the \$20 million bonds.

RECOMMENDATION

The Council is being asked to approve the ordinance and consider this item at the April 23, 2018 Committee of the Whole meeting and subsequent May 7, 2018 Regular Meeting.

ATTACHMENTS

Draft amending bond ordinance.
Overview of Debt Service Scenarios, prepared by PFM Financial Advisors, LLC
Time Schedule for Bond Issuance

DRAFT

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AMENDING ORDINANCE NO. 2559 RELATING TO THE ISSUANCE OF ONE OR MORE SERIES OF LIMITED TAX GENERAL OBLIGATION BONDS TO FINANCE AND/OR REIMBURSE COSTS RELATED TO THE ACQUISITION OF LAND AND THE CONSTRUCTION, IMPROVEMENT AND EQUIPPING OF MAINTENANCE AND OTHER CITY FACILITIES; 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 acquire certain parcels of land, including through eminent domain, and to construct, improve and equip maintenance and other City facilities (together, the “Project”); and

WHEREAS, after due consideration the Council adopted Ordinance No. 2559 on December 4, 2017, authorizing the issuance and sale of one or more series of limited tax general obligation bonds (the “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 sale and issuance of the Bonds is contingent on satisfaction of certain parameters relating to maximum interest rates, final maturity dates, redemption terms and principal maturities as set forth in Ordinance No. 2559; and

WHEREAS, the Council now desires to amend Ordinance No. 2559 to extend the final maturity date for the Bonds and other matters related thereto, as provided herein;

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

Section 1. Definitions. Except as otherwise provided herein, definitions used in this ordinance shall have the meanings set forth in Ordinance No. 2559.

Section 2. Amendment to Ordinance No. 2559: Section 12 (Sale of Bonds).
Section 12 (Sale of Bonds) of Ordinance No. 2559 is hereby amended to read as follows:

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 each Designated Representative, for a limited time, the authority to determine the method of sale for each series of Bonds and to approve the final interest rates, maturity dates, redemption terms and principal maturities for each series of Bonds. Each series of Bonds issued pursuant to this ordinance may be issued at the same or different times so long as each series complies with the terms hereof. Each Designated Representative is hereby authorized to approve the issuance, from time to time, of one or more series of Bonds and to approve whether the Bonds of such series shall be sold in a private placement to a Direct Purchaser or to an Underwriter through a competitive public sale or a negotiated sale, as set forth below.

(b) *Direct Purchase.* If a Designated Representative determines that the Bonds of a series are to be sold by private placement, a Designated Representative shall select the Direct Purchaser that submits the proposal that is in the best interest of the City. Direct Purchase Bonds shall be sold to the Direct Purchaser pursuant to the terms of a Loan Agreement.

(c) *Negotiated Bond Sale.* If a Designated Representative determines that the Bonds of a series are to be sold by negotiated public sale, a Designated Representative 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.

(d) *Competitive Sale.* If a Designated Representative determines that the Bonds of a series are to be sold at a competitive public sale, a Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) establish the criteria for a good faith deposit; (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. A 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.

(e) *Sale Parameters.* Subject to the terms and conditions set forth in this Section 12, each 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 each series of Bonds in the manner provided hereafter so long as:

(1) the aggregate principal (face amount) amount of all Bonds issued from time to time under this ordinance does not exceed \$20,000,000;

(2) the final maturity date for each series of Bonds is no later than ~~December 1, 2038~~ December 1, 2048;

(3) the aggregate purchase price for each series of Bonds shall not be less than 98% of the aggregate stated principal amount of such series of Bonds, excluding any original issue discount; and

(4) the true interest cost for each series of Bonds (in the aggregate for such series) does not exceed 4.5%.

Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to execute the appropriate Sale Document on behalf of the City. The signature of one Designated Representative shall be sufficient to bind the City. Following the execution of a Sale Document, a Designated Representative shall provide a report to the Council describing the final terms of the Bonds sold pursuant to such Sale Document and approved pursuant to the authority delegated in this section.

The authority granted to the Designated Representatives by this Section 12 shall expire on December 31, 2018, ~~one year after the effective date of this ordinance~~. After such date additional Council approval shall be necessary to sell and issue Bonds pursuant to the terms of this ordinance.

(f) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance and execution of the applicable Sale Document for a series of Bonds, the proper officials of the City, including the Designated Representatives and the City Clerk, are authorized and directed to undertake all action necessary for the prompt execution and delivery of such series of Bonds to the purchaser thereof 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 applicable 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 such series of Bonds as provided therein, if such insurance is determined by a Designated Representative to be in the best interest of the City.

Section 3. Severability; Ratification. Except as hereby amended, the remaining terms and conditions of Ordinance No. 2559 are hereby ratified and confirmed in all respects. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed. 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.

Section 4. 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 5. 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 _____, 2018.

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: _____

City of Tukwila, Washington
Limited Tax General Obligation Bonds, 2018
Overview of Debt Service Scenarios

Year	30-Year		20-Year		30-Year (Interest only until 2022)		20-Year (Interest only until 2022)		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$452,625	\$452,625	\$449,500	\$449,500	\$451,500	\$451,500	\$446,875	\$446,875	
2019	\$275,000	1,180,250	899,000	1,444,000	903,000	903,000	893,750	893,750	
2020	285,000	891,500	871,750	1,441,750	903,000	903,000	893,750	893,750	
2021	300,000	877,250	843,250	1,443,250	903,000	903,000	893,750	893,750	
2022	315,000	862,250	813,250	1,443,250	903,000	1,233,000	893,750	1,583,750	
2023	330,000	846,500	781,750	1,441,750	886,500	1,231,500	859,250	1,584,250	
2024	350,000	830,000	748,750	1,443,750	869,250	1,234,250	823,000	1,588,000	
2025	365,000	812,500	714,000	1,444,000	851,000	1,236,000	800,000	1,584,750	
2026	385,000	794,250	677,500	1,442,500	831,750	1,231,750	840,000	1,584,750	
2027	400,000	775,000	639,250	1,444,250	811,750	1,231,750	885,000	1,587,750	
2028	425,000	755,000	599,000	1,444,000	790,750	1,235,750	925,000	1,583,500	
2029	445,000	733,750	566,750	1,441,750	768,500	1,233,500	975,000	1,587,250	
2030	465,000	711,500	512,500	1,442,500	745,250	1,235,250	1,020,000	1,583,500	
2031	490,000	688,250	466,000	1,441,000	720,750	1,230,750	1,075,000	1,587,500	
2032	515,000	663,750	417,250	1,442,250	695,250	1,235,250	1,125,000	1,583,750	
2033	540,000	638,000	366,000	1,441,000	668,250	1,233,250	1,185,000	1,587,500	
2034	565,000	611,000	312,250	1,442,250	640,000	1,235,500	1,240,000	1,583,250	
2035	595,000	582,750	255,750	1,440,750	610,250	1,235,250	1,305,000	1,586,250	
2036	625,000	553,000	196,500	1,441,500	579,000	1,234,000	1,370,000	1,586,000	
2037	655,000	521,750	134,250	1,444,250	546,250	1,231,250	1,440,000	1,587,500	
2038	690,000	489,000	68,750	1,443,750	512,000	1,232,000	1,510,000	1,585,500	
2039	725,000	454,500			476,000	1,231,000			
2040	760,000	418,250			438,250	1,233,250			
2041	795,000	380,250			398,500	1,233,500			
2042	835,000	340,500			356,750	1,231,750			
2043	880,000	298,750			313,000	1,233,000			
2044	920,000	254,750			267,000	1,232,000			
2045	970,000	208,750			218,750	1,233,750			
2046	1,015,000	160,250			168,000	1,233,000			
2047	1,070,000	109,500			114,750	1,234,750			
2048	1,120,000	56,000			58,750	1,233,750			
Total	\$18,105,000	\$17,676,375	\$17,980,000	\$29,303,000	\$18,060,000	\$18,399,750	\$17,875,000	\$12,207,875	\$30,082,875

Scenarios assume AA MMD as of 4/2/2018 plus 50 basis points cushion, \$10 per bond Underwriter's Discount, \$140k costs of issuance



City of Tukwila, Washington
Limited Tax General Obligation Bonds, 2018
As of March 26, 2018

MARCH							APRIL							MAY						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
25	26	27	28	29	30	31	29	30						27	28	29	30	31		

City Finance Director/City Manager/Staff:..... City
 Pacifica Law Group LLP (Bond Counsel):..... BC
 PFM Financial Advisors LLC (Financial Advisor):..... PFM

References to "All Parties" includes City, BC, and PFM

Date	Event	Responsibility
12/4	• City Council approves Bond Ordinance	Council/City
3/20-21	• <i>FOMC Meeting</i>	
3/26	• Send current draft POS and list of information needs	PFM
3/30	• <i>Good Friday</i>	
4/4	• Comments provided on first draft POS	All Parties
[4/6]	• Financing Team call to review POS	All Parties
By 4/6	• Rating application submitted	PFM
4/10	• Second draft POS distributed	PFM
Mid-April	• Unaudited 2017 financial statements available	City
4/17-20	• <i>Washington Public Treasurers Association Conference (WPTA)</i>	
4/17	• Comments provided on second draft POS	All Parties
4/18	• Draft rating materials distributed	PFM
Week of 4/23	• Rating agency prep call/meeting	City/PFM
4/25	• Comments due on draft rating materials	All Parties
4/27	• Third draft POS distributed	PFM
4/27	• Final rating materials distributed	PFM
Week of 4/30	• Bond rating agency call	City/PFM
Week of 4/30	• Due diligence call to review POS	All Parties
5/1-2	• <i>FOMC Meeting</i>	
5/4	• Final comments provided on POS	All Parties
5/6-9	• <i>Government Finance Officers Association Conference (GFOA)</i>	
5/8	• POS distributed for final sign-off	PFM
5/9	• Final sign-off on POS provided	All Parties
By 5/10	• Receive bond rating	
5/10	• POS posted	PFM
5/17	• Bond sale	All Parties
5/21	• OS distributed for final sign-off	PFM
5/22	• Final sign-off/OS posted	All Parties
5/28	• <i>Memorial Day</i>	
5/31	• Bond Closing	All Parties