City of Bellevue

11/01/2021

CITY COUNCIL STUDY SESSION

Ordinance of the City of Bellevue, Washington, providing for the issuance and sale of one or more series of limited tax general obligation refunding bonds in the aggregate principal amount of not to exceed $135,000,000 to refund certain limited tax general obligation bonds of the City, and to pay costs of issuance of the bonds; providing for the disposition of the proceeds of sale of the bonds; and delegating the authority to approve the method of sale for and final terms of the bonds.

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Finance & Asset Management Department

DIRECTION NEEDED FROM COUNCIL

ACTION	The City issued two series of limited tax general obligation (LTGO) bonds in 2012 and a series of LTGO bonds in 2013 to fund various projects within the Capital Investment Program (CIP) and to refund outstanding bonds (the "2012 Bonds" and the "2013 Bonds"). With current market conditions, refunding (or re-financing) this debt will yield significant savings to the City and its taxpayers. The Ordinance will delegate to the City Manager and/or the Director of Finance & Asset Management the authority to approve the method of sale for and final terms of refunding bonds, subject to parameters in the Ordinance. These parameters include a requirement that the sale yield at least 3 percent present value debt service savings (per policy). Current interest rates would yield 23 percent and 9 percent present value savings for the 2012 Bonds and 2013 Bonds respectively. Actual savings from the refunding will vary depending on market circumstances on the date of the sale of the bonds.

RECOMMENDATION

Move to adopt Ordinance No. 6613

BACKGROUND & ANALYSIS

The City's debt portfolio is routinely reviewed by the City's financial advisors (Piper Sandler & Co.) and monitored by staff for cost savings opportunities including refinancing options. In accordance with the City's Debt Policy, a debt refunding will require a present value savings of 3 percent of principal amount of the refunding debt being issued. Current market conditions provide for in excess of 3 percent savings. If such savings do not materialize on the day of sale of the bonds, the City reserves the right to proceed with refunding only a portion of the 2012 and/or 2013 Bonds that provide the minimum required savings or none at all.

The 2012 Bonds and 2013 Bonds were issued to fund various capital projects and to refund then-outstanding bonds. These bonds have final maturities in 2032 and 2033, respectively. The Ordinance would authorize the sale of refunding bonds in an aggregate principal amount not to exceed $135,000,000. The pledged security for the Refunding Bonds will remain substantially the same as for the 2012 Bonds and 2013 Bonds. A portion of the 2013 Bonds debt service was and will be paid by the

State's Local Revitalization Program (LRF). That funding stream for LRF portion will remain in tact and in effect with the refunding.

In keeping with prior Council direction, the draft Ordinance provides delegation authority to a "Designated Representative," *i.e.*, the City Manager and/or Finance & Asset Management Director. The Designated Representative would have the authority to approve the method of sale for each series of Bonds, designate such series as Tax-Advantaged, Tax-Exempt or Taxable Bonds (as defined in the Ordinance), select the bonds to refund from among the outstanding 2012 Bonds and 2013 Bonds, and determine 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:

- the aggregate principal amount of all series of the Bonds does not exceed $135,000,000;
- the final maturity date for each series Bonds is no later than December 1, 2043;
- each series of Bonds are sold (in the aggregate) at a price not less than 98 percent and not greater than 140 percent;
- the issuance of the Bonds results in a present value debt serving savings equal to at least 3 percent of the principal amount of the Bonds; and
- the true interest cost for the Bonds (in the aggregate) does not exceed 4 percent.

The City's bond counsel will be available at tonight's meeting.

POLICY & FISCAL IMPACTS

Policy Impact
RCW 39.46.110 authorizes municipalities to issue limited tax obligation bonds for city purposes.

City Debt Policy: Refunding Debt - A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as by a desire to remove or change a bond covenant, a debt refunding will require a present value savings of 3 percent of the principal amount of the refunding debt being issued.

Fiscal Impact
If the City were able to sell bonds on November 16, 2021 at a present value savings of 23 percent and 9 percent for the 2012 Bonds and 2013 Bonds respectively, the City would reduce debt service payments by approximately $24 million (net present value) over the life of the Bonds or between $700,000 to $1.6 million annually. Actual expenditure impact will vary depending on closing date and market conditions.

OPTIONS

1. Adopt the Ordinance of the City of Bellevue, Washington, providing for the issuance and sale of one or more series of limited tax general obligation refunding bonds in the aggregate principal amount of not to exceed $135,000,000 to refund certain limited tax general obligation bonds of the City, and to pay costs of issuance of the bonds; providing for the disposition of the proceeds of sale of the bonds; and delegating the authority to approve the method of sale for and final terms of the bonds.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Ordinance No. 6613

AVAILABLE IN COUNCIL LIBRARY

N/A