

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance amending the 2015-2021 Capital Investment Program (CIP) Plan to 1) add one new CIP project G-101 (TIFIA Debt Cost Service); and 2) decrease the appropriation to PW-R-190 project budget by the amount transferred to G-101 and increase the appropriation to G-101 by the corresponding amount; and authorizing the transfer of all necessary funds from PW-R-190 (120th Avenue NE, NE 8th to NE 12th Street) to CIP project G-101 to provide for the anticipated administrative costs for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the US Department of Transportation (DOT) consistent with applicable budgetary standards.

FISCAL IMPACT

This Ordinance authorizes the City Manager or his designee to make the necessary budget adjustments to prepare and pay the anticipated administrative costs of obtaining a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. The City has sent in the Letter of Interest to TIFIA to obtain a \$100 million loan to assist with the creation of the BelRed Street Network – a total of 12 multimodal roadways planned to support the new BelRed neighborhood in the heart of the City.

Once the Letter of Interest is reviewed, TIFIA then requires the applicant to provide administrative funding for the following items:

- TIFIA application fee, which reimburses DOT for its costs incurred for services provided by its financial and legal advisors – initial application fee is \$250,000; the literature on the TIFIA website noted that their total fees could be as high as \$500,000, and
- The City's financial advisors and bond counsel estimated at \$150,000, and
- The City's credit ratings estimated at \$150,000, and
- Total of \$550,000 to \$800,000 depending on final TIFIA fees.

This Ordinance amending the CIP addresses the manner in which the known and estimated application fees will be funded.

This Ordinance creates one new CIP project G-101, TIFIA Debt Costs/Service and authorizes the transfer of necessary and appropriate funds from PW-R-190, 124th NE 8th to NE 12th to fund the needed costs to proceed with the TIFIA process. TIFIA borrowers such as the City must contribute a 66% city match for the TIFIA covered project loans. After full analysis on the projects included in the TIFIA package, in order to make the 66% match with existing projects, the City has reconsidered the scope of project PW-R-190 and needed to remove it as a TIFIA-funded project. This has resulted in freeing up previously committed project funds to PW-R-190. The remaining fund balance in PW-R-190 will enable the City to look at project options for a potential lower-cost project in the future.

STAFF CONTACTS

Dave Berg, Director 452-6468
Ron Kessack, Asst. Director 452-4631
Transportation Department

Toni Call, Interim Director 452-7863
Finance Department

POLICY CONSIDERATION

Council Priorities

- Establish a long range financial strategy that includes options that respond to the future operating and capital needs of the City;
- Continue to execute on our transportation capital plans for future growth and mobility of the City, including projects in Downtown, BelRed, Wilburton and other growth areas.

TIFIA Eligibility

Eligibility conditions of the TIFIA program include the requirement that the applicant reimburse DOT for all administrative costs, starting with an initial application fee of \$250,000 plus any other fees incurred or required by TIFIA to process the loan which is estimated to be as much as \$500,000, plus additional incurred City costs for credit ratings, financial advisor, and bond counsel. Historically in a traditional bond issuance these costs are included in the total loan amount, TIFIA does not allow these costs to be capitalized into the loan.

BACKGROUND

In April, Council adopted a set of 2-year priorities which, in part, included capital projects and long-range financing to:

- Establish a long range financial strategy that includes options that respond to the future operating and capital needs of the City, and
- Continue to execute on our transportation capital plans for future growth and mobility of the City, including projects in Downtown, BelRed, Wilburton and other growth areas.

On June 6, staff briefed Council on the status of the pursuit of a TIFIA (Transportation Infrastructure Finance and Innovation Act) loan as one of the near-term solutions that would enable the City to accelerate certain projects in the BelRed area, fueling anticipated area redevelopment. It is important to note that TIFIA is not grant funding, it is a loan with favorable terms for the City. The City must repay the loan in accordance with the terms of issuance. These funds, in combination with revenue sources like impact fees on new development, respond to community priorities around congestion relief and new development paying its share of infrastructure needed to support growth. In turn, that infrastructure investment pays off in the form of an increasing contribution to base tax revenues for future operating and other needs.

On June 20, Council adopted the necessary CIP specific discrete budget adjustments to fund phases of work for the projects identified as being funded with a TIFIA loan. This was done to ensure compliance with TIFIA project eligibility requirements including that the individual projects be included within the State Transportation Improvement Program (STIP) and that the project(s) be approved under the National Environmental Policy Act (NEPA).

In August, staff submitted the City's TIFIA Letter of Interest and received a favorable response. The staff at TIFIA have requested the City continue to proceed in the process, noting the anticipated aggressive closing date of January 2017. Below, the steps necessary to secure the TIFIA loan, are outlined. At this time, the City has completed Step 1 below and is now proceeding to Step 2. If Council approves this Ordinance, and the City commits the initial application fee of \$250,000, there will still be off-ramps for Council consideration as the process continues. Should the City decide not to proceed, TIFIA will refund any non-committed amount of the application fee. Staff does anticipate that at approximately Step 7, staff will return to Council for approval of a bond ordinances to fully execute a TIFIA loan. Such execution would not occur unless the City has received a positive response to a loan closing date.

- Step 1: Project Sponsor submits Letter of Interest on a rolling basis
- Step 2: If requested by DOT, Project Sponsor provides additional information, Preliminary Rating Opinion Letter and \$250,000
- Step 3: Upon invitation, Project Sponsor makes oral presentation to DOT
- Step 4: Upon invitation from DOT, Project Sponsor submits completed application
- Step 5: DOT Notifies Project Sponsor regarding completeness of application no more than 30 days after receipt
- Step 6: DOT staff prepare evaluation and make recommendation to DOT Credit Council
- Step 7: DOT Credit Council provides recommendation to the Secretary who makes final determination
- Step 8: DOT notifies Project Sponsor regarding project approval no more than 60 days after delivery of Notice Regarding Application Completeness
- Step 9: DOT issues Term Sheet, Executes Credit Agreement, and Obligates Funds
- Step 10: DOT disburses funds upon satisfaction of conditions set forth in Credit Agreement

EFFECTIVE DATE

If approved, this Ordinance shall be effective on October 13, 2016.

OPTIONS

1. Adopt Ordinance amending the 2015-2021 Capital Investment Program (CIP) Plan to 1) add one new CIP project G-101 (TIFIA Debt Cost Service); and 2) decrease the appropriation to PW-R-190 project budget by the amount transferred to G-101 and increase the appropriation to G-101 by the corresponding amount; and authorizing the transfer of all necessary funds from PW-R-190 (120th Avenue NE, NE 8th to NE 12th Street) to CIP project G-101 to provide for the anticipated administrative costs for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the US Department of Transportation (DOT) consistent with applicable budgetary standards.
2. Do not approve Ordinance and provide alternative direction to staff.

RECOMMENDATION

Option 1.

MOTION

Move to adopt Ordinance No. 6311 amending the 2015-2021 Capital Investment Program (CIP) Plan to 1) add one new CIP project G-101 (TIFIA Debt Cost Service); and 2) decrease the appropriation to PW-R-190 project budget by the amount transferred to G-101 and increase the appropriation to G-101 by the corresponding amount; and authorizing the transfer of all

necessary funds from PW-R-190 (120th Avenue NE, NE 8th to NE 12th Street) to CIP project G-101 to provide for the anticipated administrative costs for a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the US Department of Transportation (DOT) consistent with applicable budgetary standards.

ATTACHMENTS

Proposed Ordinance No. 6311

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A