

## CITY COUNCIL REGULAR SESSION

Resolution authorizing an amount not to exceed \$200,000, plus all applicable taxes for the letter of agreement with Nixon Peabody for legal services in connection with the re-financing of the 2017 Transportation Infrastructure Financing Innovation Act (TIFIA) loan.

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## EXECUTIVE SUMMARY

The City secured the existing TIFIA loan in June of 2017 to fund the BelRed Street Network. The rate at the time of closing was 2.86 percent. Since that time, rates have decreased and as of July 7, the interest rate is at 1.94 percent. Given current TIFIA market conditions, the City anticipates re-financing the TIFIA 2017 loan will realize savings to the City and its taxpayers. Under the TIFIA eligibility guidelines, the program includes the requirement that the applicant reimburse US Department of Transportation (USDOT) for all administrative costs including legal fees required to process the TIFIA loan. This Resolution would authorize the City to pay the legal fees to process a re-finance of the existing TIFIA loan in an amount not to exceed \$200,000.

## RECOMMENDATION

Move to adopt Resolution No. 9969.

## BACKGROUND/ANALYSIS

In June 2017 the City secured a loan in an aggregate principal amount not to exceed \$120,000,000 (including capitalized interest) as agreed to with the USDOT under the Transportation Infrastructure Finance and Innovation Act (TIFIA). The loan will mature in 2056 or 35 years post substantial completion of the related projects, whichever is earlier, with first payment deferred until 2024. Interest that accrues prior to the first debt service payment will be capitalized. The interest rate at closing was 2.86 percent. TIFIA is not a grant funding; it is a loan with favorable financial terms. The City must repay the loan in accordance with the terms of issuance. These funds, in combination with other revenue sources, respond to community priorities and build infrastructure to alleviate congestion. In turn, the infrastructure investment pays off in the form of an increasing contribution to base tax revenues for future operating and other needs. The TIFIA financing assisted 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.

Currently, the TIFIA interest rate, if the City were able to close on July 7, is 1.94 percent. Given current TIFIA market conditions, the City is pursuing re-financing the existing TIFIA loan, and by doing so, will realize savings to the City and its taxpayers. As with the initial TIFIA loan, the TIFIA program includes the requirement that the applicant reimburse USDOT for all administrative costs including legal fees required to process the TIFIA re-finance loan. Historically, a traditional bond issuance would include

these costs in the total loan amount and therefore, capitalized with the loan. Under TIFIA, these costs are not able to be capitalized and therefore, must be paid as incurred. If Council approves this Resolution, the City will pay the costs as incurred with a not to exceed amount of \$200,000. There is no up-front payment or down payment needed. If the City chooses to not proceed with re-financing the TIFIA loan, then the costs will also be discontinued. The initial 2017 TIFIA loan included an up-front amount of \$250,000 and then an additional almost \$500,000 in fees. The re-finance is anticipated to be substantially less.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

Bellevue City Code 4.28 provides for the fair and equitable treatment of all persons involved in the purchasing process. Council approval is required to award the bid where the cost exceeds \$90,000.

### **Fiscal Impact**

Approval of this action obligates the City to pay up to \$200,000, plus all applicable taxes to Nixon Peabody for legal services in connection with the refinancing of the 2017 TIFIA loan. Sufficient funding exists within the TIFIA Debt Cost Service (CIP Plan No. G-101) for these expenditures.

## **OPTIONS**

1. Resolution authorizing an amount not to exceed \$200,000, plus all applicable taxes for the letter of agreement with Nixon Peabody for legal services in connection with the re-financing of the 2017 Transportation Infrastructure Financing Innovation Act (TIFIA) loan.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

Proposed Resolution No. 9969

## **AVAILABLE IN COUNCIL LIBRARY**

Letter of agreement to pay associated legal fees to Nixon Peabody