

CITY COUNCIL STUDY SESSION

Ordinance of the City of Bellevue, Washington, 1) providing for the issuance of a limited tax general obligation refunding bond of the City in a maximum principal amount of \$110,000,000, to evidence the City's obligations under a TIFIA loan agreement with the United States Department of Transportation; 2) authorizing execution of the loan agreement, the delivery of the bond to the United States Department of Transportation, and the payment of costs of issuance of the bond; and 3) delegating the authority to approve the terms of the loan agreement and the final form and terms of the bond.

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DIRECTION NEEDED FROM COUNCIL**ACTION**

The City secured the existing Transportation Infrastructure Finance and Innovation Act (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 27, the interest rate was at 1.90 percent. Given current TIFIA market conditions, the City anticipates re-issuing the TIFIA 2017 loan will realize savings to the City and its taxpayers. The Ordinance will delegate to the City Manager and the Director of Finance & Asset Management the authority to close a TIFIA loan at a and interest rate at least 0.40 percent lower than the 2017 TIFIA loan of 2.86 percent, and authority to approve the terms of the loan agreement and the final form and terms of the bond.

RECOMMENDATION

Move to adopt Ordinance No. 6595.

BACKGROUND & ANALYSIS**Background**

In June 2017 the City secured a loan in an aggregate principal amount not to exceed \$110,000,000 (including capitalized interest) as agreed to with the US Department of Transportation (USDOT) under the 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.

Re-issue the TIFIA loan with favorable rate environment

Currently, the TIFIA interest rate, if the City were able to close on July 27, was 1.90 percent which is almost 1% less than the existing loan rate of 2.86%. Given current TIFIA market conditions, the City is pursuing re-issuing the existing TIFIA loan, and by doing so, will realize savings to the City and its taxpayers.

The Bond Ordinance tonight authorizes issuance of LTGO Bonds (“the Bonds”) in an aggregate principal amount not to exceed \$110,000,000 (including capitalized interest) as agreed to with the USDOT under the TIFIA. The LTGO pledge and security terms of the loan will remain substantially the same as the current loan as will the maturity of the loan. The loan will mature 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 will be determined at closing.

In keeping with prior Council direction, the draft Ordinance provides delegation authority to a “Designated Representative” (herein designated as the City Manager and/or Finance & Asset Management Director or their authorized designee). The Designated Representative would have the authority to approve the final form and terms of the bonds within certain key parameters, such as: approve a TIFIA loan not to exceed \$110 million (including capitalized interest), structured as a General Obligation Bond; interest rate based on the State and Local Government Treasury rate as of the date of closing not to exceed 2.46 percent (the existing rate on the current TIFIA loan less 0.4 percent); payback provisions allowing for deferral of interest and first payment to 2024, with a loan term not to exceed the 35 years post substantial completion, and to sign a TIFIA Loan Agreement and related agreements and certificates consistent with these terms. Interest that accrues prior to the first debt service payment will be capitalized.

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 general obligation bonds for any city purposes.

Fiscal Impact

If the City were able to close the loan on July 27 at a rate of 1.90 percent, the City would reduce expenditures by approximately \$24 million for the lifetime of the loan, which is an annual debt service reduction of \$732,887 for 33 years. Actual expenditure impact will vary depending on closing date and interest rate.

OPTIONS

1. Adopt the Ordinance of the City of Bellevue, Washington, 1) providing for the issuance of a limited tax general obligation refunding bond of the City in a maximum principal amount of \$110,000,000, to evidence the City's obligations under a TIFIA loan agreement with the United States Department of Transportation; 2) authorizing execution of the loan agreement, the delivery of the bond to the United States Department of Transportation, and the payment of costs of issuance of the bond; and 3) delegating the authority to approve the terms of the loan agreement and the final form and terms of the bond.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Ordinance No. 6595

AVAILABLE IN COUNCIL LIBRARY

N/A