



TO: Elizabeth Pauli, City Manager
FROM: Teresa Sedmak, City Treasurer
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: An ordinance providing for the issuance and sale of up to approximately \$35 million limited tax general obligation bonds
DATE: August 23, 2017

SUMMARY:

This ordinance (the “Ordinance”) authorizes the issuance and sale of up to approximately \$35 million limited tax general obligation bonds (“LTGOs”). Staff projects that a portion of the proceeds will be utilized, in conjunction with other City contributions, to finance approximately \$22 million in improvements to the Tacoma Dome and to pay for the cost of issuance of the LTGOs. The remaining portions of the authorized amount may be issued for other municipal projects within the City. The LTGOs are expected to be sold in mid-November, 2017 and close in early December.

It is recommended that City Council approve the Ordinance, which delegates authority to the City’s Finance Director, Treasurer and Assistant Finance Director/Controller, or their designee, to approve the method of sale and the interest rates, maturity dates, redemption terms and principal maturities for the LTGOs, all within parameters outlined in the Ordinance.

STRATEGIC POLICY PRIORITY:

The issuance and sale of the LTGOs will further the following City policy priorities:

- Cultivate a vibrant cultural sector that fosters a creative, cohesive community.
- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City approved funding for debt service in its 2017-2018 biennium budget for certain improvements to the Tacoma Dome including: new seating, security and fire safety improvements, remodeling and enhancements to restrooms and exterior upgrades. In addition, the City passed Resolution No. 39653 (the “Reimbursement Resolution”) in February, 2017 to allow for the reimbursement of early project costs and expenditures with proceeds from the LTGOs.

ISSUE:

Security/Pledge of Revenues: The LTGOs will be secured by a pledge of the City’s tax revenues.

Delegation: The Ordinance delegates to the Finance Director, the City Treasurer delegates authority to the Finance Director, the City Treasurer and Assistant Finance Director/Controller, or their designee, for a limited time, to approve the method of sale and the interest rates, maturity dates, redemption terms and principal maturities for the LTGOs, all within parameters outlined in the Ordinance.

ALTERNATIVES:

1. The City could approve the Ordinance, authoring the sale and issuance of LTGOs to finance improvements to the Tacoma Dome.
2. The City could choose not to approve the Ordinance.
3. The City could propose modifications to the Ordinance for consideration at a later date.



RECOMMENDATION:

It is recommended that the City approve the Ordinance allowing for the issuance and sale of the LTGOs to finance improvements to the Tacoma Dome. These enhancements to the City's cultural facility will further a number of the City's policy priorities and allow for completion of capital projects the cost of which will be amortized over their expected useful lives.

FISCAL IMPACT:

The LTGOs may generate up to approximately \$35 million in proceeds to be repaid over a 20-year period. The estimated debt service payment related to the Tacoma Dome improvements is approximately \$1.5M annually for the 20-year period. If the remaining amount of the bonds were to be issued, the additional estimated debt service would be approximately \$1 million.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: The City's first debt service payment related to the Tacoma Dome improvements is anticipated in 2018 and is estimated to be approximately \$1.5 M, subject to change in market interest rates on the date the LTGOs are sold. If the remaining amount of the bonds were to be issued, the additional estimated debt service would be approximately \$1 million annually.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? The 2018 debt service payment related to the Tacoma Dome improvements is budgeted. However, after the bonds are issued, a budget amendment will be necessary for receipt of the bond proceeds and subsequent project expenditures.