



TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Ordinance for the issuance of City of Tacoma Limited Tax General Obligation Bonds, Series 2015
DATE: October 16, 2015

SUMMARY:

This Ordinance (the “Ordinance”) provides for the issuance of the City of Tacoma (the “City”) Limited Tax General Obligation Refunding Bonds, Series 2015 (the “Bonds”) in an aggregate principal amount not to exceed \$36 million. Proceeds of the Bond will be used to refund certain outstanding limited tax general obligation bonds of the City (The “Prior Bonds”) and to pay costs of issuing the bonds.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.

BACKGROUND:

The Prior Bonds are backed by the full faith and credit of the City and were issued for a variety of purposes including: to finance or refinance a number of projects including a portion of the costs of the convention center and convention center parking (the 2006A bonds); to refund bonds issued in 1997 (the 2006B bonds); and to acquire real property and make improvements to its South Park Plaza parking garage (the 2007 Bonds). The 1997 bonds (refunded by the 2006B bonds) were issued for a variety of capital projects including: safety and neighborhood enhancements, improvements along the Foss Waterway, the acquisition of the parking facility at the Museum of Glass and to construct a portion of the bridge between the Museum of Glass and Pacific Avenue.

The Prior Bonds are structured such that the City has the option to redeem them, in whole or in part, prior to their final maturities, which range from December 1, 2022 through December 1, 2036. The refunding will involve the issuance of the Refunding Bonds, proceeds of which will be used to: (1) refund the Prior Bonds and (2) pay the costs related to the issuance of the Refunding Bonds.

It is currently anticipated that the Refunding Bonds will be sold to investors on Tuesday, December 1, 2015 with closing anticipated on December 29th.

ISSUES:

Security/Pledge of Revenues: The Refunding Bonds are full faith and credit obligations of the City backed by an irrevocable pledge of property taxes.

Delegation: The authorizing ordinance will delegate authority to the Assistant Finance Director, as the designee of the Finance Director and the City Treasurer, for a limited time, to select the purchaser of the Refunding Bonds, to select the Prior Bonds to be refunded and to approve the interest rates, maturity dates, redemption terms and principal maturities for the Refunding Bonds within parameters defined in the ordinance.

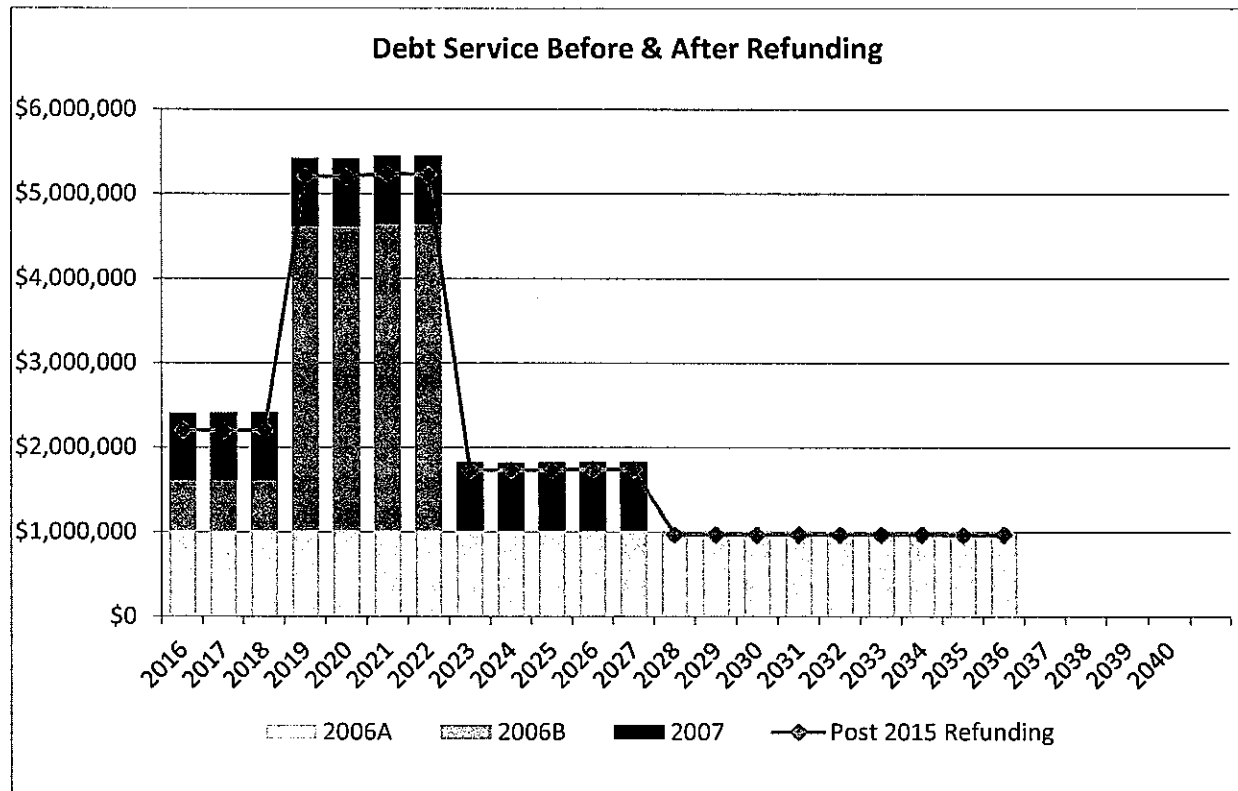


ALTERNATIVES:

1. The City could approve the ordinance authorizing the issuance of the Refunding Bonds.
2. The City could choose not to issue the Refunding Bonds. This is not the recommended alternative as this option would not result in debt service savings.

RECOMMENDATION: Staff recommends that the Council approve the ordinance for the issuance of the Refunding Bonds.

FISCAL IMPACT: The refunding of the Prior Bonds will reduce the City’s interest expense. As of October 8, 2015, total net PV savings were estimated to be approximately \$2,010,934 over the term of the Refunding Bonds. The Prior Bonds have an outstanding balance of \$34.3 million as of October 9, 2015. The actual savings amount is dependent upon a number of factors including investor demand for the Refunding Bonds and market interest rates on the date of sale (anticipated to be on December 1st).



Preliminary, subject to change

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: Savings budgeted for 2016

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED: N/A