



TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Resolution authorizing City officials, including the Finance Director, the Treasurer and the City Manager, and their representatives, to take all necessary actions with respect to the transfer of title of the Center for Urban Waters (CUW) facility upon the refunding of the TES Bonds, including entering into such agreements as are necessary to terminate the lease on the facility, and amend, assign and/or terminate management and operating agreements related to the CUW facility
DATE: May 27, 2016

SUMMARY:

The City recently issued bonds (the 2016 Sewer Revenue Refunding Bonds) which refunded bonds (the TES Bonds) issued in 2009 to finance the design and building of the Center for Urban Waters (the CUW). The refunding of the TES Bonds produced present value debt service savings of approximately \$3.86 million for the City's utilities. Ordinance No. 28355 (the Ordinance), passed by City Council on April 26, 2016 authorized the issuance of the 2016 Sewer Revenue Refunding Bonds and delegated authority to the Finance Director, the Treasurer and the City Manager to "undertake all action necessary to affect the closing and delivery of the bonds".

The Ordinance, however, did not specifically authorize City officials, including the Finance Director, Treasurer and City Manager and their designated representatives, to execute documents necessary to discharge the lien and terminate the lease on the facility, therefore allowing unencumbered title to be returned to the City. In addition, the Ordinance did not authorize City officials to amend, assign or terminate management and operating agreements which will require assignment or termination upon the transfer of title. These include agreements by and between TES and its contractors related to maintenance, repair and operation of the CUW facility.

This resolution would authorize City officials and their designated representatives to enter into amendments, assignments and/or terminations of agreements which will allow for the complete transfer of title of the CUW to the City and provide for continued operations, maintenance and repair services to the facility.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.

BACKGROUND:The TES Lease:

The TES Bonds were lease revenue bonds, issued on behalf of the City, which transferred the financing, development and operation of the CUW to a private development team managed by a non-profit organization. Lease payments made by the tenants of the facility were applied to debt service on the bonds, with title being transferred to the City upon final repayment of the bonds.

The refunding of the TES Bonds allows for the City utilities to capture significant savings over the life of the financing. Rents paid by the tenants (currently the University of Washington Tacoma and Puget Sound Partnership) will continue to provide revenues which may be applied toward debt service on the refunding bonds.



ISSUES:

Security/Pledge of Revenues: The 2016 Sewer Revenue Refunding Bonds are secured by a pledge of the revenues of the sewer utility, net of funds required for operations and maintenance of the system. While debt service on the bonds is a legal obligation of the sewer utility, it is treated by the City as a shared obligation, with payments being assigned 15.5% to solid waste, 40.4% to the City's wastewater system and 44.1% to the surface water utility.

Delegation: This resolution would delegate authority to proper City officials, including the Finance Director, the Treasurer and the City Manager and their designated representatives, to execute the documents required to reflect the refunding of the TES Bonds and release of lien, therefore allowing title on the CUW facility to transfer to the City. It also allows City officials to amend, assign or terminate agreements related to the management and operation of the facility.

ALTERNATIVES:

1. The City could approve the Resolution authorizing City officials and their representatives to take all necessary actions with respect to the transfer of title of the CUW facility, including entering into such agreements as are necessary to terminate the lease on the facility, and amend, assign and/or terminate management and operating agreements related to the CUW facility.
2. The City could choose not to allow the delegation. This is not the recommended alternative as this option would delay the execution of amendments, assignments and/or terminations of agreements related to the refunding of the TES Bonds, delaying transfer of title and disrupting the operations and maintenance of the facility.

FISCAL IMPACT:

The refunding of the TES Bonds produced debt service savings to City utilities of \$3.86 million over the remaining life of the financing.

RECOMMENDATION:

It is recommended that City Council approve this resolution which authorizes City officials, and their designated representatives, to enter into amendments, assignments or terminations of agreements which will allow for the complete transfer of title and related management and operating agreements of the CUW to the City

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: Debt service savings of \$258,640 will be realized in 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