



TO: Elizabeth Pauli, Interim City Manager
FROM: Teresa Sedmak, City Treasurer
Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Resolution Designating Certain Expenditures for Reimbursement from Bonds that may be Authorized and Approved by the City for Issuance in the Future – February 14, 2017
DATE: January 30, 2017

SUMMARY:

This Resolution (the “Resolution”) is required in order that the City have the ability, under regulations of the U.S. Treasury, to reimburse itself for costs and expenses incurred in the making of improvements to the Tacoma Dome, prior to the authorization and issuance of tax-exempt Limited Tax General Obligation Bonds (the “bonds”) intended to finance those improvements.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position

BACKGROUND:

The City, in its 2017-2018 biennium budget, approved the funding of certain improvements to the City’s Tacoma Dome, including but not limited to the acquisition of new seats and cosmetic improvements to the exterior of the facility. The City intends to issue tax-exempt obligations, in a maximum principal amount expected to be approximately \$30 million, to finance these improvements.

ISSUE:

The issuance of the bonds to finance the Dome improvements will be determined by the project schedule and phasing, but will not precede the incurrence of early project costs and expenditures. In order for the City to capture those early cash outlays in its financing package, it is required, by regulations of the U.S. Treasury, to formally adopt a resolution authorizing reimbursement of those expenses from proceeds of the issuance of the bonds.

ALTERNATIVES:

1. The City could approve the reimbursement resolution, allowing for costs and expenses related to the Dome improvements be reimbursed from proceeds from the issuance of the bonds. This is the recommended alternative.
2. The City could choose not to approve the reimbursement resolution. This is not the recommended alternative and would disallow the reimbursement of early costs and expenses on the Tacoma Dome projects from proceeds of the bonds which will finance those improvements.

RECOMMENDATION:

It is recommended that the City approve the reimbursement resolution, allowing for costs and expenses related to the Dome improvements be reimbursed from proceeds from the issuance of the bonds which will finance those improvements.

FISCAL IMPACT:

Without an authorized reimbursement resolution, the payment of expenses related to the Tacoma Dome improvements, made prior to the issuance of the bonds, would not be able to be captured in the borrowing. Rather, these costs would have to be paid out of funds then currently available in the Dome’s



operating budget, reducing amounts which would otherwise be available for the everyday management and maintenance of the facility.

The payment of project costs out of regularly budgeted funds would also result in a lowered borrowing amount (and resultant drop in annual debt service payments). However, the benefits of a reduced annual debt service burden may well be outweighed by the negative budgetary impacts of an initially burdened operating fund.