

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Adoption of Ordinance No. 877 – Amending Ordinance No. 829 Limited Tax General Obligation Bond Anticipation Notes		
<b>DEPARTMENT:</b>	Administrative Services Department		
<b>PRESENTED BY:</b>	Sara Lane, Administrative Services Director		
<b>ACTION:</b>	<input checked="" type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

On August 6, 2018, the City Council approved Ordinance No. 829 authorizing the issuance of Limited Tax General Obligation (LTGO) Bond Anticipation Notes (BAN) to support property acquisition for the Parks Recreation and Open Space (PROS) plan, including the Shoreline Aquatics, Recreation and Community Center (ShARCC). Ordinance No. 829 delegated authority to issue the debt at any time during the authorization period, which was limited to one year. On June 17, 2019, Council approved Ordinance No. 864 extending the delegation period to February 1, 2020. The BAN was intended to provide short-term financing that would be retired by the issuance of Unlimited Tax General Obligation Debt assuming the passage of Proposition 1 by Shoreline voters.

Although Proposition 1 did not receive the necessary 60% approval vote required to pass an Excess Property Tax Levy to repay the debt service, on January 6, 2020 Council affirmed its commitment to moving forward with the acquisition of property for a future Community and Aquatics Center. At this time, the City’s Financial Advisor believes that the City will not be able to issue BAN by February 1, 2020, thereby necessitating an additional extension of the authorization to issue BAN and will involve the use of a very short-term interfund loan to complete the purchase of the property no later than of January 30,2020.

Tonight, staff are requesting that Council waive Council rule 3.5.B, requiring a second reading of proposed Ordinance No. 877, in order to both discuss and adopt proposed Ordinance No. 877, which would extend the authorization to issue Bond Anticipation Notes to December 31,2020. Additionally, as per Council Rule of Procedure 6.1.B, as this item is an Action Item before the Council for the first time and is not part of tonight’s consent agenda, public comment for this item will follow the staff report but precede Council review and potential adoption of proposed Ordinance No. 877.

**RESOURCE/FINANCIAL IMPACT:**

The Property Acquisition costs are approximately \$17,500,000. The BAN will likely be interest only but may allow for some flexible pre-payment of principal. Ordinance No. 829 limits the True Interest Cost to no more than 3.25%. However, in the current

competitive market, our Financial Advisor estimates that the taxable interest rate on a 3-year BAN will be around 2%. Therefore, interest on the 3-year BAN is estimated at \$350,000 per year. The debt service payments on the BAN are expected to be fully offset by income from investment properties acquired with the property. Any income from investment properties in excess of interest and operation costs that are not able to be applied to early principal payments will be invested and reserved to reduce the final principal payment at the end of 3 years. The revenue from the investment properties are included in the 2019-2020 biennial budget within the General Capital Fund with a transfer to a debt service fund setup to make the interest, and if needed principal, payments on the BAN. The 2019-2020 biennial budget within the debt service fund includes appropriations to pay the costs to issue the BAN.

### **RECOMMENDATION**

Staff recommends that Council discuss proposed Ordinance No. 877, waive Council Rule of Procedure 3.5.B and adopt proposed Ordinance No. 877.

Approved By:           City Manager ***DT***   City Attorney ***MK***

## **BACKGROUND**

On August 6, 2018, the City Council approved [Ordinance No. 829](#) authorizing the issuance of Limited Tax General Obligation (LTGO) Bond Anticipation Notes (BANs) to support property acquisition for the Parks Recreation and Open Space (PROS) plan, including the Shoreline Aquatics, Recreation and Community Center (ShARCC). Ordinance No.829 authorized issuance of up to \$25 million in BAN. The ordinance included a delegated authority that allowed up to one year from the effective date of the ordinance to issue the debt. Because the acquisition of property for the ShARCC was delayed while alternative sites were evaluated, Council authorized extension of the delegation period to February 1 2020 by adoption of [Ordinance No. 864](#) on June 17, 2019. Council discussed and provided direction about the preferred location for a future ShARCC at its meeting on May 20, 2019. On January 6, 2020 Council confirmed its intent to complete acquisition of the property of the preferred location.

## **DISCUSSION**

Staff have been actively negotiating the purchase of the property identified as the preferred location for a future ShARCC. Staff have executed a purchase and sale agreement for the property and are scheduled to close on the property purchase on January 30, 2020.

While the City has the authority to issue the short-term BAN to support the acquisition that authority expires on February 1, 2020. Due to delays in our process following the outcome of the November election we do not anticipate being able to complete the sales of BAN before the required closing date on the purchase and sale agreement or the February 1, 2020 deadline for the BAN.

To complete the purchase on the current timeline, staff recommends authorizing a short term interfund loan and approving proposed Ordinance No. 877 extending the authorization for the BAN to allow time to complete the financing. Staff will prepare a resolution to authorize the short-term interfund loan for the January 27, 2020 City Council meeting.

### **Interfund Loan**

The City has adequate cash available in pooled cash to meet planned cash flow needs and complete the property purchase on schedule. Because the cash available belongs to funds other than the General Capital fund it will require Council to authorize a short term interfund loan for this purpose. We anticipate the short-term loan to be no more than 2 weeks in duration. As noted above, staff will be returning to Council with a resolution authorizing the interfund loan on the January 27, 2020 Council agenda.

### **Second Amendments to Ordinance No. 829 to Extend the BAN Authorization Period**

Proposed Ordinance No. 877 proposes the extension of the authorization period until December 31, 2020. While staff currently anticipate completing the BAN issuance by mid-February, this extension date provides flexibility should the City be able to negotiate different timing for property closure with the property owner.

### *Amendments to Proposed Ordinance No. 877: Section 10. Sale of Bonds*

- Adds language to provide authority to determine if the BAN's should be sold as Taxable or Tax Exempt. This is required to allow issuance of Taxable BANS if required by Bond Counsel given the extended timeline of the Aquatic, Recreation and Community Center project.
- Extends authorization to sell the BANs to December 31, 2020.

### *Repayment/Retirement of BAN*

With the proposed three-year BAN, staff anticipates that the net operating income from the property will cover all the debt service each year, with surplus that would be used to pay down principal early if allowed by the BAN or invested to earn interest and used to reduce principal when the BAN mature in three years. Current interest earnings are comparable to the anticipated interest rate on the BAN. The revenue from the investment properties are included in the 2019-2020 biennial budget within the General Capital Fund with a transfer to a debt service fund setup to make the interest, and if needed principal, payments on the BAN.

If the City moves forward with another measure to fund construction of a ShARCC within the three years, the cost of property acquisition would be included in the cost, and the BAN would be repaid by the long-term bonds. If the City does not move forward within three years, the City can reduce the principal of the BAN by the amount of the reserved surplus and issue another note to repay the balance pending a future determination of course of action.

### *Bond Issuance Costs*

Bond issuance costs may include an underwriter fee, Bond Counsel, Bond Rating, and Financial Advisor services. The total costs to issue the BAN are estimated at \$125,000 and will be rolled into the debt issue. The Bond Ordinance authorizes the City to pay all costs associated with the issuance of debt. The 2019-2020 biennial budget within the debt service fund includes appropriations to pay the costs to issue the BAN.

### **Other Options Considered**

Staff had considered recommending the issuance of 30-year LTGO debt to take advantage and lock in on the current low interest rates for a longer term. After further consultation with Bond Council, staff learned that because of the failure of Shoreline Proposition No. 1, without a clear plan for the construction of a new ShARCC, any debt issued on the property purchase would need to be issued as Taxable instead of Tax Exempt. While the current short-term rates for taxable debt are very competitive, the longer-term rates are not, reducing the economic benefit of that option.

### **Tonight's Council Action**

Tonight, staff are requesting that Council waive Council rule 3.5.B, requiring a second reading of proposed Ordinance No. 877, in order to both discuss and adopt proposed Ordinance No. 877, which would extend the authorization to issue BAN to December 31, 2020. Additionally, as per Council Rule of Procedure 6.1.B, as this item is an Action Item before the Council for the first time and is not part of tonight's consent agenda, public comment for this item will follow the staff report but precede Council review and potential adoption of proposed Ordinance No. 877.

## **RESOURCE/FINANCIAL IMPACT**

The Property Acquisition costs are approximately \$17,500,000. The BAN will likely be interest only but may allow for some flexible pre-payment of principal. Ordinance No. 829 limits the True Interest Cost to no more than 3.25%. However, in the current competitive market, our Financial Advisor estimates that the taxable interest rate on a 3-year BAN will be around 2%. Therefore, interest on the three-year BAN is estimated at \$350,000 per year. The debt service payments on the BAN are expected to be fully offset by income from investment properties acquired with the property. Any income from investment properties in excess of interest and operation costs that are not able to be applied to early principal payments will be invested and reserved to reduce the final principal payment at the end of 3 years. The revenue from the investment properties are included in the 2019-2020 biennial budget within the General Capital Fund with a transfer to a debt service fund setup to make the interest, and if needed principal, payments on the BAN. The 2019-2020 biennial budget within the debt service fund includes appropriations to pay the costs to issue the BAN.

## **RECOMMENDATION**

Staff recommends that Council discuss proposed Ordinance No. 877, waive Council Rule of Procedure 3.5.B and adopt proposed Ordinance No. 877.

## **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 877

**ORDINANCE NO. 877**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING ORDINANCE NO. 829, AS AMENDED BY ORDINANCE NO. 864, RELATING TO THE ISSUANCE OF ONE OR MORE SERIES OF LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$25,000,000 TO PROVIDE INTERIM FINANCING FOR A PORTION OF THE COSTS OF THE CITY'S PARKS, RECREATION AND OPEN SPACE PLAN AND COSTS OF ISSUING THE NOTES; AND ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, on July 31, 2017, the City Council adopted the 2017-2023 Parks, Recreation & Open Space Plan (the "PROS Plan"); and

WHEREAS, on August 6, 2018, the City Council adopted Ordinance No. 829 authorizing the issuance and sale of one or more series of short-term obligations in the form of limited tax general obligation bond anticipation notes in the aggregate principal amount of not to exceed \$25,000,000 (the "Notes") for the purpose of financing the acquisition of property for park and recreational purposes and the payment of other capital expenditures described in the PROS Plan; and

WHEREAS, on June 17, 2019, the City Council adopted Ordinance No. 864 to extend the time period for the issuance of the Notes set forth in Ordinance No. 829; and

WHEREAS, the sale and issuance of the Notes is contingent on satisfaction of certain parameters relating to maximum interest rates, final maturity dates, redemption terms and principal maturities as set forth in Ordinance No. 829, as amended by Ordinance No. 864; and

WHEREAS, the City Council now desires to amend Ordinance No. 829, as amended by Ordinance No. 864, to further extend the time period for the issuance of the Notes, to allow for the issuance of Notes on a taxable basis, and other matters related thereto, as provided herein;

THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DOES ORDAIN AS FOLLOWS:

**Section 1. Definitions.** Except as otherwise provided herein, definitions used in this ordinance shall have the meanings set forth in Ordinance No. 829, as amended by Ordinance No. 864.

**Section 2. Amendment to Section 2 of Ordinance No. 864, Amending Section 10 of Ordinance No. 829 (Sale of Notes).** Section 10 (Sale of Notes) of Ordinance No.

829 and Section 2 of Ordinance No. 864 (which amended Section 10 (Sale of Notes) of Ordinance No. 829) are hereby amended to read as follows (deletions are ~~stricken~~, additions are double underlined):

Section 10. Sale of Notes.

(a) *Note Sale.* The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative for a limited time the authority to determine the method of sale for the Notes in one or more series, to determine whether the Notes, or any series of Notes, are to be issued as tax-exempt obligations or as taxable obligations, and to approve the final interest rates, maturity dates, redemption terms and principal maturities for each series of Notes. Notes may be issued pursuant to this ordinance at one time or from time to time as provided herein. The Designated Representative is hereby authorized to approve the issuance, from time to time, of one or more series of Notes and to determine whether the Notes of such series shall be sold in a private placement to a Direct Purchaser or to an Underwriter through a competitive public sale or a negotiated sale, as set forth below.

(b) *Direct Purchase.* If the Designated Representative determines that the Notes of a series are to be sold by private placement, the Designated Representative shall solicit proposals to purchase the Direct Purchase Notes and to select the Direct Purchaser that submits the proposal that is in the best interest of the City. Direct Purchase Notes shall be sold to the Direct Purchaser pursuant to the terms of a Loan Agreement.

(c) *Negotiated Note Sale.* If the Designated Representative determines that the Notes of a series are to be sold by negotiated public sale, the Designated Representative shall solicit underwriting proposals and shall select the Underwriter whose proposal the Designated Representative believes is in the best interest of the City. Such Notes shall be sold to the Underwriter pursuant to the terms of a Note Purchase Contract.

(d) *Competitive Sale.* If the Designated Representative determines that the Notes of a series are to be sold at a competitive public sale, the Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in an amount not less than one percent of the principal amount of the offering accompany each bid; (4) cause notice of the public sale to be given; and (5) provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. The Designated Representative shall cause the notice of sale to be given and provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. Such Notes shall be sold to the Underwriter pursuant to the terms of a Certificate of Award.

(e) *Sale Parameters.* The Designated Representative is hereby authorized approve the method of sale and the final interest rates, aggregate principal amount, principal maturities, and redemption rights for each series of Notes in the manner provided hereafter so long as:

(1) the aggregate principal amount (face amount) of all Notes issued pursuant to this ordinance does not exceed \$25,000,000;

(2) the final maturity date for each series of Notes is no later than 36 months from date of issuance of such series;

(3) the true interest cost for each series of Notes does not exceed 3.25%;

(4) the Notes of each series are sold (in the aggregate) at a price not less than 98%; and

(5) the coupon rate for each maturity of the Notes of each series does not exceed 5.00%.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the applicable Sale Document for a series of Notes. Following the execution of the applicable Sale Document, the Designated Representative shall provide a report to the Council describing the final terms of the Notes approved pursuant to the authority delegated in this section.

The authority granted to the Designated Representative by this Section 10 shall expire on ~~December 31, 2020. February 1, 2020. one year after the effective date of this ordinance.~~ If a Sale Document for the Notes of a series has not been executed by such date, the authorization for the issuance of such series of Notes shall be rescinded, and such Notes shall not be issued nor their sale approved unless such Notes shall have been re-authorized by ordinance of the Council.

(f) *Delivery of Notes; Documentation.* The proper officials of the City, including the Administrative Services Director and the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Notes to the purchaser thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Notes in accordance with the terms of the applicable Sale Document. Such documents may include, but are not limited to, documents related to a municipal Note insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Notes as provided therein, if such insurance is determined by the Designated Representative to be in the best interest of the City.



(g) *Preliminary and Final Official Statements.* The Administrative Services Director and the City Manager are each hereby authorized to deem final the preliminary Official Statement(s) relating to any Underwritten Notes for the purposes of the Rule. The Administrative Services Director and the City Manager are each further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement(s) relating to the issuance and sale of any Underwritten Notes and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

**Section 3. Limitation as to Effect of Section 8 of Ordinance No. 829 (Tax Covenants).** Section 8 of Ordinance No. 829 shall apply only to Notes that are issued as tax-exempt obligations, and shall have no application to Notes issued as taxable obligations.

**Section 4. Ratification.** Except as hereby amended, the remaining terms and conditions of Ordinance No. 829, as amended by Ordinance No. 864, are hereby ratified and confirmed in all respects. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

**Section 5. Corrections by Clerk.** Upon approval of the City Attorney and Note Counsel, and without further action of the Council, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

**Section 6. Effective Date of Ordinance.** This ordinance shall take effect and be in force five (5) days from and after its passage, approval, and publication, as required by law. A summary of this ordinance, consisting of the title, may be published in lieu of publishing the ordinance in its entirety.

**PASSED BY THE CITY COUNCIL ON JANUARY 13, 2020.**

\_\_\_\_\_  
Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik-Smith  
City Clerk

\_\_\_\_\_  
Pacifica Law Group LLP  
Note Counsel

Date of Publication: \_\_\_\_\_, 2020  
Effective Date: \_\_\_\_\_, 2020

CERTIFICATE

I, the undersigned, City Clerk of the City of Shoreline, Washington (the “City”), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. 877 (the “Ordinance”) is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on January 13, 2020, as that ordinance appears in the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its passage and publication as provided by law; and

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. The Ordinance has not been amended, supplemented or rescinded since its passage and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_ day of January, 2020.

---

Jessica Simulcik-Smith  
City Clerk