



Memorandum

Date: 8/17/2021
Meeting of: City Council

File No. AM No. 21-118
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Executive	Malisa Files	425-556-2166
Finance	Chip Corder	425-556-2189

DEPARTMENT STAFF:

Finance	Kelley Cochran	Deputy Finance Director
Finance	Debbie Keranova	Financial Services Manager

TITLE:

Adoption of the Ordinances to Approve the Refunding of the Limited Tax General Obligation Refunding Bonds, 2013 and the Utility System Revenue Bonds, 2014

- a. Ordinance No. 3043: An Ordinance of the City of Redmond, Washington, Providing for the Issuance and Sale of One or More Series of Limited Tax General Obligation Refunding Bonds in the Aggregate Principal Amount of Not To Exceed \$19,500,000 to Refund Certain Outstanding Limited Tax General Obligations of the City, and to Finance Costs of Issuance of the Bonds; Providing for the Disposition of the Proceeds of Sale of the Bonds; and Delegating Authority to Approve the Final Terms of the Bonds
- b. Ordinance No. 3044: An Ordinance of the City of Redmond, Washington, Providing for the Issuance and Sale of One or More Series of Utility System Revenue Refunding Bonds in the Aggregate Principal Amount of Not To Exceed \$16,500,000 to Refund Certain Outstanding Utility System Revenue Bonds of the City, to Make a Deposit to the Reserve Account (If Required), and to Finance Costs of Issuance of the Bonds; Providing the Form, Terms and Covenants of the Bonds; Providing for the Disposition of the Proceeds of Sale of the Bonds; and Delegating Authority to Approve the Final Terms of the Bonds

OVERVIEW STATEMENT:

Interest rates remain at historically low levels, offering opportunities to achieve debt service savings from refunding (i.e., refinancing) outstanding bonds. The City would like to pursue taxable advance refunding of its 2013 Limited Tax General Obligation (LTGO) Bonds and its 2014 Utility Revenue Bonds for an estimated savings of \$3.6 million based on current interest rates. Potential refunding opportunities include the following:

Taxable Advance Refunding of LTGO Bonds, 2013

- The 2013 LTGO debt was issued to refund and defease the outstanding lease revenue bonds originally issued by Redmond Community Properties, a non-profit agency, on behalf of the City. Funds from the bonds were used to

build City Hall, the parking garage, and other enhancements to the City campus. The outstanding principal amount is \$20,165,000, with a final maturity date of December 1, 2035.

Taxable Advance Refunding of Utility Revenue Bonds, 2014

- The 2014 Stormwater Capital Improvement Revenue Bonds were issued for the purpose of constructing regional facilities in the Overlake and Downtown areas of the City, and flow control and water quality facilities. Funds from the bonds were also used for stream and habitat restoration projects. The outstanding principal amount is \$17,785,000, with a final maturity date of December 1, 2034.

☐ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☐ **Provide Direction** ☒ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
Fiscal Policy (Long-Term Debt Policies)
Debt Manual
Ordinance No. 2669 (Limited Tax General Obligation Refunding Bonds, 2013)
Ordinance No. 2743 (Utility System Revenue Bonds, 2014)
- **Required:**
RCW 39.36, RCW 39.46, and RCW 39.53.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

To maximize current savings potential, staff would like to move forward with taxable advance refunding of the 2013 LTGO Bonds and 2014 Utility System Revenue Bonds. The debt service savings from these potential advance refunding opportunities relates to securing a lower interest rate and shortening the payback period.

Staff recommends that Council adopt the attached ordinances, to authorize issuance of the bonds and to set the terms and conditions for the sale of the bonds.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A

- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:

The City's Fiscal Policy specifies a minimum threshold of 4% net present value (NPV) savings for refunding bond issues. Based on a July 2021 refunding analysis by our Financial Advisor, Public Financial Management, Inc. (PFM), the estimated savings are as follows:

Taxable Advance Refunding of LTGO Bonds, 2013

- Net Present Value Savings = \$2.17 million (this is the total estimated savings over the life of the refunding bonds in today's dollars)
- Net Present Value Savings % = 12.68% (this is the total estimated savings over the life of the refunding bonds in percent terms)
- Average Annual Savings = \$171,870
- True Interest Cost = 1.79% (this encompasses the various interest rates of the refunding bonds as well as other costs associated with issuing the bonds) vs. 3.84% for the 2013 LTGO bonds that are being refinanced

Taxable Advance Refunding of Utility Revenue Bonds, 2014

- Net Present Value Savings = \$1.45 million (this is the total estimated savings over the life of the refunding bonds in today's dollars)
- Net Present Value Savings % = 10.43% (this is the total estimated savings over the life of the refunding bonds in percent terms)
- Average Annual Savings = \$114,851
- True Interest Cost = 1.75% (this encompasses the various interest rates of the refunding bonds as well as other costs associated with issuing the bonds) vs. 3.26% for the 2014 revenue bonds that are being refinanced

The refunding bonds are tentatively scheduled to be sold at the end of September 2021. The actual savings will depend on market conditions at the time of sale.

Approved in current biennial budget: ☐ Yes ☐ No ☒ N/A

Budget Offer Number:

N/A

Budget Priority:

Strategic and Responsive

Other budget impacts or additional costs: ☒ Yes ☐ No ☐ N/A

If yes, explain:

Estimated savings of \$3.6 million

Funding source(s):

CIP-Related Revenues

Stormwater Management Rates

Budget/Funding Constraints:

N/A

☐ **Additional budget details attached**

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
7/13/2021	Study Session	Receive Information
7/27/2021	Committee of the Whole - Finance, Administration, and Communications	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

The potential sale of these refunding bonds is scheduled to be in October.

ANTICIPATED RESULT IF NOT APPROVED:

Council could consider refunding these bonds at a later time. The 2013 LTGO Bonds have a call date of December 1, 2023. The 2014 Revenue Bonds have a call date of December 1, 2024.

ATTACHMENTS:

- Ordinance for LTGO Refunding Bonds, 2021
- Ordinance for Utility Revenue Refunding Bonds, 2021