## STAFF REPORT

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| **Agenda Item:** | 10 | **Name:** | Rebecha Cusack |
| **Proposed No**.: | 2015-0470 | **Date:** | November 12, 2015 |

**SUBJECT**

An ordinance authorizing debt sales to support the previously adopted Building for Culture program.

**SUMMARY**

Proposed Ordinance 2015-0470 would authorize the County Executive to issue up to $29 million in Limited Tax General Obligation Bonds (LTGO) on behalf of the Building for Culture Program to fund various capital improvement projects through 4Culture.

All projects proposed to be funded from these bond issues are identified in Proposed Ordinance 2015-0471 which would need to be concurrently approved by the County Council. This ordinance puts into place the financing to support those arts, cultural heritage and preservation projects.

**BACKGROUND**

There are typically three types of long-term debt instruments used by King County. These are:

1. **Unlimited Tax General Obligation Bonds** (UTGO). This debt is payable from voter-approved tax levies. The outstanding Harborview Medical Center bonds are an example of current UTGO bonds issued by the County.
2. **Limited Tax General Obligation Bonds** (LTGO). These bonds are backed by the full faith and credit of the County that is not subject to voter approval. These bonds can be issued by the County without voter approval and are the bonds typically being referred to when discussing the County’s credit rating. Although ultimately pledging general fund revenues, LTGO debt is also issued for the benefit of other funds that can document sufficient future revenues to pay the debt service. This is the most common county debt issuance and King County typically has several LTGO bond sales each year.
3. **Revenue Bonds.** Revenue bonds are those backed by revenues by a particular source and are not backed by the full faith and credit of the County. Typically these bonds are only used by major county funds with a long-history of successfully borrowing and repayment, and dedicated revenue streams. The Wastewater Treatment Division is the only county agency that regularly uses revenue bonds.

This ordinance would authorize the Executive to sell LTGO bonds, and would support capital projects (including the Preservation Action Fund and the Barn Again program), issuance costs and administrative costs incurred by 4Culture prior to the issuance of the bonds that implement the Building for Culture program authorized by Motion 14406.

**ANALYSIS**

Proposed Ordinance 2015-0470 would authorize the Executive to sell $29 million in LTGO bonds to support the Building for Culture Program which will be administered by 4Culture. This program was authorized by Motion 14406 on July 27, 2015. Projects that would be funded by the sale of these LTGO bonds are identified in Proposed Motion 2015-0471 which is also before you today.

The debt service on these bonds will be paid by 4Culture and the County as outlined in Proposed Motion 2015-0471 as well as the fiscal note attached. This revenue is made available through 4Culture on a one-time basis as a result of early debt retirement of the Kingdome stadium improvements bond and from the future hotel motel tax collections the County expects to receive beginning in 2021 per state law. Bond assumptions and the debt service schedule are found in Attachment 3. The County’s Debt Management Policy requires that the duration of any debt issue not exceed the useful life of whatever it is funding[[1]](#footnote-1). As a result, the various arts, cultural heritage and preservation projects identified in Proposed Motion 2015-0471 and proposed to be funded by this bond sale must be consistent with that policy.

Proceeds from the sale of the bond as authorized in this ordinance puts into place the financing to support the proposed projects.

**ATTACHMENTS**

1. Proposed Ordinance 2015-0470
2. Transmittal Letter
3. Fiscal Note
4. Motion 14406

**INVITED**

1. Dwight Dively, Director, PSB
2. Aaron Rubardt, Financial Planning Process Manager, PSB
3. Dan Gottlieb, Bond Counsel, Hillis Clark Martin & Peterson P.S.
4. Jim Kelly, Executive Director, 4Culture
5. Rob Shelley, Financial Advisor, Piper Jaffray

1. Motion 13477, Section B.2.d reads: *Bond proceeds should be used only for permanent financing of the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and other capital items such as equipment or major information technology systems with a useful life of three years or longer.  The terms of the debt will not exceed the estimated useful life of the asset(s) being financed.* [↑](#footnote-ref-1)