

# INFORMATIONAL MEMORANDUM

## Tukwila Metropolitan Park District

TO: Tukwila Pool MPD Board President

FROM: Peggy McCarthy, Finance Director

BY: Craig Zellerhoff, Fiscal Coordinator

DATE: August 13, 2012

SUBJECT: Tukwila Pool Metropolitan Park District Financing Options for Capital Projects

### ISSUE

MPD financing options for Pool Capital Improvement Projects.

### FINANCIAL IMPACT

None. Summary Information.

### BACKGROUND

The Tukwila Pool MPD has determined the need for capital improvements in the amount of \$1.66 million to sustain operations of the pool for the next 20-30 years. To make the capital improvements a reality, the Tukwila Finance Department has obtained and reviewed potential financing options.

### DISCUSSION

The Tukwila Pool Metropolitan Park District has secured a total of \$666,666.66 toward the financing of the capital improvement projects to cover a portion of the financing requirements.

<b>Funding Source</b>	<b>Amount</b>
Cash/Operating Loan	\$ 250,000
Federal Grant	416,666
Financing Needed	1,000,000
<b>Total</b>	<b>\$ 1,666,666</b>

The following financing options are available to the Tukwila Pool MPD for the remaining \$1.0 million needed to proceed with the project.

Investment Information	Background Information	Financing Summary
<b>Green Campus Partners - Tax Exempt Lease Purchase (TELP)</b>		
<p>A TELP is an installment purchase contract used to finance equipment and capital projects at a low interest rate. Interest rates depend on the strength of collateral, the borrower's credit worthiness, the duration of financing, and market conditions</p>	<ul style="list-style-type: none"> <li>• The transaction would be structured as an LTGO lease purchase between the District and Green Campus Partners.</li> <li>• The District and the City will enter into an Interlocal agreement prior to closing, under which the City will guarantee the District's payment obligation.</li> <li>• The guarantee will remain in place during the 15 year term of the financing.</li> <li>• It is anticipated that the proceeds will be deposited into escrow with a bank during the construction period.</li> <li>• The financed amount is net of utility rebates, District capital contribution and State grants and includes a 1% origination fee and estimated costs of issuance.</li> <li>• The interest rate is 3.25%, which will float until shortly before closing.</li> <li>• The District has the option to prepay the lease purchase on any payment date at a price of 103%.</li> </ul>	<p>Financed Amount: \$1.0M Term: 15 years Payments: Quarterly</p> <p>Financing Cost:       \$ 34,783</p> <p>Interest Rate = 3.25%</p> <p><i>See attached worksheet for sample payment schedule (amounts will change based on final construction amount)</i></p> <p><b>EST ANNUAL PMTS: \$ 85,605</b> <b>TERM: 15 YEARS</b></p>
<b>Seattle Northwest Securities - Long-term General Obligation Bond (LTGO)</b>		
<p>Issuing a bond for \$1.35 million using the City bond rating of Aa3 would result in the annual debt payments ranging from \$111,000 to \$115,180 which is dependent on interest rates at time of issuance.</p>	<p>Current interest rates as of 4/25/2012:</p> <p><i>15 years – 2.68% = \$85,000 per year</i></p> <p>Interest rates plus 50 basis points:</p> <p><i>15 years – 3.24% = 89,000 per year</i></p>	<p>Financed Amount: \$1.0M Term: 15 years Payments: Semi Annually</p> <p>Financing Cost:       \$ 40,000</p> <p>Interest Rate = 3.24%</p> <p><i>See attached worksheet for sample payment schedule (amounts will change based on final construction amount)</i></p> <p><b>EST ANNUAL PMTS: \$ 88,637</b> <b>TERM: 15 YEARS</b></p>

Local Option Capital Asset Loan program (LOCAL) – Washington State Treasurer		
<p>The LOCAL program provides financing to local governments to reduce borrowing and issuance costs. There are two loan programs for financing; Real Estate and Equipment. The MPD would qualify for both types of financing due to the nature of the construction project. <b>The maximum term of the loan is determined by the Office of Financial Management's Useful Life Table.</b></p> <p>The LOCAL program approves loans twice a year in late March with first payment due June 1 and mid/late August with first payment due December 1. Loan applications are due January 10<sup>th</sup> for March funding and June 20<sup>th</sup> for August funding.</p>	<p>Robert Eaton reviewed the project scope to determine the useful life of each piece of equipment for the project and determined the average useful life is 8.23 years. Interest rates as of 3/29/12 for 7 years and 10 years were 1.54% and 2.17% comparatively.</p> <p>Equipment Cost = \$882,677</p> <p>Real Estate Cost = \$783,989 of which \$117,323 would require financing.</p>	<p><b>Equipment</b>                      Financed Amount: \$0.88M                      Term: 8 years                      Payments: Semi Annually</p> <p>Financing Cost: \$ 0  <i>Included in interest rate</i></p> <p>Interest Rate = 1.54% – 2.17%  <i>Based on 3/29/2012 LOCAL rates</i></p> <p><i>See attached worksheet for sample payment schedule (amounts will change based on final construction amount)</i></p> <p><b>Real Estate</b>                      Financed Amount: \$0.12M                      Term: 10 years                      Payments: Semi Annually</p> <p>Financing Cost: \$ 0  <i>Included in interest rate</i></p> <p>Interest Rate = 2.63% – 2.75%  <i>Based on 3/29/2012 LOCAL rates</i></p> <p><i>See attached worksheet for sample payment schedule (amounts will change based on final construction amount)</i></p> <p><b>EST ANNUAL PMTS: \$ 134,284</b>  <b>TERM: AVG OF 8.2 YEARS</b></p>

Based on the information available at this time the Tax Exempt Lease Purchase is the optimal financing method requiring annual debt service payments of \$85,605 annually for total payments of \$1,284,079 over 15 years.

Investment Type	Rate	Annual Pmts	Term	Total Pmts
TELP	3.25%	85,605	15 years	1,284,079
LTGO Bond	3.24%	88,637	15 years	1,329,548
LOCAL Program	2.60%	134,284	8.2 years	1,101,270

**RECOMMENDATION**

For information only.

**ATTACHMENTS**

- Green Campus Partners Proposal
- Green Campus Partners Amortization Schedule for \$1.0 million financing
- Seattle Northwest Securities LTGO Bond @ 4/25/2012 rates plus 50 basis points
- Seattle Northwest Securities Amortization Schedule for \$1.0 million financing
- Washington Department of Treasury LOCAL Program Amortization Schedules
- Tukwila Pool Draft ESP with estimated useful life's

**Estimated TELP Financing - Green Campus Partners**

<b>Finance Amount</b>	\$ 1,013,116	<b>Project Cost</b>	\$ 1,666,666
<b>Interest Rate</b>	3.25%	<b>Cash</b>	\$ (250,000)
<b>Term (years)</b>	15	<b>Grant</b>	\$ (416,666)
<b>Quarterly Payments</b>			\$ 1,000,000
		<b>Rebates</b>	\$ (21,667)
		<b>Loan Costs</b>	\$ 34,783
		<b>Finance Amount</b>	\$ 1,013,116

Payment #	Payment			Outstanding Balance
	Amount	Interest Portion	Principal Portion	
1	\$ 21,401.31	\$ 8,231.57	\$ 13,169.74	\$ 999,946.26
2	21,401.31	8,124.56	13,276.75	986,669.51
3	21,401.31	8,016.69	13,384.62	973,284.89
4	21,401.31	7,907.94	13,493.37	959,791.52
5	21,401.31	7,798.31	13,603.00	946,188.52
6	21,401.31	7,687.78	13,713.53	932,474.99
7	21,401.31	7,576.36	13,824.95	918,650.04
8	21,401.31	7,464.03	13,937.28	904,712.77
9	21,401.31	7,350.79	14,050.52	890,662.25
10	21,401.31	7,236.63	14,164.68	876,497.57
11	21,401.31	7,121.54	14,279.77	862,217.80
12	21,401.31	7,005.52	14,395.79	847,822.01
13	21,401.31	6,888.55	14,512.76	833,309.26
14	21,401.31	6,770.64	14,630.67	818,678.59
15	21,401.31	6,651.76	14,749.55	803,929.04
16	21,401.31	6,531.92	14,869.39	789,059.65
17	21,401.31	6,411.11	14,990.20	774,069.45
18	21,401.31	6,289.31	15,111.99	758,957.46
19	21,401.31	6,166.53	15,234.78	743,722.68
20	21,401.31	6,042.75	15,358.56	728,364.12
21	21,401.31	5,917.96	15,483.35	712,880.77
22	21,401.31	5,792.16	15,609.15	697,271.61
23	21,401.31	5,665.33	15,735.98	681,535.64
24	21,401.31	5,537.48	15,863.83	665,671.80
25	21,401.31	5,408.58	15,992.73	649,679.08
26	21,401.31	5,278.64	16,122.67	633,556.41
27	21,401.31	5,147.65	16,253.66	617,302.75
28	21,401.31	5,015.58	16,385.72	600,917.02
29	21,401.31	4,882.45	16,518.86	584,398.17
30	21,401.31	4,748.24	16,653.07	567,745.09
31	21,401.31	4,612.93	16,788.38	550,956.71
32	21,401.31	4,476.52	16,924.79	534,031.92
33	21,401.31	4,339.01	17,062.30	516,969.63
34	21,401.31	4,200.38	17,200.93	499,768.69
35	21,401.31	4,060.62	17,340.69	482,428.01
36	21,401.31	3,919.73	17,481.58	464,946.42
37	21,401.31	3,777.69	17,623.62	447,322.80

38	21,401.31	3,634.50	17,766.81	429,555.99
39	21,401.31	3,490.14	17,911.17	411,644.83
40	21,401.31	3,344.61	18,056.70	393,588.13
41	21,401.31	3,197.90	18,203.41	375,384.73
42	21,401.31	3,050.00	18,351.31	357,033.42
43	21,401.31	2,900.90	18,500.41	338,533.00
44	21,401.31	2,750.58	18,650.73	319,882.28
45	21,401.31	2,599.04	18,802.27	301,080.01
46	21,401.31	2,446.28	18,955.03	282,124.98
47	21,401.31	2,292.27	19,109.04	263,015.93
48	21,401.31	2,137.00	19,264.30	243,751.63
49	21,401.31	1,980.48	19,420.83	224,330.80
50	21,401.31	1,822.69	19,578.62	204,752.18
51	21,401.31	1,663.61	19,737.70	185,014.48
52	21,401.31	1,503.24	19,898.07	165,116.41
53	21,401.31	1,341.57	20,059.74	145,056.68
54	21,401.31	1,178.59	20,222.72	124,833.95
55	21,401.31	1,014.28	20,387.03	104,446.92
56	21,401.31	848.63	20,552.68	83,894.24
57	21,401.31	681.64	20,719.67	63,174.57
58	21,401.31	513.29	20,888.02	42,286.56
59	21,401.31	343.58	21,057.73	21,228.83
60	21,401.31	172.48	21,228.83	(0.00)
	<b>\$1,284,078.55</b>	<b>\$270,962.55</b>	<b>\$1,013,116.00</b>	

**Estimated LTGO Bond - Seattle Northwest Securities**

<b>Finance Amount</b>	\$ 1,040,000	<b>Project Cost</b>	\$ 1,666,666
<b>Interest Rate</b>	3.24%	<b>Cash</b>	\$ (250,000)
<b>Term (years)</b>	15	<b>Grant</b>	\$ (416,666)
<b>Quarterly Payments</b>			\$ 1,000,000
		<b>Rebates</b>	\$ -
		<b>Loan Costs</b>	\$ 40,000
		<b>Finance Amount</b>	\$ 1,040,000

Payment #	Payment			Outstanding Balance
	Amount	Interest Portion	Principal Portion	
1	\$ 88,636.52	\$ 33,696.00	\$ 54,940.52	\$ 985,059.48
2	88,636.52	31,915.93	56,720.59	928,338.89
3	88,636.52	30,078.18	58,558.34	869,780.55
4	88,636.52	28,180.89	60,455.63	809,324.93
5	88,636.52	26,222.13	62,414.39	746,910.54
6	88,636.52	24,199.90	64,436.62	682,473.92
7	88,636.52	22,112.16	66,524.36	615,949.56
8	88,636.52	19,956.77	68,679.75	547,269.81
9	88,636.52	17,731.54	70,904.98	476,364.83
10	88,636.52	15,434.22	73,202.30	403,162.53
11	88,636.52	13,062.47	75,574.05	327,588.48
12	88,636.52	10,613.87	78,022.65	249,565.83
13	88,636.52	8,085.93	80,550.58	169,015.25
14	88,636.52	5,476.09	83,160.42	85,854.82
15	88,636.52	2,781.70	85,854.82	0.00
	<b>\$1,329,547.77</b>	<b>\$289,547.77</b>	<b>\$1,040,000.00</b>	

**Estimated LOCAL Program Financing**

<b>Finance Amount</b>	\$ 1,000,000	<b>Payments</b>	
<b>Interest Rate</b>	2.60%	Year 1-8	134,284
<b>Term (years)</b>	10	Year 9-10	13,499
<b>Semi-Annual Payments</b>			

Payment #	Payment			Outstanding Balance
	Amount	Interest Portion	Principal Portion	
1	\$ 67,141.97	\$ 11,190.24	\$ 55,951.73	\$ 944,048.27
2	67,141.97	10,568.26	56,573.70	887,474.57
3	67,141.97	9,939.34	57,202.63	830,271.94
4	67,141.97	9,303.38	57,838.59	772,433.35
5	67,141.97	8,660.32	58,481.65	713,951.70
6	67,141.97	8,010.06	59,131.91	654,819.79
7	67,141.97	7,352.53	59,789.44	595,030.35
8	67,141.97	6,687.64	60,454.32	534,576.02
9	67,141.97	6,015.33	61,126.64	473,449.38
10	67,141.97	5,335.49	61,806.48	411,642.90
11	67,141.97	4,648.04	62,493.93	349,148.97
12	67,141.97	3,952.91	63,189.06	285,959.91
13	67,141.97	3,250.00	63,891.97	222,067.94
14	67,141.97	2,539.22	64,602.75	157,465.19
15	67,141.97	1,820.49	65,321.48	92,143.71
16	67,141.97	1,093.72	66,048.25	26,095.46
17	6,749.66	358.81	6,390.84	19,704.62
18	6,749.66	270.94	6,478.72	13,225.91
19	6,749.66	181.86	6,567.80	6,658.11
20	6,749.66	91.55	6,658.11	(0.00)
	<b>\$ 1,101,270.11</b>	<b>\$ 101,270.11</b>	<b>\$ 1,000,000.00</b>	

BASED ON LOCAL PROGRAM USEFUL LIFE LIST



Table 4.2 - Facility Improvement Measure (FIM) Summary - Preliminary

**Project Tukwila Pool**

**Draft ESP Cost Estimate**

Date: 06/13/2012

Useful Life	Item #	Project	McKinstry Budget	Annual Utility Savings	Potential Incentives ***
10	1	Pool Liner, Water Edge Tile, and Main Drains	\$ 283,203	\$ -	\$ -
5 10 5	2	Pool Circulation Pump VFD Pool Water Plumbing / Valve Replacement Pool Heating Water Pump Replacement	\$ 119,546	\$ 2,586	\$ 8,551
5	3	ADA Pool Chair Lifts	\$ 22,635	\$ -	\$ -
5	4	Chemtrol Replacement	\$ 22,624	\$ -	\$ -
10 10 5	5	Nat. HVAC Digital Controls / Dampers Lobby HVAC Digital Controls / Dampers Nat. Fan & Motor Replacement	\$ 366,972	\$ 12,047	\$ -
5 5	6	Building Heating Pump & Motor Replacement, Lobby Exhaust and Supply Motors Replacement	\$ 4,507	\$ 302	\$ 780
10 10	7	Boiler Burner and Controls Replacement Condensing Domestic Water Heater	\$ 161,768	\$ 259	\$ -
5	8	Lighting Conversion	\$ 107,049	\$ 4,298	\$ 10,777
?	9	Remove Natatorium Ceiling Tiles	\$ 51,186	\$ -	\$ -
5	10	Locker Room Tile (Showers & Walls)	\$ 20,364		\$ -
5	11	HVAC Lobby Supply Motor Replacement	\$ 1,101	\$ 302	\$ 780
5	12	HVAC Lobby Exhaust Motor Replacement	\$ 1,101	\$ 302	\$ 780
5	13 20	Locker Room Plumbing (Showers & Fixtures - (could be modified to \$52,000 no china)	\$ 36,098	\$ 1,822	\$ -
5	14	Pool Cover / Blanket	\$ 37,383	\$ 8,570	\$ -
10	15	Sewer Deduct Meter	\$ 7,554	\$ 1,163	
3	16	Bulkhead Renovation	\$ 4,500		
5	17	DE Filter System - Vacuum DE Remodel	\$ 15,000		
15	18	Gutter/Deck Tile	\$ 64,172		
15	19	ADA Improvements (Parking Lot)	\$ 90,000		
5	20	Locker Room China	\$ 47,152		
30	21	New Roof	\$ 85,449		
5	22	Privacy changing areas (modified - 1 dressing room)	\$ 7,187		
8	23	Locker Room Floor Resurfacing	\$ 85,000		
8	24	New Lockers MODIFIED #24 for Grant	\$ 25,115		
<b>GRANT Scope of Work for Project Subtotal</b>			<b>\$ 1,666,666</b>	<b>\$ 31,651</b>	<b>\$ 21,668</b>

7.37 yrs average  
Average Useful Life  
7.27 years  
10.1 years