ITEM NO.
4.A.

INFORMATIONAL MEMORANDUM
Tukwila Metropolitan Park District

TO: **Tukwila Pool MPD Board President**

FROM: **Peggy McCarthy, Finance Director**

BY: **Craig Zellerhoff, Fiscal Coordinator**

DATE: **May 3, 2012**

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

ISSUE
Review the District financing options for potential Pool Capital Improvement Projects.

FINANCIAL IMPACT
None. Summary information.

BACKGROUND
The Tukwila Pool MPD has determined the need for capital improvements 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 financing options available to the Tukwila Pool MPD are listed below. Of the options listed only two are viable, bond financing and the state LOCAL program. A third option, tax exempt lease purchase will be considered when the scope of the project has been determined.

Investment Vehicle	Investment Information	Interest Rate	Viable Option
Public Works Trust Fund	The MPD is not eligible for this program as the loans are limited to the following systems: • Drinking water • Sanitary sewer • Storm water • Solid waste/recycling • Bridges • Roadways • Streets	10 years - .50% 15 years - .75% 20 years – 1.00% 25 years – 1.50% 30 years – 2.00%	NO
Seattle Northwest Securities - Long-term General Obligation Bond (LTGO)	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.	Current interest rates as of 4/25/2012: *15 years – 3.82% = $111,000 per year* Interest rates plus 50 basis points: *15 years – 4.32% = 115,180 per year*	YES

King County Investment Pool	The MPD is not eligible for funding through the King County Investment Pool per Scott Matheson – Treasury Manager. Scott's reply to the financing inquiry was "Often when a new taxing district is created it starts operating before they are able to levy taxes. In those cases, the county has extended loans until their operating levy kicks in. We've never extended a loan to a district that is funding capital improvements."		NO
Local Option Capital Asset Loan program (LOCAL) – Washington State Treasurer	The program began in 1989 for state agencies but was expanded in 1998 to allow local governments to participate. Essentially the State Treasurer aggregates the financing needs of many local government agencies in order to reduce borrowing and issuance costs for all participants. 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. 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 10th for March funding and June 20th for August funding.	**Real Estate** - loans for construction projects can be financed for 20 years. The interest rate as of 3/29/12 was 3.98%, actual rates are determined by competitive bids on the date of sale. **Equipment** – loans for purchase of equipment can be financed for 10 years. The interest rate as of 3/29/12 was 2.17%, actual rates are determined by competitive bids on the date of sale.	YES
Tax Exempt Lease Purchase (TELP)	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	Cost to finance will be determined after review of feasibility study.	Possibly
Department of Commerce grant program	The Department of Commerce (DOC) has a grant program (Verna, I talked about this at TPAC) established through the legislation this past session. The grant is limited to $500,000. The project cannot be under 'construction' when the grant is applied for or possibly awarded – final procedures have not been adopted yet. The criteria is set up perfectly for the project: 1) leverage of money 2:1 or 3:1 is best, 2) energy efficiencies, and 3) ready to construct in 2012.	Rick Still to complete review.	Possibly

RECOMMENDATION
For information only.

ATTACHMENTS
None