

Ordinance No. 122338

Council Bill No. 115811

AN ORDINANCE relating to the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; amending Ordinance No. 122294 to increase the amount of funds to be transferred into the defeasance account in the Bond Fund.

CF No. \_\_\_\_\_

Date Introduced:	<u>Jan. 16, 2007</u>	
Date 1st Referred:	To: (committee) <u>Finance and Budget</u>	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote: <u>8-0</u>	
Date Presented to Mayor:	Date Approved: <u>2-21-07</u>	
Date Returned to City Clerk:	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

# The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Richard J. McIver  
Councilmember

## Committee Action:

Wednesday February 7, 2007 RUV 110

2-12-07 Passed 8-0 (Excused: Conlin)

This file is complete and ready for presentation to Full Council. Committee: \_\_\_\_\_  
(initial/date)

### LAW DEPARTMENT

Law Dept. Review

OMP Review

City Clerk Review

Electronic Copy Loaded

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Indexed

ORDINANCE 122338

1  
2 AN ORDINANCE relating to the defeasance and redemption of certain of the City's outstanding  
3 Limited Tax General Obligation Improvement and Refunding Bonds, 2003; amending  
4 Ordinance No. 122294 to increase the amount of funds to be transferred into the  
5 defeasance account in the Bond Fund.

6 WHEREAS, pursuant to Ordinance 120979, passed by the City Council on November 18, 2002,  
7 and Resolution 30571, adopted by the City Council on February 5, 2003 (collectively, the  
8 "2003 Bond Legislation"), the City of Seattle, Washington (the "City"), issued its  
9 \$60,855,000 Limited Tax General Obligation Improvement and Refunding Bonds, 2003  
10 (the "2003 Bonds"), of which \$8,890,000 were allocated to the financing of the Marion  
11 Oliver McCaw Hall Project (long) described in Exhibit A to Ordinance 120979 (the  
12 "McCaw Hall Bonds"); and

13 WHEREAS, pursuant to Ordinance 122294, passed by the City Council on November 20, 2006  
14 (the "Defeasance Ordinance"), the City authorized the creation and transfer of funds into  
15 a defeasance account in the Bond Fund, authorized the execution of a defeasance trust  
16 agreement, authorized the purchase of certain investments and the use of their proceeds,  
17 authorized the call for redemption prior to maturity of defeased bonds, and appropriated  
18 amounts in the defeasance account to carry out the defeasance of a portion of the McCaw  
19 Hall Bonds; and

20 WHEREAS, the City has additional money available to it for the defeasance of a portion of the  
21 McCaw Hall Bonds and has determined it is in the best interests of the City to increase  
22 the amount of funds appropriated to the defeasance of the McCaw Hall Bonds; NOW,  
23 THEREFORE,

24 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

25 **Section 1. Definitions.** The meaning of capitalized terms used and not otherwise  
26 defined in the recitals to this Ordinance shall be as set forth in the 2003 Bond Legislation and the  
27 Defeasance Ordinance.

28 **Section 2. Amendments to Defeasance Ordinance.** Section 6 of Ordinance 122294 is  
amended to read as follows:

**Section 6. Appropriation.** In order to carry out the Defeasance Plan and to  
pay for necessary costs and expenses incurred or to be incurred, the appropriation for the  
following in the 2006 Budget is increased from the fund shown, as follows:



<u>Fund</u>	<u>Department</u>	<u>Budget Control Level</u>	<u>Maximum Amount</u>
McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135	DEA	9CR35	(( <del>\$2,300,000</del> ))\$3,500,000

**Section 7. Transfer.** To support the appropriation made in Section 6 above, the Director of Finance and the Director of Seattle Center are authorized to transfer to the Defeasance Account up to the amount specified as follows, for the defeasance of the Defeased Bonds:

<u>Fund</u>	<u>Maximum Amount Transferred</u>
McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135	(( <del>\$2,300,000</del> ))\$3,500,000 transferred in
1999 Seattle Center/Community Center Fund, Seattle Center Subfund (33810)	(( <del>\$2,300,000</del> ))\$3,500,000 transferred out

**Section 3. Legislation in Full Force and Effect.** Except as set forth in Section 2 of this ordinance, the Defeasance Ordinance shall remain unchanged and in full force and effect in all other respects.

**Section 4. General Authorization.** The Mayor and the Director of Finance of the City and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable to increase the amount of funds to be transferred into the defeasance account in the Bond Fund for defeasance of the McCaw Hall Bonds.

**Section 5. Severability.** The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to



1 any person or circumstance, such offending provision shall, if feasible, be deemed to be  
2 modified to be within the limits of enforceability or validity. However, if the offending  
3 provision cannot be so modified, it shall be null and void with respect to the particular person or  
4 circumstance, and all other provisions of this ordinance in all other respects, and the offending  
5 provision with respect to all other persons and all other circumstances, shall remain valid and  
6 enforceable.

7  
8 **Section 6. Ratification of Prior Acts.** Any action taken consistent with the authority of  
9 this ordinance but between its passage and the effective date is ratified, approved and  
10 confirmed.

11 **Section 7. Section Headings.** The section headings in this ordinance are used for  
12 convenience only and shall not constitute a substantive portion of this ordinance.

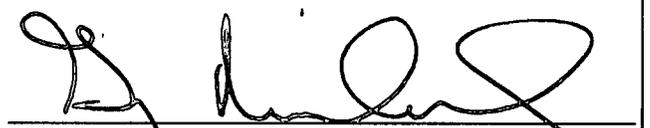
13  
14 **Section 8. Effective Date.** This ordinance shall take effect and be in force thirty (30)  
15 days from and after its approval by the Mayor, but if not approved by the Mayor and returned  
16 by the Mayor within ten (10) days after presentation, it shall take effect as provided by  
17 Municipal Code Section 1.04.020.



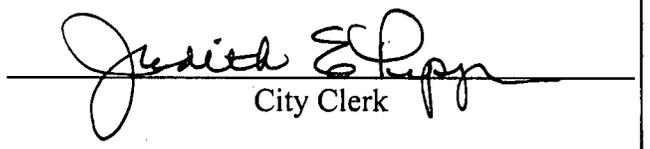
1 Passed by the City Council the 12<sup>th</sup> day of February, 2007, and signed by me in  
2 open session in authentication of its passage this 12<sup>th</sup> day of February 2007.

3  
4   
5 President \_\_\_\_\_ of the City Council

6 Approved by me this 21<sup>st</sup> day of February, 2007.

7  
8   
9 Gregory J. Nickels, Mayor  
10  
11

12 Filed by me this 21<sup>st</sup> day of FEB, 2007.

13  
14   
15 City Clerk

16 (SEAL)



**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>DOF Analyst/Phone:</b>
Department of Finance	Michael vanDyck, 684-8347 Ned Dunn, Seattle Center, 684-7212	Mambo Emedi, 233-2651

**Legislation Title:**

AN ORDINANCE relating to the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; amending Ordinance No. 122294 to increase the amount of funds to be transferred into the defeasance account in the Bond Fund.

• **Summary of the Legislation:**

This legislation amends Ordinance 122294 to increase the maximum authorized dollar amount for a partial defeasance of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project. The maximum amount is being increased because of additional funding commitments for McCaw Hall received from King County.

In a defeasance, cash is placed in escrow and invested in a portfolio of securities (typically state and local government securities, treasuries, etc.), the income from which is used to pay the debt service on certain bonds. As a consequence, the City is relieved from the debt service on these bonds. The source of funds for the partial defeasance of the 2003 McCaw Hall long-term bonds is cash in the 1999 Seattle Center/Community Centers Fund, Seattle Center Subfund, after end-of-year private pledges for McCaw Hall have been received, together with McCaw Hall Matching Funds from the sale of Lot 2. This amended legislation authorizes the use of up to \$3.5 million for the defeasance. The actual amount of the defeasance is expected to be approximately \$2.8 million, but additional authority is being requested in order that any unexpected funding commitments received for McCaw Hall can be applied to the defeasance amount.

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

Ordinance 122294, passed by City Council November 20, 2006, authorized a maximum amount of \$2.3 million for partial defeasance of McCaw Hall long-term bonds. Since Ordinance 122294 was drafted, an additional \$500,000 in funding commitments from King County have been received, making available an additional \$250,000 in Lot 2 matching funds. In order to take advantage of these funds, and any additional funds that may become



available by the time of the defeasance in the first quarter of 2007, the maximum defeasance amount is being increased to \$3.5 million.

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall. Approximately \$18 million of this debt was short-term, and was paid off last year from a combination of State of Washington, King County and private funding contributions for McCaw Hall. The other \$9 million in interim financing was in the form of 20-year bonds. The approximately \$680,000 of annual debt service on these long-term bonds was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid 50% by the two resident tenants of McCaw Hall – the Seattle Opera and Pacific Northwest Ballet (25% each) and 50% by the City's General Fund. In February 2005, the City Council authorized the sale of the Seattle Center 5<sup>th</sup> Avenue parking lot ("Lot 2") to be the future home of the Bill & Melinda Gates Foundation. The City Council further authorized that \$4 million of the proceeds from the sale of Lot 2 be used as matching funds, on a 1 for 2 basis, for additional public or private commitments received for the McCaw Hall capital project. To date, additional funding commitments for McCaw Hall have been received to make eligible the use of \$2.5 million of Lot 2 matching funds. This includes an additional funding commitment of \$500,000 from King County, authorized at the end of 2006, \$250,000 in 2006 supplemental budget legislation and another \$250,000 in the 2007 King County budget.

By March 1, 2007, when the defeasance funds will be transferred, it is expected that there will be at least \$2.8 million available in the 1999 Seattle Center/Community Centers Fund to apply towards a partial defeasance of the \$9M in 2003 long-term bonds for McCaw Hall. It is possible that the amount will be higher than \$2.8 million, so this legislation increases the maximum amount authorized for defeasance to \$3.5 million. It is estimated that \$2.8 million will be sufficient to defease approximately \$2.63 million of the 2003 bonds, thereby reducing the annual debt service on these bonds by an estimated \$220,000.

- *Please check one of the following:*

**X** **This legislation has financial implications.** *(Please complete all relevant sections that follow.)*



***Appropriations:***

<b>Fund Name and Number</b>	<b>Department</b>	<b>Budget Control Level*</b>	<b>2006 Appropriation</b>	<b>2007 Anticipated Appropriation</b>
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund (20135)	DEA	9CR35	\$3,500,000	N/A
<b>TOTAL</b>			<b>\$3,500,000</b>	

*\*See budget book to obtain the appropriate Budget Control Level for your department.*

***Notes:***

An estimated \$2.8 million, and up to a maximum amount of \$3.5 million (the amount shown in the table above) will be transferred, as authorized by this legislation, from the 1999 Seattle Center/Community Centers Fund to the newly created Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund. The funds will be appropriated from this new account in order to be deposited to a financial institution for the defeasance of 2003 long-term McCaw Hall bonds.

***Anticipated Revenue/Reimbursement: Resulting From This Legislation:*** *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

<b>Fund Name and Number</b>	<b>Department</b>	<b>Revenue Source</b>	<b>2006 Revenue</b>	<b>2007 Revenue</b>
N/A				
<b>TOTAL</b>				

***Notes:***



**Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:** *This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

Position Title and Department*	Fund Name	Fund Number	Part-Time/Full Time	2006 Positions	2006 FTE	2007 Positions**	2007 FTE**
N/A							
<b>TOTAL</b>							

\* List each position separately

\*\* 2007 positions and FTE are total 2007 position changes resulting from this legislation, not incremental changes. Therefore, under 2007, please be sure to include any continuing positions from 2006

**Notes:**

- **Do positions sunset in the future?** (If yes, identify sunset date):

N/A

**Spending/Cash Flow:** *This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.*

Fund Name and Number	Department	Budget Control Level*	2006 Expenditures	2007 Anticipated Expenditures
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund (20135)	DEA	9CR35		\$3,500,000
<b>TOTAL</b>				<b>\$3,500,000</b>

\* See budget book to obtain the appropriate Budget Control Level for your department.

**Notes:** The deposit of funds to a financial institution for the defeasance will occur in the first quarter of 2007. The current estimate is \$2.8 million, with the maximum authorized amount \$3.5 million.



- **What is the financial cost of not implementing the legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)*

An estimated \$220,000 in reduction of the City's debt service obligation for the 2003 McCaw Hall long-term bonds will not be realized, and a significant additional financial burden will be placed on the Seattle Opera and Pacific Northwest Ballet. (Note: While the debt service on the 2003 long-term McCaw Hall bonds is ultimately an obligation of the City, under the current agreement between the City and the Seattle Opera and Pacific Northwest Ballet, 50% of the debt service on the 2003 McCaw Hall long-term bonds is paid by the Ballet and Opera.)

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

DOF considered an "informal defeasance" whereby the City would simply place the cash in the Bond Interest and Redemption Fund and invest it with the City's consolidated cashpool. Unfortunately, there would be no certainty about how much interest the City would earn and consequently no certainty about how many bonds could be defeased. Alternatively, in a formal defeasance, interest earnings are known at the time of the defeasance.

**Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

No.

- **Other Issues** *(including long-term implications of the legislation):*

The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, continues to seek additional funding for the McCaw Hall capital project. Funds that come in during 2007, including private pledge payments, additional State funds, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

**Please list attachments to the fiscal note below:**

None.



# City of Seattle

Gregory J. Nickels, Mayor

## Office of the Mayor

December 19, 2006

Honorable Nick Licata  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Licata:

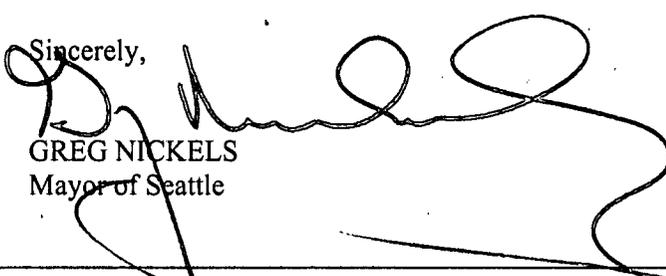
I am pleased to transmit the attached proposed Council Bill that amends Ordinance 122294, which the Council approved in November 2006, authorizing the partial defeasance (debt "payoff") of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project, thereby reducing the City's annual debt service. Ordinance 122294 authorized the use of up to \$2.3 million for partial defeasance. Recently, King County committed another \$500,000 in funding for the McCaw Hall project. With this funding, Lot 2 matching funds, and potential private pledge payments, Seattle Center now estimates that up to a maximum of an additional \$1.2 million could be available to apply towards the defeasance of additional bonds. In order to take advantage of this opportunity to lower the City's debt burden, the attached Bill increases the amount of funding authorized to be use towards defeasance of bonds from \$2.3 million to \$3.5 million. Seattle Center currently estimates the actual amount of funding available for the defeasance in early 2007 will be \$2.8 million, which would increase the City's annual debt service savings from about \$180,000 to \$220,000.

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall, \$18 million of which was short-term debt that was paid off last year from a combination of state, King County, and private funding contributions. The other \$9 million in interim financing was in the form of 20-year bonds. Approximately \$680,000 of annual debt service on these long-term bonds was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid one-half by the two resident tenants of McCaw Hall, the Seattle Opera and Pacific Northwest Ballet, and one-half by the General Fund.

The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, is continuing to seek additional funding for the McCaw Hall capital project. Funds that come in during 2007, including private pledge payments, potential additional funding from the State, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

Thank you for your consideration of this legislation. Should you have questions, please contact Ned Dunn at the Seattle Center (684-7212) or Michael Van Dyck in the Department of Finance (684-8347).

Sincerely,

  
GREG NICKELS  
Mayor of Seattle

600 Fourth Avenue, 7<sup>th</sup> Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E:mail: mayors.office@seattle.gov

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**STATE OF WASHINGTON – KING COUNTY**

--SS.

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207968  
CITY OF SEATTLE, CLERKS OFFICE

No.

**Affidavit of Publication**

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

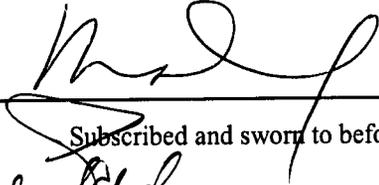
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:122338-122342 TITLE

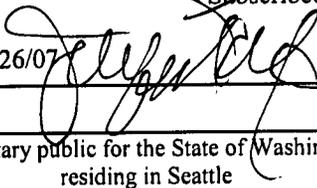
was published on

02/26/07

The amount of the fee charged for the foregoing publication is the sum of \$ 83.70, which amount has been paid in full.

  
\_\_\_\_\_  
Subscribed and sworn to before me on

02/26/07

  
\_\_\_\_\_  
Notary public for the State of Washington,  
residing in Seattle



# State of Washington, King County

## City of Seattle

### TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on February 12, 2007, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

#### ORDINANCE NO. 122338

AN ORDINANCE relating to the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; amending Ordinance No. 122294 to increase the amount of funds to be transferred into the defeasance account in the Bond Fund.

#### ORDINANCE NO. 122339

AN ORDINANCE relating to the City's purchase of an interest in CASA Latina's new facility; removing a budget proviso restricting expenditure of an appropriation in the 2006 Budget; carrying forward the unexpended appropriation and funds from the 2006 Budget to the 2007 Budget of the Human Services Department; and authorizing the expenditure of the funds for purchase and acceptance of an easement with restrictive covenants from Casa Latina to provide for social and community services uses on the property at 317 17th Avenue South, Seattle, Washington for a period of seven years; all by a three-fourths vote of the City Council.

#### ORDINANCE NO. 122340

AN ORDINANCE relating to the federal Justice Assistance Grant (JAG) program; authorizing the execution of agreements under which the City will receive financial assistance from the US Department of Justice (DOJ), Bureau of Justice Assistance (BJA); authorizing an application for allocation of funds under those agreements; accepting the money when received; and increasing appropriations to the Seattle Police Department in the 2007 Budget; all by a three-fourths vote of the City Council.

#### ORDINANCE NO. 122341

AN ORDINANCE implementing Appendix C of the collective bargaining agreement between the City of Seattle and the International Brotherhood of Teamsters, Local 117 Admissions Personnel unit effective from January 1, 2005 through December 31, 2007, which modifies the pay scale for the Admissions Employee job title and contains other negotiated settlement items.

#### ORDINANCE NO. 122342

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

Publication ordered by JUDITH PIPPIN,  
City Clerk

Date of publication in the Seattle Daily  
Journal of Commerce, February 26, 2007.

2/26(207968)