

MINUTES

Special Edmonds Public Facilities District Board of Directors Virtual Online Meeting May 7, 2021

The Edmonds Public Facilities District Board virtual meeting convened at 11:03 a.m. via Zoom.

EPFD Board Members Present

David Brewster, President
Ray Liaw, Vice President
Bill Willcock

EPFD Board Members Absent

Suzy Maloney
Greg Hinton

ECA Board Members Present

David Schaefer Vice President

ECA Staff Present

Joseph Mclalwain, Executive Director
Matt Keller, Director of Operations

City Staff Present

Dave Turley, Finance Director (Ex-Officio)

Other Guests Present

Rob Shelley, Piper Sandler

1. **Call to Order**

Board President Brewster called the meeting to order.

2. **Board President's Comments**

Board President Brewster thanked Mr. Keller for his 2+ years of service to the PFD and the ECA. His service has been invaluable and he will be hard to replace. Mr. Keller said it has been his pleasure to work at the ECA.

4. **PFD Board Business**

- **Presentation 2012 Bond Sale Options**
 - Overview

Mr. Mclalwain displayed the capital debt overview. He referred to the 2002/2012 bonds, explaining the 2002 bonds were the first debt issued for the EPFD by and in the name of the City of Edmonds on behalf of the PFD, guaranteed by the PFD's sales tax revenue stream. This debt was originally issued in 2002 and used to purchase the Edmonds High School property, and refinanced in 2012. At that time, City staff was doing the work of the EPFD via an administrative contract.

In 2005/2006 a construction loan was issued to the EPFD by Bank of America to complete the renovation. In 2008, Snohomish County PFD pledged additional sales tax collection to the four PFD projects (ECA received 22% of the total amount available). In 2008, bonds were issued, backed by a contingency loan agreement with the City, to pay off the line of credit and provide some funds for reserves. The Great Recession then occurred which eliminated the projected revenue stream. After a few years, the contingent loan agreement was invoked and the EPFD began borrowing from the City to meet its bond obligation as the sales tax revenue stream slowly recovered. The 2002 bonds were refunded as part of a debt package the City sold in 2012. In 2018, the EPFD refinanced the bonds issued in 2008 via a private placement with First Financial

Northwest Bank and guaranteed by a CD purchased by the City. The EPFD made its first payment on the loan with the City in 2018.

The discussion is now the 2002/2012 bonds which become callable 90 days prior to the principal payment date in December 2022. The options include refinancing in 2022 when the bonds become callable with non-taxable bonds, refinance in 2021 with taxable bonds, whether to include the amount the EPFD owes the City in the refinancing. The extension of the PFD legislation to 2041 requires the EPFD have a portion of its original debt outstanding until 2041 to continue to receive sales tax rebate from state).

- Presentation of Options

Rob Shelley, Piper Sandler, the EPFD's financial advisor, explained he assisted with refinancing the 2008 bonds in 2018 and he was recently retained to look at options for the 2012 bonds. He reviewed:

- Outstanding Debt
 - Graph of 2012 City LTGO Bonds, 2018 Bank Loan, City Loan Payments (projected)
 - Goals for refinancing
 - Secure the District's sales and use tax revenue stream through 2041, per RCW 82.14.390.
 - Achieve cash flow savings in years 2021-2028
- Graph of Market Conditions
 - Historical Tax-exempt Interest Rates 10 Year AAA MMD
 - Range of Tax-exempt interest rates (MMD) April 2011-present (Historical Range of MMD, average, current)
- Refinancing Options – comparison between revenue stream and debt service through 2041
 - Scenario 1 – Refunding in fall 2021 – potential components include the following:
 - Taxable refunding of 2012 City LTGO Bonds
 - Tax-exempt refunding of 2018 Bank Loan
 - Taxable refunding of City Loan
 - Scenario 2 – Refunding in fall 2022 – potential components include the following:
 - Tax-exempt refunding of 2012 City LTGO Bonds
 - Tax-exempt refunding of 2018 Bank Loan
 - Taxable refunding of City Loan
 - Scenario 3 – Refunding in fall 2021 (option #2) plus future new money in 2024 – potential components include the following:
 - Taxable refunding of 2012 City LTGO Bonds
 - Tax-exempt refunding of 2018 Bank Loan
 - New money project deposits: \$1 million, \$2 million, or \$3 million
- Discussion/Questions

Questions and discussion followed regarding pros, cons and tradeoffs of each scenario; 10-year opportunity to refinance or pay down; timing of the refunding; volatility of the market; concern inflation will increase; anticipation that rates will be higher in 2022; taxable versus tax-exempt rates; past refinancing that have been guaranteed by the City; assumption in the options that the City would issue debt; higher rates if the PFD issued debt itself; average annual growth rate in the projected sales tax revenue, large fund Snohomish County lodging tax distributed in 2021-2025, interest on the City loan; political ramifications of the refinancing decision; presentation to Council Finance Committee; benefits of refunding 2012 bonds in 2021 and paying off the City loan; reviewing the ILA with Snohomish County with regard to the use of funds before reaching a final decision; strategically considering use of the sales tax rebate; timeline for decision-making;

whether there was a recommendation from this analysis; making a decision on refinancing 2012 bonds soon so the process can begin; and whether City will be willing to issue the bonds on the PFD's behalf.

Mr. Keller will provide board members the ILA with Snohomish County PFD and other agreements.

- Next Steps

In response to a question regarding the timeline for decision-making, Mr. Shelley provided the following threshold questions/comments:

- ❖ Whether to refinance 2012 bonds to 2041
- ❖ Whether want cashflow relief this year (refinance by 12/31/21)
- ❖ Interest rate between taxable and tax exempt not part of decision

Discussion continued regarding the EPFD making a decision at its next meeting, benchmarking decision timelines, how long the refinancing process has taken in the past, determining whether the City would be willing to issue the bonds on the PFD's behalf, developing a clear recommendation and request to the City, precedent for the City issuing bonds and entering into a contingent loan agreement, refinancing the 2012 bonds to 2041, refinancing allowing the PFD to pay off the City loan faster, partnership opportunities with the City on future projects such as the 4th Avenue Corridor, the PFD's tumultuous history due to events beyond the PFD's control, scheduling another special PFD meeting to determine next steps, engaging the Admin & Finance Committee in the decision-making, inviting Admin/Finance Committee members to a special PFD meeting, staff drafting a recommendation, and staff providing board members a link to the recording of today's Zoom meeting.

5. Adjourn

The meeting was adjourned at 12:31 p.m.

Next EPFD Board Meeting: Thursday, May 26, 2021 - 7:30 AM

ACTION ITEMS:

1. Provide board members the ILA with Snohomish County PFD and other agreements
2. Schedule a special EPFD meeting for further discussion and invite Admin & Finance Committee members
3. Staff draft a recommendation regarding refinancing the 2012 bonds
4. Provide board members a link to the recording of today's Zoom meeting