

MINUTES

Edmonds Public Facilities District Board of Directors Special Virtual Online Meeting May 18, 2021

The Edmonds Public Facilities District Board virtual meeting convened at 8:33 a.m. via Zoom.

EPFD Board Members Present

David Brewster, President
Ray Liaw, Vice President
Suzy Maloney
Bill Willcock

ECA Board Members Present

Cheryl Foster, President
David Schaefer Vice President
Rick Canning, ECA Board Member
Matt Cox, ECA Board Member

EPFD Board Members Absent

Greg Hinton

Other Guests Present

Rob Shelley, Piper Sandler

ECA Staff Present

Joseph Mclalwain, Executive Director
Matt Keller, Director of Operations

1. **Call to Order**

Board President Brewster called the meeting to order.

2. **Board President's Comments**

3. **PFD Board Business**

- **Presentation 2012 Bond Sale Options**

- **Overview**

Mr. Mclalwain explained at the May 7th PFD Board meeting, the board received a presentation from Rob Shelley, the EPFD's financial adviser, that provided context regarding options for refinancing the 2012 bonds as well as potentially other debt. Also at the May 7th meeting, staff reviewed the history and how the debt was structured, and the board and staff had extensive discussion. At the conclusion of the meeting, the board requested staff provide a recommendation as well as recognized that the Admin & Finance Committee would need to be informed and provide input. He referenced the EPFD Debt Background and Rob Shelley's, Piper Sandler, analysis of the EPFD's current debt and what restructuring could look like.

In response to a question, Mr. Shelley explained MMD is the bench mark index for the municipal bonds, similar to the Dow Jones Industrial or the Standard & Poor's for the stock market. The graph shows the municipal bonds rate for the past 10 years.

- **Presentation of Options**

Mr. Shelley provided an overview of the refinancing options:

- Refinancing Options
 - Scenario 1 – refunding in fall 2021

- Scenario 2 – refunding in fall 2022
- 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
 - Guarantees sales tax stream to 2041
 - Tax-exempt refunding of 2018 Bank Loan
 - Taxable refunding of City Loan
- Graph of City Loan Payments (Projected), 2018 Bank Loan, and comparison of 2012 City LTGO Bonds to Refunding of 2012 Bonds, Refunding of 2012 Bonds and 2018 Bank Loan, Refunding of 2012 Bonds, 2018 Bank Loan and City Loan and compared to Projected Sales Tax Revenue (2)

Questions and discussion followed regarding the requirement for the PFD to maintain some of the original debt in order to guarantee receipt of sales tax revenue, average debt service for the next few years if the 2012 bonds are refinanced, cash flow relief if the 2012 bonds are refinanced this year, refinancing both the 2012 bonds and the 2018 bank loan, when the outcome of other revenue sources (Shuttered Venue Operator Grant and support from City and Snohomish County PFD) will be known, ability to refinance the 2018 bank loan and/or City loan in the future, and documents that require sales tax revenue be used for debt service.

Mr. McIalwain presented staff's recommendation:

- ❖ Pursue refinancing of the 2012 Bonds only. Do not include the 2018 Bank Loan or the Direct Loan from the City of Edmonds in this effort. Do not add new debt at this time.
- ❖ Request that the City of Edmonds refinance the Bonds on behalf of the district. The current Bonds were issued in the name of the City of Edmonds in 2012, backed by the District's Sales Tax Revenue streams. Ask that the new Bonds be issued once again in the name of the City of Edmonds to secure the best possible rating and lowest possible interest rate.
- ❖ Extend this portion of the District's debt to the year 2041. This will meet the new legislative requirement outlined in the 2017 update to the PFD legislation, and will ensure that the Sales Tax Rebate from the State of Washington is secured through the current sunset date of December 2041.
- ❖ Make all efforts to refinance this debt before December 1, 2021. This will provide the District with short-term cash relief as it will not be required to make a principal payment on this debt in the current fiscal year. This may only be accomplished by issuing Taxable Bonds rather than Tax Exempt Bonds. However, moving to refinance this debt soon may also secure a lower interest rate for the District than it could secure if it waits for the call date of December 2022.

Mr. McIalwain also relayed the following:

- ❖ With positive cash flow from the Sales Tax Revenue streams, the Staff recommends early repayment of the City Loan first to help strengthen the partnership between the District and the City as projects like the 4th Avenue Cultural Corridor move forward.
- ❖ Early repayment of the Bank Loan would follow once the City Loan is repaid. This would help the District save on interest, but it should be noted that early repayment of this debt would also reduce the return the City is currently enjoying from the corresponding Certificate of Deposit it made to help guarantee the Bank Loan for the District.

- **Discussion/Questions**

Questions and discussion followed regarding discussions that have been held with the City Council Finance Committee and City's Finance Director, whether the Finance Committee has shared information regarding refinancing with the entire Council, additional interest paid if the City

loan is included in the refinancing, involving the City's bond advisor (Scott Bauer, NW Financials) in the conversation, ability for the PFD to pledge sales tax toward a City 4th Avenue Corridor project, timeline to pay off the City loan, developing a schedule for repayment of the City loan, assistance refinancing the 2012 bond this year provides with short term cash flow, future bond payment savings with refinancing the 2012 bond, potential relief from the City and/or Snohomish County via federal funds, revising the ILA to broaden the use of sales tax revenue for operating and/or capital improvements, taxable versus tax exempt bonds, interest rates and inflation, and the timeframe for refinancing.

- **Next Steps**

Mr. McIalwain said if the PFD Board chose, they could make a motion to approach the City with this request. It will likely need to go to Council Finance Committee first so they can make a recommendation to the City Council. Board VP Liaw said as this is a special meeting and the agenda item was a presentation of the options, the Board cannot take action. She suggested adding it to the May 27th regular PFD Board meeting for action.

EPFD Board President Brewster and ECA Board President Foster thanked Rob Shelley for his participation.

4. Adjourn

The meeting was adjourned at 9:38 a.m.

Next EPFD Board Meeting: Thursday, May 27, 2021 @ 7:30 AM

ACTION ITEMS:

1. Board action regarding refinancing of the 2012 bonds