



## Debt Manual

2018

This Debt Manual is intended as a reference guide and is not an official record with regard to city debt. It is believed to be accurate in all material respects, however any information contained in this report should be verified before being used for official purposes.

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## OVERVIEW

This Debt Manual is designed to provide information on the City of Redmond's outstanding debt, authority to issue debt and the policies and procedures that guide the City in the debt issuance process. Included in this Manual are listings of current outstanding debt, the various maturity schedules, policies, and other miscellaneous information to help the reader understand the City's debt position as well as the bond spend-down and continuing disclosure requirements. A current version of this document is available on the City's web site under the "financial reports" section.

The City is permitted to issue the following types of debt subject to approval by Ordinance or Resolution by the City Council:

**Limited Tax General Obligation Bonds (LTGO):** LTGO debt is backed by the full faith and credit of the City. The bonds can be issued without a vote but are "limited" in that no additional resources are provided to pay debt service on these bonds. The debt service must be paid from existing city resources. They are also limited in the amount and percentage of assessed valuation as defined by the City's debt capacity in accordance with state law.

**Unlimited Tax General Obligation Bonds (UTGO):** UTGO debt is backed by the full faith and credit of the City. This type of bond can only be issued when authorized by a 60% majority vote of registered voters (meeting the minimum voter turnout requirement). The purpose of the vote is to approve an excess tax levy (as a completely new source of revenue) to pay the debt service (i.e. principal and interest payments to bond holders).

**Lease Obligation:** This type of debt can be in the form of a lease-purchase arrangement or a certificate of participation. With this type of contractual obligation a third party, typically the lessor, issues certificates or bonds where the principal and interest payments to investors are guaranteed by the lease payments made by the City. Lease obligations become part of the permitted debt capacity calculation under LTGOs.

**Revenue Bonds:** Revenue bonds are typically issued to fund improvements to facilities or systems and can be either a voted or non-voted type of debt. The debt is secured solely by the pledge of a specific revenue stream such as utility user fees and is not part of the debt capacity calculation.

**Special Assessment Bond:** Also referred to as Local Improvement District (LID) bonds, this type of debt is used to finance capital improvements that benefit taxpayers in a specific area. The cost is borne only by those who will benefit from the improvement and accordingly this debt is not part of the debt capacity calculation.

**Other Debt Instruments:** Instruments such as Public Works Trust Fund loans or other financing contracts issued through the State of Washington, bond anticipation notes (BAN's), bank qualified loans, and/or other legal debt issues as allowed by law.

Additionally, with Council approval, the City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs.

As of January 1, 2018, the City's outstanding debt consists of limited tax general obligation (LTGO) debt issued for transportation and parks projects, LTGO refunding bonds for the city hall building and transportation projects, revenue bonds issued for utility system improvements, a State of Washington public works trust fund loan for a transportation project, and a loan from the Washington State Department of Ecology for stormwater treatment facility improvements in downtown Redmond.

All of the City's outstanding LTGO and revenue bonds have been assigned an AAA credit rating by Standard & Poor's Rating Service (S&P). This rating is the highest rating obtainable from S&P and is a testament to the City's financial strength and policies.

## **MUNICIPAL DEBT CAPACITY**

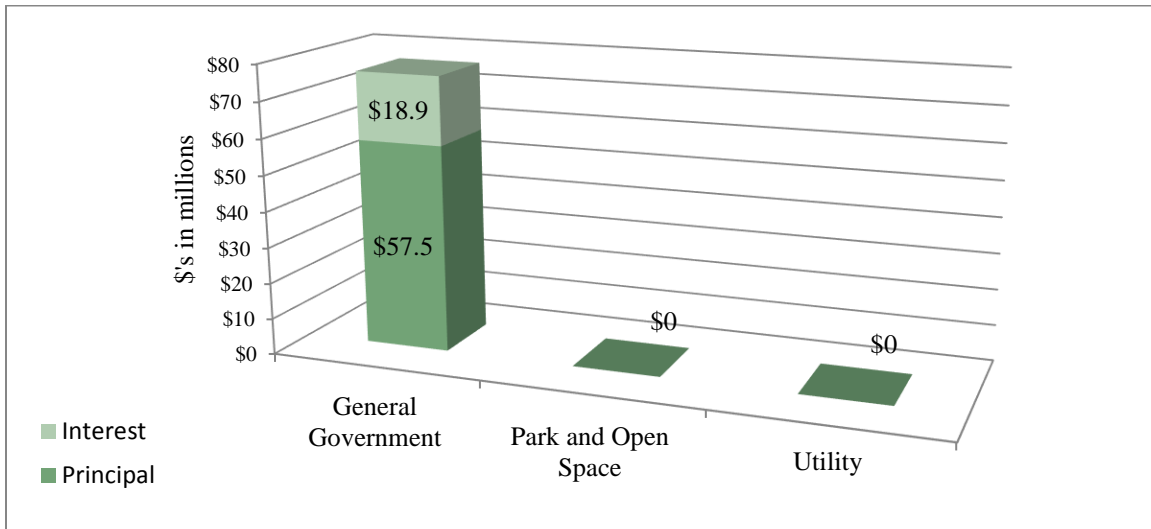
### **General Obligation Debt Capacity and Outstanding Obligations**

According to Washington State law, voters may approve general obligation debt issues of up to 7.5% of the City's assessed valuation. This 7.5% debt capacity is allocated evenly between general government purposes, parks and open space, and utilities, resulting in a 2.5% or \$518 million limit for each. Within the 2.5% limit, the Council has the authority to issue bonds and/or lease purchase agreements without voter approval for a combined total of up to 1.5% of the City's assessed valuation. All voted bonds require a 60% majority approval. To validate the election, the total votes cast must equal at least 40% of the total votes cast in the last general election.

As of January 1, 2018, the City has \$57.5 million of debt outstanding for general government purposes. This is well below the legally allowed general government debt capacity and includes general obligation bonds and a State of Washington public works trust fund loan. The full capacity of \$518 million is available for parks and open space as well as utility general obligation debt. The chart below graphically depicts current debt capacity. A detailed listing of the City's general obligation bond issues can be found on the next page.

Although the City can legally issue up to 7.5% of its assessed valuation, bond-rating agencies recommend a lower proportion for an acceptable debt capacity. Bond rating agencies use several criteria for determining the level of debt a city can support. Two common ratios rating agencies refer to are overall net debt per capita and overall net debt as a percent of assessed value (also referred to as market value). Redmond's current net debt per capita is considered low at \$950 based on a population of 60,560 as is the overall net debt at .28% of assessed value.

**General Obligation Debt Capacity  
As of January 1, 2018**



The following table provides a detailed summary of the \$57.5 million in general obligation debt outstanding, which includes one voter approved levy, Council-approved general obligation notes as well as other contractual payments.

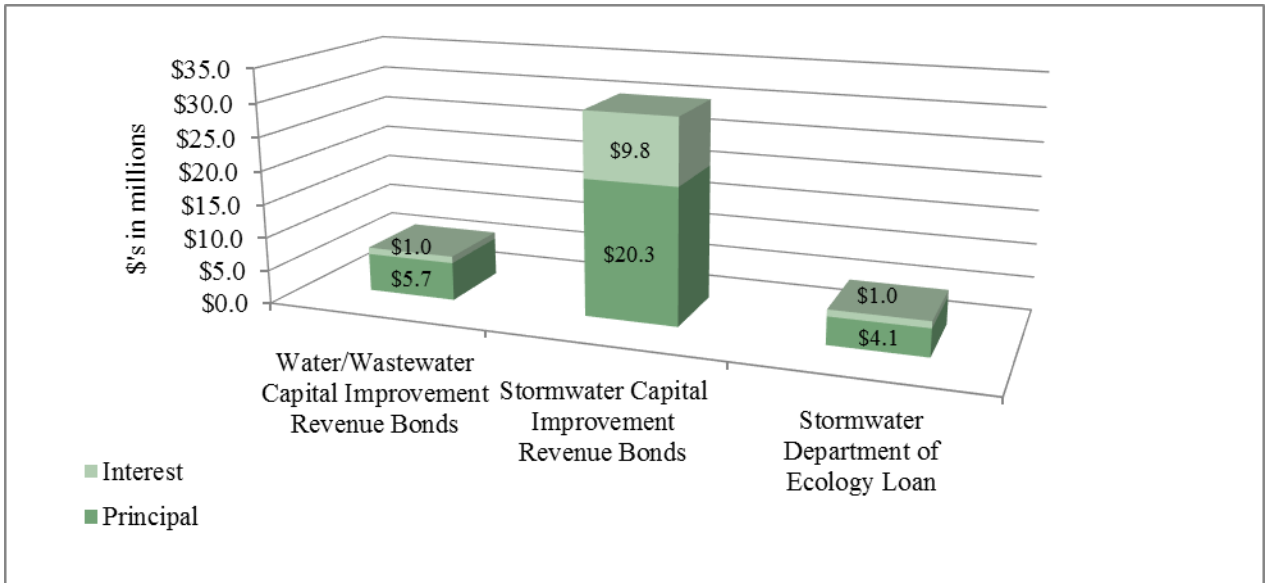
**Outstanding Debt  
Long-Term Borrowing  
(as of January 1, 2018)**

<b>Total General Obligation Debt Capacity</b>		<b>\$1,554,537,957</b>	
	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Outstanding Amount</b>
<b>Limited Tax General Obligations (LTGO)</b>			
2008 LTGO Bonds - Bear Creek/Other Transportation Projects	9/4/2008	12/1/2018	1,585,000
2011 LTGO Bonds - Downtown Central Park & Other City Parks	3/16/2011	12/1/2021	3,250,000
2013 LTGO Refunding Bonds -- City Hall Building	9/12/2013	12/1/2035	25,170,000
2015 LTGO Refunding - 2008 Bonds Years 2025-2028	12/22/2015	12/1/2028	9,280,000
2016 LTGO Refunding - 2008 Bonds Years 2019-2025 & Transp Proj	1/21/2016	12/1/2035	16,905,000
LTGO Bond Total			<b>\$56,190,000</b>
<b>Public Works Trust Fund Loan</b>			
161st Avenue NE Extension	2012	2031	1,322,311
Public Works Trust Fund Loans Total			<b>\$1,322,311</b>
<b>Total Debt Outstanding</b>			<b>\$103,759,564</b>
<b>Remaining General Obligation Debt Capacity</b>			<b>\$1,497,025,647</b>

**Other Long-Term Debt**

In addition to general obligation debt, the City utilizes other long-term debt instruments, including special assessment and revenue bonds. While not a direct responsibility of the City, special assessment bonds are used to finance public improvements that benefit a specified group of property owners, and are funded from the collection of special assessment payments. Currently the City has no outstanding assessment bonds. Revenue bonds are primarily used to finance utility capital improvement projects, and are payable from revenues generated by the water and sewer utilities. The following chart summarizes the current revenue debt obligation.

**OTHER DEBT SERVICE REQUIREMENTS TO MATURITY  
As of January 1, 2018**



The following table provides a detailed summary of the \$30.1 million in revenue debt outstanding for the City’s waterworks utility, and storm and surface water drainage systems.

**Outstanding Debt  
Other Debt Service Requirements to Maturity  
(as of January 1, 2018)**

	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Amount Issued</b>	<b>Outstanding Amount</b>
<b>Utility System Revenue Bonds</b>				
2008 Water/Wastewater Capital Improvement Revenue Bonds	12/3/2008	12/1/2023	\$11,755,000	5,710,000
2014 Stormwater Capital Improvement Revenue Bonds	7/24/2014	12/1/2034	\$22,950,000	20,330,000
2015 State of Washington Dept. of Ecology Loan	9/2/2015	6/30/2035	\$4,412,000	4,089,452
Revenue Bond Total			\$39,117,000	\$30,129,452

The Water/Wastewater Capital Improvement Revenue Bonds were issued in December 2008 for the purpose of upgrading and improving the City's utilities' facilities including the replacement of two wells, extension of the southeast Redmond transmission main, development of a large pressure reducing valve station, and upgrading the Reservoir Park pump station and reservoir. Final payment on the Water/Wastewater bonds will be in 2023.

The Stormwater Capital Improvement Revenue Bonds were issued in July 2014 for the purpose of constructing and improving pump stations, access chambers, regional facilities in the Overlake and Downtown areas of the City and flow control and water quality facilities. Funding is also included for stream and habitat restoration projects. Final payment on the Stormwater bonds will be in 2034.

The 2015 loan from the State of Washington Department of Ecology is for improvements to the stormwater system in downtown Redmond to remove pollutants from urban runoff flowing into the Sammamish River including a collection system to convey the runoff to a treatment facility. Final payment on the loan will be in 2035.

## **POLICY**

### **Governing Law**

The City may issue debt as authorized by chapters 35.37, 39.36, 39.46, and 39.53 of the Revised Code of Washington (RCW) and by maintaining compliance with its own policies as noted in the following sections.

### **Short-Term Debt Policies**

- a. Short-term debt is defined as a period of three years or less.
- b. The City may use short-term debt to cover temporary cash flow shortages, which may be caused by a delay in receipting tax revenues or issuing long-term debt. The City will not use short-term debt for current operations.
- c. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's current operations. All interfund short-term borrowing will be subject to Council approval and will bear interest based upon prevailing rates.

**Long-Term Debt Policies**

- a. Long Term debt is that debt which exceeds three years.
- b. The City will utilize long-term borrowing for capital improvements that cannot reasonably be financed on a pay-as-you-go basis from anticipated cash flows.
- c. Acceptable uses of bond proceeds are items which can be capitalized and depreciated. Refunding bond issues designed to restructure currently outstanding debt is also an acceptable use of bond proceeds provided that the net present value (NPV) of savings is at least 4%.
- d. The City will determine whether self-supporting bonds (such as special assessment improvement district bonds) are in the City's best interest when planning to incur debt to finance capital improvements.
- e. The City will not use long-term debt for current operations.
- f. The City will maintain proactive communications with the investment community about its financial condition. The City will follow a policy of full disclosure on financial reports and bond prospectus including proactive compliance with disclosure to the secondary market.
- g. General Obligation Bond Policy
  1. Every project proposed for financing through general obligation debt shall be accompanied by a full analysis of the future operating and maintenance costs associated with the project.
  2. Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.
  3. Before general obligation bond propositions are placed before the voters, the capital project under consideration should have been included in the Capital Improvement Program. The source of funds should describe the intended use of bond financing.



#### h. Limited Tax General Obligation Bond Policies

1. As a precondition to the issuance of limited tax general obligation bonds, alternative methods of financing should also be examined.
2. Limited tax general obligation bonds should only be issued under certain conditions:
  - A project requires monies not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or
  - Catastrophic conditions.

#### i. Financing of Lease Purchases

1. Under Washington State law, the public may vote to approve bond issues for general government purposes in an amount not to exceed 2.5% of assessed valuation. Within the 2.5% limit, the Redmond City Council may approve bond issues and/or lease purchases up to 1.5% of the city's total assessed value. In addition, state law provides for an additional 2.5% of assessed valuation for parks and open space purposes with a vote of the public.
2. Lease purchase financing may be used when the cost of borrowing or other factors make it in the City's best interest.

#### j. Long Term Interfund Loans

1. The City may issue interfund loans rather than outside debt instruments as a means of financing capital improvements. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of these funds will not impact the fund's anticipated operations. All interfund borrowing will be subject to prior approval by the City Council and will bear interest based upon prevailing rates.
2. The decision to use interfund loans rather than outside debt will be based on which is deemed to be the most cost effective approach to meet city capital needs. Such assessment will be reviewed by the City's Financial Advisor who shall provide an objective analysis and recommendation to the City Council.

## OUTSTANDING DEBT

The following table shows all of the City’s outstanding debt to maturity as of January 1, 2018. In this schedule, the principal and interest is combined each year to show the total annual debt service amount due for a particular type of debt. A breakdown between the principal and interest, plus a description of each individual debt issue, is included in the pages following this table.

### Annual Debt Service Requirements to Maturity

Year	LTGO Bonds	WW Revenue Bond	State of WA Loans	Total Annual Payment
2018	6,516,019	2,874,198	390,450	9,780,666
2019	6,509,119	2,868,098	390,214	9,767,430
2020	6,509,719	2,882,535	389,978	9,782,232
2021	5,659,844	2,876,160	389,742	8,925,746
2022	4,768,481	2,982,060	389,506	8,140,047
2023	4,764,581	2,874,310	389,270	8,028,161
2024	4,761,131	1,771,810	389,033	6,921,975
2025	4,794,031	1,774,310	388,797	6,957,139
2026	4,789,931	1,774,060	388,561	6,952,552
2027	4,790,631	1,771,060	388,325	6,950,016
2028	4,792,831	1,770,310	388,089	6,951,230
2029	2,347,281	1,771,560	387,853	4,506,694
2030	2,338,194	1,769,560	387,617	4,495,370
2031	2,339,494	1,769,310	387,381	4,496,184
2032	2,345,400	1,770,560	292,694	4,408,654
2033	2,340,275	1,773,060	292,694	4,406,029
2034	2,341,225	1,771,560	292,694	4,405,479
2035	2,337,800	-	146,347	2,484,147
<b>TOTAL</b>	<b>\$ 75,045,987</b>	<b>\$ 36,844,520</b>	<b>\$ 6,469,243</b>	<b>\$ 118,359,751</b>

**Limited Tax General Obligation Debt (LTGO)**

The City has five outstanding LTGO debt issues. The first was issued in 2008 to pay for the extension and improvements to Bear Creek Parkway, 161<sup>st</sup> Avenue NE and other miscellaneous transportation projects included in the Capital Investment Program for 2007-2012. Debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations provided by law without a vote of the voters of the City. Redmond has chosen to pay this debt through collections of the City’s Business Tax dedicated to transportation and transportation demand management projects.

This issue was refunded in both 2015 and 2016 and will be fully defeased in 2018. The details of the refunding amounts are noted on subsequent pages.

Issue Amount: \$33,935,000  
 Issue Date: September 4, 2008  
 Ratings: Standard & Poor’s: AAA  
 Moody’s: Aa2  
 Principal Pymt Dates: December 1, 2008-2018  
 Interest Pymt Dates: December 1 and June 1, 2008-2018  
 Optional Redemption Date: 12/1/2018 for Bonds Maturing on or After 12/1/2019

Year	Principal	Interest	Total
2018	1,585,000	63,400	1,648,400
TOTAL	\$ 1,585,000	\$ 63,400	\$ 1,648,400

**Limited Tax General Obligation Debt (LTGO) (continued)**

The second outstanding LTGO debt was issued in 2011 to acquire property for a Downtown Central Park and other City parks and open space projects in the Capital Investment Program for 2011-2016. Debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations provided by law without a vote of the voters of the City. Repayment of the debt is to come from the Parks Capital Improvement Program.

Issue Amount: \$8,035,000  
 Issue Date: March 16, 2011  
 Ratings: Standard & Poor's: AAA  
 Principal Pymt Dates: December 1, 2011-2021  
 Interest Pymt Dates: June 1 and December 1, 2011-2021  
 Optional Redemption Date: N/A

	Principal	Interest	Total
2018	765,000	133,388	898,388
2019	795,000	102,788	897,788
2020	825,000	70,988	895,988
2021	865,000	33,863	898,863
<b>TOTAL</b>	<b>\$ 3,250,000</b>	<b>\$ 341,027</b>	<b>\$ 3,591,027</b>

**Limited Tax General Obligation Refunding Debt (LTGO) (continued)**

The third outstanding LTGO debt was issued in 2013 to refund and defease the outstanding lease revenue bonds originally issued by Redmond Community Properties, a non-profit agency, on behalf of the City. The original bonds were issued in accordance with the provisions of Revenue Ruling 63-20 of the U.S. Treasury and funds from the bonds were used to build a City Hall, parking garage, and to provide for other enhancements to the City campus. The debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations provided by law without a vote of the voters of the City. Redmond uses general revenues and utility user fees to support the debt payments.

Issue Amount: \$33,085,000  
 Issue Date: September 12, 2013  
 Ratings: Standard & Poor’s: AAA  
 Principal Pymt Dates: December 1, 2013 - 2035  
 Interest Pymt Dates: December 1 and June 1, 2013-2035  
 Optional Redemption Date: 12/1/2023 for Bonds Maturing on or After 12/1/2024

Year	Principal	Interest	Total
2018	1,620,000	1,105,581	2,725,581
2019	1,650,000	1,073,181	2,723,181
2020	1,735,000	990,681	2,725,681
2021	970,000	903,931	1,873,931
2022	1,020,000	855,431	1,875,431
2023	1,060,000	814,631	1,874,631
2024	1,095,000	776,431	1,871,431
2025	1,150,000	721,681	1,871,681
2026	1,210,000	664,181	1,874,181
2027	1,270,000	603,681	1,873,681
2028	1,335,000	540,181	1,875,181
2029	1,390,000	486,781	1,876,781
2030	1,440,000	429,444	1,869,444
2031	1,505,000	368,244	1,873,244
2032	1,575,000	302,400	1,877,400
2033	1,640,000	231,525	1,871,525
2034	1,715,000	157,725	1,872,725
2035	1,790,000	80,550	1,870,550
	\$ 25,170,000	\$ 11,106,263	\$ 36,276,263

**Limited Tax General Obligation Refunding Debt (LTGO) (continued)**

The fourth outstanding LTGO debt was issued in 2015 to advance refund and defease a portion of the 2008 bonds issued to pay for the extension and improvements to Bear Creek Parkway, 161<sup>st</sup> Avenue NE and other miscellaneous transportation projects included in the Capital Investment Program for 2007-2012. The City realized a net present value savings of 14.59% by refunding \$8.9 million of those bonds in 2015. The debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations provided by law without a vote of the voters of the City. Redmond has chosen to pay this debt through collections of the City's Business Tax dedicated to transportation and transportation demand management projects.

Issue Amount: \$9,280,000  
 Issue Date: December 22, 2015  
 Ratings: Standard & Poor's: AAA  
 Principal Pymt Dates: December 1, 2024 - 2028  
 Interest Pymt Dates: June 1 and December 1, 2016-2028  
 Optional Redemption Date: 12/1/2025 for Bonds Maturing on or After 12/1/2026

Year	Principal	Interest	Total
2018	-	278,400	278,400
2019	-	278,400	278,400
2020	-	278,400	278,400
2021	-	278,400	278,400
2022	-	278,400	278,400
2023	-	278,400	278,400
2024	170,000	278,400	448,400
2025	2,180,000	273,300	2,453,300
2026	2,240,000	207,900	2,447,900
2027	2,310,000	140,700	2,450,700
2028	2,380,000	71,400	2,451,400
	\$ 9,280,000	\$ 2,642,100	\$ 11,922,100

**Limited Tax General Obligation Refunding Debt (LTGO) (continued)**

The fifth outstanding LTGO debt was issued in 2016 to advance refund and defease a portion of the 2008 bonds issued to pay for the extension and improvements to Bear Creek Parkway, 161<sup>st</sup> Avenue NE and other miscellaneous transportation projects included in the Capital Investment Program for 2007-2012. The City realized a net present value savings of 10.44% by refunding \$11.7 million of those bonds in 2016. An additional \$6 million in new debt was combined with the refunding for transportation related improvements, including but not limited to the downtown couplet conversion project. The debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations provided by law without a vote of the voters of the City. Redmond has chosen to pay this debt through collections of the City’s Business Tax dedicated to transportation and transportation demand management projects.

Issue Amount: \$17,630,000  
 Issue Date: January 21, 2016  
 Ratings: Standard & Poor’s: AAA  
 Principal Pymt Dates: December 1, 2016 - 2035  
 Interest Pymt Dates: June 1 and December 1, 2016-2035  
 Optional Redemption Date: 12/1/2025 for Bonds Maturing on or After 12/1/2026

Year	Principal	Interest	Total
2018	350,000.00	615,250	965,250
2019	2,005,000.00	604,750	2,609,750
2020	2,050,000.00	559,650	2,609,650
2021	2,100,000.00	508,650	2,608,650
2022	2,155,000.00	459,650	2,614,650
2023	2,205,000.00	406,550	2,611,550
2024	2,145,000	296,300	2,441,300
2025	280,000	189,050	469,050
2026	290,000	177,850	467,850
2027	300,000	166,250	466,250
2028	315,000	151,250	466,250
2029	335,000	135,500	470,500
2030	350,000	118,750	468,750
2031	365,000	101,250	466,250
2032	385,000	83,000	468,000
2033	405,000	63,750	468,750
2034	425,000	43,500	468,500
2035	445,000	22,250	467,250
	\$ 16,905,000	\$ 4,703,200	\$ 21,608,200

**Water/Wastewater Revenue Bonds**

Issued in 2008 to upgrade and improve the City’s water and wastewater utilities’ facilities, these bonds supported three system projects: replacing two wells, extending the southeast Redmond transmission main, and upgrading the Reservoir Park pump station and reservoir. Annual debt payments are paid from utility user fees.

Issue Amount: \$11,755,000  
 Issue Date: December 3, 2008  
 Ratings: Standard & Poor’s: AAA  
 Principal Pymt Dates: December 1, 2009 – 2023  
 Interest Pymt Dates: June 1 and December 1, 2009-2023  
 Optional Redemption Date: 12/1/2018 for Bonds Maturing on or After 12/1/2019

Year	Principal	Interest	Total
2018	830,000	274,438	1,104,438
2019	865,000	232,938	1,097,938
2020	915,000	196,175	1,111,175
2021	950,000	155,000	1,105,000
2022	1,100,000	107,500	1,207,500
2023	1,050,000	52,500	1,102,500
TOTAL	\$ 5,710,000	\$ 1,018,550	\$ 6,728,550



### Stormwater Revenue Bonds

Issued in 2014 to construct and improve various pump stations, access chambers, regional facilities in the Overlake and Downtown areas of the City and flow control and water quality facilities. Funding is also included for stream and habitat restoration projects. Annual debt payments are paid from utility user fees.

Issue Amount: \$22,950,000  
 Issue Date: July 24, 2014  
 Ratings: Standard & Poor's: AAA  
 Principal Pymt Dates: December 1, 2014 – 2034  
 Interest Pymt Dates: June 1 and December 1, 2014-2034  
 Optional Redemption Date: 12/1/2024 for Bonds Maturing on or After 12/1/2025

Year	Principal	Interest	Total
2018	820,000	949,760	1,769,760
2019	845,000	925,160	1,770,160
2020	880,000	891,360	1,771,360
2021	915,000	856,160	1,771,160
2022	955,000	819,560	1,774,560
2023	1,000,000	771,810	1,771,810
2024	1,050,000	721,810	1,771,810
2025	1,105,000	669,310	1,774,310
2026	1,160,000	614,060	1,774,060
2027	1,215,000	556,060	1,771,060
2028	1,275,000	495,310	1,770,310
2029	1,340,000	431,560	1,771,560
2030	1,405,000	364,560	1,769,560
2031	1,475,000	294,310	1,769,310
2032	1,550,000	220,560	1,770,560
2033	1,630,000	143,060	1,773,060
2034	1,710,000	61,560	1,771,560
	20,330,000	9,785,970	30,115,970

**State of Washington Public Works Trust Fund and Agency Loans**

A State of Washington Public Works Trust Fund loan was obtained for a transportation improvement project as noted below. Loan payments for the loan are budgeted biannually and paid for from the City’s Transportation Capital Investment Program.

The City received \$4.4 million in funding from a loan issued by the Department of Ecology for a water quality facility project. A schedule for the loan payments is noted below. Loan payments for this loan are paid from utility user fees.

Public Works Trust Fund or other State agency loans do not require a vote of the people.

**Total Outstanding Loans**

Year	Principal	Interest	Total
2018	281,455	108,995	390,450
2019	286,376	103,838	390,214
2020	291,426	98,552	389,978
2021	296,609	93,133	389,742
2022	301,928	87,578	389,506
2023	307,387	81,883	389,270
2024	312,990	76,044	389,033
2025	318,740	70,057	388,797
2026	324,641	63,920	388,561
2027	330,698	57,627	388,325
2028	336,914	51,175	388,089
2029	343,294	44,559	387,853
2030	349,842	37,775	387,617
2031	356,562	30,819	387,381
2032	269,007	23,686	292,694
2033	276,086	16,608	292,694
2034	283,350	9,344	292,694
2035	144,459	1,888	146,347
<b>TOTAL</b>	<b>\$ 5,411,762</b>	<b>\$ 1,057,481</b>	<b>\$ 6,469,243</b>

**Loan Details**

**161st Avenue NE Extension/PWTF Loan**

Total Loan Avail. \$ 4,430,000  
 Total Draw \$ 1,794,564  
 Loan Rate 0.25%  
 Maturity Date 7/1/2031  
 Loan # PC12-951-085

Year	Princ Bal	Princ Pymt	Interest
2018	1,322,311	94,451	3,306
2019	1,227,860	94,451	3,070
2020	1,133,409	94,451	2,834
2021	1,038,958	94,451	2,597
2022	944,508	94,451	2,361
2023	850,057	94,451	2,125
2024	755,606	94,451	1,889
2025	661,155	94,451	1,653
2026	566,705	94,451	1,417
2027	472,254	94,451	1,181
2028	377,803	94,451	945
2029	283,352	94,451	708
2030	188,902	94,451	472
2031	94,451	94,451	236

**Redmond Way Stormwater Treatment Facility/DOE Loan**

Total Loan Avail. \$ 4,412,000  
 Total Draw \$ 4,412,000  
 Loan Rate 2.60%  
 Maturity Date 6/30/2035  
 Loan # L1200024

Year	Princ Bal	Princ Pymt	Interest
2018	4,089,452	187,005	105,689
2019	3,902,447	191,925	100,769
2020	3,710,522	196,975	95,719
2021	3,513,547	202,158	90,536
2022	3,311,390	207,477	85,217
2023	3,103,913	212,936	79,758
2024	2,890,976	218,539	74,155
2025	2,672,438	224,289	68,405
2026	2,448,148	230,191	62,503
2027	2,217,958	236,247	56,446
2028	1,981,710	242,464	50,230
2029	1,739,247	248,843	43,850
2030	1,490,403	255,391	37,303
2031	1,235,013	262,111	30,583
2032	972,902	269,007	23,686
2033	703,894	276,086	16,608
2034	427,809	283,350	9,344
2035	144,459	144,459	1,888

## COMPLIANCE

### Investment of Bond Proceeds

Bond proceeds are invested in an applicable mutual fund or money market account until needed. Bond proceeds, regardless of where held, will be invested considering applicable state and federal statutes and regulations, and the City’s Investment Policy.

### Bond Proceed Expenditures

The City will track the expenditure of all bond proceeds and any applicable interest earnings on those funds until they are fully expended. The City will comply with the “spend down period”, as noted in the applicable Official Statement, for each debt issuance by using one of the following schedules:

#### Six Month

All gross proceeds (i.e. the bond proceeds less the cost of issuance fees) are spent 6 months from the date of issuance. An additional six month extension will apply if all gross proceeds are expended except for an amount not exceeding the lesser of 5% of the issue price or \$100,000.

#### Eighteen Month

All gross proceeds are spent 18 months from the date of issuance.

Required Percentage Expenditure of Gross Proceeds	Qualifying Date
15%	6 months from Date of Issuance
60%	1 year from Date of Issuance
100%	18 months from Date of Issuance

#### Two Year

All gross proceeds are spent 2 years from the date of issuance.

Required Percentage Expenditure of Gross Proceeds	Qualifying Date
10%	6 months from Date of Issuance
45%	1 year from Date of Issuance
75%	18 months from Date of Issuance
100	2 years from Date of Issuance

The Finance Department will assist departments with tracking bond proceed expenditures and interest earnings as well as monitoring the timelines within which the money must be spent.

### **Arbitrage Tracking**

Arbitrage is the practice of taking advantage of a price difference between the interest paid by the borrower (i.e. the City) and the interest rate earned on the bond proceeds until fully spent. Cities may only take advantage of arbitrage on its debt proceeds within strict guidelines established by the IRS. Such guidelines provide for the mandatory rebate of any excess arbitrage earnings. The Finance Department will monitor bond proceeds for any arbitrage rebate requirements as necessary. The City will make every effort to spend bond funds within the timeframe required so that rebates are not necessary.

### **Continuing Disclosure**

As required by the Securities and Exchange Commission Rule and agreed to by bond ordinances, the City will meet on-going disclosure requirements by annually filing the audited Comprehensive Annual Financial Report (CAFR) and any material event notices on the Electronic Municipal Market Access<sup>1</sup> (EMMA) website. ([www.emma.msrb.org](http://www.emma.msrb.org)) Updates to the financial information will be provided more frequently if required due to material events or other issues. Information will be provided, either in the form of a document or training, to key individuals regarding their obligations under the federal securities laws.

The City will also maintain good communication with the investment community regarding the financial health of the organization with timely financial reporting and posting of relevant information on its website.

### **Records Management**

Bond transcripts, the Official Statement, and any other legislative documents for outstanding debt will be held in the City Clerk's Vault until the final redemption date plus six years. Other documents pertaining to the outstanding debt such as Trustee statements, IRS correspondence, Federal tax forms, and audited financial statements will be kept as required by retention schedules either in the City Clerk's Vault or within the Finance Department. The City's fiscal agent is also required to maintain debt related records until final redemption of the bonds plus six years.

## **PROFESSIONAL SERVICES**

### **Financial Advisor**

The City may choose to hire a financial advisor to assist with the issuance of debt. Typically a financial advisor is hired early in the process to assist the City with the

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<sup>1</sup> EMMA is a comprehensive on-line source of official statements, continuing disclosure documents, market data, and educational material about the municipal securities market. <http://www.emma.msrb.org/>

structure and timing of issuing debt. The financial advisor represents only the City in the process and has a fiduciary responsibility to the City to protect its interests.

**Underwriter**

The underwriter, also referred to as the investment banker, assists with the structure, pricing, marketing and timing of the debt. On the day of issuance, the underwriter's firm purchases the entire bond issue from the issuer (the City) and resells the bonds to investors.

**Bond Counsel**

The City uses bond counsel for guidance on the legal aspects of issuing debt. Bond counsel also assists the City with the financing and structuring of debt issues, preparing the formal documents, and issuing an opinion on the bonds as to their tax exempt status.

**Fiscal Agent**

U.S. Bank serves as the City's fiscal agent to handle the necessary processing services and transactions related to the issued bonds. These services include maintaining records of ownership and making the scheduled principal and interest payments to the bond holders. The State of Washington negotiates the contract for fiscal agent services. Debt Service Payments are swept automatically from the City's bank account by the fiscal agent on the date due or next business day.

**Rating Agencies**

Rating agencies such as Standard & Poor's (S&P), Moody's, or Fitch, provide a review of the City's credit strength and the ability to pay debt service. The City must pay a fee to obtain credit ratings on a new debt issue.

## CONTACTS

### **Debt Issuance, Schedules, Arbitrage Tracking, Records, Continuing Disclosure Filings, and Bond Calls**

Malisa Files, Finance Director  
[mfiles@redmond.gov](mailto:mfiles@redmond.gov)  
425-556-2166

Kelley Wood, Fiscal Services Manager  
[kwood@redmond.gov](mailto:kwood@redmond.gov)  
425-556-2161

### **Bond Counsel**

Stacey Crawshaw-Lewis  
Pacifica Law Group  
1191 Second Avenue, Suite 2100  
Seattle, WA 98101-2945  
206-245-1714

### **Comprehensive Annual Financial Report**

Gini Schacker, Accounting Manager  
[vmschacker@redmond.gov](mailto:vmschacker@redmond.gov)  
425-556-2186

### **Documents – Official Statement and Continuing Disclosure**

<http://www.emma.msrb.org>

### **Financial Advisor**

Fred Eoff  
Senior Managing Consultant  
Public Financial Management, Inc.  
1200 Fifth Avenue, Suite 1220  
Seattle, WA 98101  
206-858-5370



**Contacts continued**

**Fiscal Agent – (for City use)**

U.S. Bank National Association  
Global Corporate Trust Services  
1420 Fifth Avenue, 7<sup>th</sup> Floor  
Seattle, WA 98101  
206-344-4678

**Fiscal Agent – (for Bondholder use)**

U.S. Bank National Association  
Global Corporate Trust Services  
Attn: Bondholder Services – EP-MN-WS2N  
111 Filmore Avenue East  
St. Paul, MN 55107-1402  
800-934-6802, Option 7 (State of Washington Fiscal Agency)

Bonds and Coupons can also be redeemed at any U.S. Bank branch (except in-store branches) in the State of Washington

**LID Assessment Billings and Records**

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425-556-2183

**Underwriter**

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206-628-2875