

MEMORANDUM

TO: Common Council Members

FROM: Jeff Worrell, Common Council Member

RE: March 5, 2018 Council Meeting Agenda Add-On Item

DATE: March 1, 2018

Dear Council Members:

I would appreciate the approval of you, my fellow Council members, to add Resolution CC-03-05-18-01 to the agenda for the March 5, 2018 Council meeting.

The resolution addresses a matter relating to the bonds to be issued for the Midtown West garage project (the bonds have already been approved by the Council). You may recall that rating agencies require the City to maintain a liquidity reserve fund for SBT-backed bonds, so that in the unlikely event of a draw on the SBT, there will be funds available to cover debt service until the SBT can be put into place. Historically we have purchased a surety bond for the liquidity reserve rather than funding with cash, because that lowers the amount we need to borrow. The City currently is seeking surety bond quotes from Build America Mutual (BAM) and Assured Guaranty for the Midtown West deal. These insurers have indicated that they will provide surety policies that spring into effect once construction of the garage is complete and lease rentals to pay the bonds are legally allowed to commence. Therefore, we have a temporary need for access to an estimated \$880,000 in cash to satisfy the liquidity reserve requirement during the construction period, until the garage is complete and the surety bond kicks in.

Resolution CC-03-05-18-01 authorizes the use of the CRC supplemental reserve fund to meet this temporary reserve liquidity requirement. This is exactly how we handled a similar issue that arose in connection with the Midtown North garage bond financing. In that case, Council authorized \$716,323.80 from the CRC supplemental reserve to be made available to the bond reserve during the garage construction period. That garage is now complete and the \$716,323.80 is in the process of being returned to the CRC supplemental reserve. The current balance in the CRC supplemental reserve fund is \$3,236,622, and that will grow to \$3,952,946 once the Midtown North funds are returned.

The finance team for the Midtown West bonds is planning to begin marketing the bonds next week with the goal of selling them the week of March 12, which is why Council action on this resolution is requested at the first meeting in March.

I would appreciate your consideration in adding this item to the Council agenda.

Sincerely,

Jeff Worrell