

TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
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CONVENE: 11:00 a.m.

PRESENT: Mayor Debbie Sullivan and Councilmembers Michael Althausen, Leatta Dahlhoff, and Eileen Swarthout.

Staff: City Administrator John Doan, Finance Director Troy Niemeyer, and Parks and Recreation Director Chuck Denney.

**INTERFUND LOAN
AND CALL OF 2011
GO BOND:**

Director Niemeyer presented the proposal for consideration to refinance golf course bonds.

The City of Tumwater purchased the golf course in 1997 financed by general obligation (GO) bonds. In 2011, the City refinanced the bonds by issuing new bonds to pay off existing bond debt to take advantage of lower interest rates and to receive additional funds to pay for additional improvements at the golf course. The balance of the 2011 bond is currently \$1.17 million. The City is paying 4.5% interest this year and next year on the bonds with the interest rate reducing to 4% in 2024 and 2025. As the bond is now callable, the City has the option of paying off the bond or refinancing the bond to obtain a lower interest rate. As the golf course fund does not have sufficient funds to pay the bond balance, staff proposes an interfund loan to refinance the bonds with an interest rate of 1% providing the City with some savings in interest.

In July 2021, the golf course sold water rights to the Water Fund at a value of \$727,000. The intent of that sale was to pay down a prior interfund loan to the golf course from the Sewer Fund. The City has the ability to pay off the Sewer Fund loan leaving a reserve of \$500,000 to apply to the current golf course bond balance and reduce the amount of the interfund loan for refinancing the bond balance. The proposed interfund loan from the Sewer Fund would be \$658,000. If we did nothing, we would pay \$73,000 in interest payments over the next four years. By paying off the bonds and refinancing the bonds through an interfund loan, the City achieves a savings of approximately \$59,000 in interest.

Staff recommends the Budget & Finance Committee forward the proposal to City Council for consideration.

Councilmember Althausen asked whether paying off the bond would benefit the City by increasing bonding capacity. Director Niemeyer said the bond market considers the City's overall ability to repay any new bonds. The transaction would have no bearing on the City's ability to sell bonds or increase bonding capacity.

Councilmember Swarthout requested clarification as to the fund benefitting from the assessment of 1% interest. Director Niemeyer said

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the interest would be credited to the Sewer Fund. All interfund loans are subject to the City's financial policies requiring a LGIP (Local Government Investment Pool) rate plus .25%. Should the City invest in a bond, the return would be 1%.

Councilmember Dahlhoff noted that new Councilmembers have had some questions and concerns regarding interfund loans. The proposal is a normal process allowed for municipalities. The proposal also provides the City with the ability to save interest. She supports moving the proposal forward for the Council's consideration.

Discussion ensued on whether to include the proposal on the consent calendar versus a Council consideration item so staff can describe and clarify the interfund loan transaction process.

CONSENSUS: **The committee supported including the proposal on the consent calendar item as the Council received a briefing on the proposal during a recent Council worksession.**

ADJOURNMENT: **Councilmember Dahlhoff moved, seconded by Councilmember Swarthout, to adjourn the meeting at 1:12 p.m.**

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