

City Bond Issuance and Debt Service

In addition to cash resources, the City also uses bonds and property tax levies to fund a variety of capital improvement projects. The City's budget must include funds to pay interest and principal on outstanding and proposed bonds. The City has issued three types of debt to finance its capital improvement programs: unlimited tax general obligation bonds, limited tax general obligation bonds and revenue bonds.

Unlimited Tax General Obligation Bonds

The City may issue Unlimited Tax General Obligation (UTGO) Bonds for capital purposes if a proposition authorizing their issuance is approved by 60% of the voters in an election in which the number of voters exceeds 40% of the voters in the most recent general election. Payment of principal and interest is backed by the "full faith and credit" of the City. This means that the City commits itself to include in its property tax levy an amount that is sufficient to pay principal and interest on the bonds. Property taxes levied to pay debt service on UTGO bonds are not subject to the statutory limits in state law on the taxing authority of local governments, which is why UTGO bonds are "unlimited" (see the "Property Tax" section of the "Revenue Overview" for a description of statutory limits on property tax rates and growth). However, state law does limit the amount of UTGO bonds that can be outstanding at any time to 7.5% of assessed valuation of property in the city: 2.5% for open space and park facilities, 2.5% for utility purposes, and 2.5% for general purposes. As of December 31, 2020, there were approximately \$252 million in UTGO bonds outstanding.

Limited Tax General Obligation Bonds

The City Council may authorize the issuance of Limited Tax General Obligation (LTGO) Bonds, also known as Councilmanic bonds, in an amount up to 1.5% of assessed valuation, without a vote of the people. The City pledges its full faith and credit to the payment of principal and interest on LTGO bonds, but this pledge must be fulfilled within the City's statutory property tax limitations. Thus, these are "limited" general obligation bonds. The combination of UTGO bonds issued for general purposes and LTGO bonds cannot exceed 2.5% of assessed property valuation. If LTGO bonds are issued up to the 1.5% ceiling, then UTGO bonds for general purposes are limited to 1% of assessed value.

The City also guarantees debt issued by the Pike Place Market Preservation and Development Authority, the Seattle Indian Services Commission, the Seattle Chinatown/International District Preservation and Development Authority, and the Museum Development Authority. As of December 31, 2020, the guarantees totaled \$34.3 million out of \$820.5 million outstanding LTGO debt. Guarantees count against the City's LTGO debt capacity.

Revenue Bonds

Revenue bonds are used to provide financing for the capital programs of City Light and the three other utilities - Water, Drainage and Wastewater, and Solid Waste - which are grouped together in Seattle Public Utilities. The City does not pledge its full faith and credit to the payment of debt service on revenue bonds. Payment of principal and interest on the bonds issued by each utility is derived solely from the revenues generated by the issuing utility. No tax revenues are used to pay debt service.

When revenue bonds are sold, the City commits itself to set fees and charges for the issuing utility that will be sufficient to pay all costs of operations and maintenance, and all payments of principal and interest on the bonds. While the amount of revenue bonds is not subject to statutory limits, the utility's ability to repay debt with interest is a practical constraint.

City Bond Issuance and Debt Service

Forms of Debt Authorized by State Law

Table 1 below summarizes the conditions and limitations that apply to the issuance of the general obligation debt issued by the City.

Table 1: Summary of Conditions and Limitations for City Debt Issuances

Form of Debt	Voter Approval Required	Source of Repayment	Statutory Limitation	Current Limit ¹	Outstanding 12-31-20 ¹
Unlimited Tax General Obligation Bonds (UTGO)					
Parks & Open Space	Yes	Property Tax	2.5% of AV	\$6.5 Billion	\$0
Utility	Yes	Property Tax	2.5% of AV	\$6.5 Billion	\$0
General Purposes	Yes	Property Tax	1.0 % of AV ²	\$2.6 Billion	\$251 Million
Limited Tax General Obligation Bonds (LTGO)					
	No	Taxes and Other Revenues	1.5% of AV ²	\$3.9 Billion	\$893 Million ³

¹ As of 12/31/20, assuming the latest certified assessed value of \$262.1 billion, issued on January 27, 2021 for taxes payable in 2021.

² The sum of UTGO and LTGO debt for general purposes cannot exceed 2.5% of assessed valuation.

³ Includes \$34.3 million of PDA debt guarantees.

City Debt Management Policies and Bond Ratings

The use of debt financing by the City is subject to federal and state laws as well as the City's own debt management policies ([Resolution 31553](#)).

The City has earned very high ratings on its bonds as a result of a strong economy and prudent financial practices. The City's UTGO debt is rated Aaa by Moody's Investors Service, AAA by Fitch IBCA, and AAA by Standard & Poor's (S&P), which are the highest possible ratings. The City's LTGO debt is rated Aaa by Moody's, AAA by Fitch, and AAA by S&P. In addition, the City's utilities have very high ratings for revenue debt, reflecting sound finances and good management.

2022 Projected Bond Issues

In 2022, the City expects to issue approximately \$133 million of limited tax general obligation (LTGO) bonds for a variety of purposes. Table 2 lists the financed projects and other details of the financing plan. Bond proceeds will be deposited into the 2022 Tax Exempt and Taxable Multipurpose Bond Funds. City departments responsible for all or portions of projects listed in Table 2 will then draw money from this fund as appropriated to implement the projects. The appropriation authority for using these bond funds are in the respective departments' sections of this budget.

City Bond Issuance and Debt Service

Table 2: 2022 Multipurpose LTGO Bond Issuance Costs - Informational Only (\$1,000s)

<i>Project</i>	Capital Cost	Approx. Par Amount (1)	Max. Term	Approx. Rate	Debt Service Adopted 2022	Debt Service Estimated 2023	Debt Service Funding Source
Seattle Municipal Tower Elevator Rehab	9,500	9,785	10	3.00%	294	1,147	FAS Rates
Human Capital Management System	17,636	18,165	8	3.00%	545	2,588	FAS Rates
Fire Station 31	3,500	3,605	20	4.00%	108	265	REET I
Data and Telephone Infrastructure	4,277	4,406	8	3.00%	132	628	IT Rates
Computing Services Architecture	1,100	1,133	8	3.00%	34	161	IT Rates
Criminal Justice Information System Projects	13,076	13,468	8	3.00%	404	1,919	General Fund
Alaskan Way Main Corridor	10,275	10,583	20	4.00%	317	779	CPT-2.5% (2)
Overlook Walk and East-West Connections Project	4,630	4,769	20	4.50%	161	367	CPT-2.5% (2)
West Seattle Bridge Immediate Response	44,634	45,973	20	4.00%	1,379	3,383	REET II
West Marginal Way Safe Street and Accessibility Improvement	1,150	1,185	20	4.00%	36	87	REET II
Aquarium Expansion	11,975	12,334	20	4.50%	416	948	REET I
Pike Place Market	6,000	6,180	10	3.50%	216	743	Bond Interest and Redemption Fund
Historic Seattle PDA	1,800	1,854	20	4.50%	63	143	Historic Seattle (BIRF)
Total	129,553	133,440			4,105	13,157	

(1) Includes 3% for costs of issuance and pricing adjustments.

(2) Receipts from additional 2.5% commercial parking taxes.

2022 Multipurpose LTGO Fund Issuance Costs - Informational Only (\$1,000s)

Approximate Par Amount	Issuance Costs & Pricing Adjustments	Approximate Issuance Cost for 2022
\$133,440	3%	\$3,887

2022 Debt Service

In 2022, debt service associated with outstanding LTGO bond issues as well as the planned 2022 bond issuances is expected to be approximately \$99 million. Appropriation authority for debt service costs are in the respective departments' sections of this budget. The Debt Service Appendix lists debt service amounts by paying fund.

