

City of Seattle Guarantee of Museum Development Authority (MDA) Refunding Bonds - 2024

Finance, Native Communities, and Tribal Governments Committee
May 1, 2024



Agenda

1. About Office of City Finance (OCF)
2. Overview of Museum Development Authority (MDA) as a PDA of the City
3. City Guarantee of MDA Bonds
4. Questions



About Office of City Finance (OCF)



Office of City Finance (OCF)

OCF roles and responsibilities across the City include:

- ① Citywide financial operations -- including financial control functions, enterprise reporting, and providing financial direction and policies to City departments working with CBO
- ② Citywide debt management function, including issuing bonds for general government and Utility capital needs
- ③ Engaging with City's Public Development Authorities (PDAs) on financial matters



Overview of Museum Development Authority (MDA) as a PDA of the City



Public Development Authorities (PDAs)

What are they?

- Public corporations formed by cities, towns or counties to carry out a specific function
- City PDAs are chartered by the City pursuant to RCW 35.21.730, et seq., and Seattle Municipal Code (SMC) Chapter 3.110
- PDA purposes vary:
 - Museum
 - Housing
 - Economic development
 - Public markets

Examples of City of Seattle PDAs



Museum Development Authority
of Seattle

Museum Development Authority of Seattle (MDA) Overview

- Chartered by the City in 1985
- Provides for the management and operation of public art museum facilities through agreements with the **Seattle Art Museum (SAM)**, an **independent non-profit entity** – including the Seattle Art Museum facility, Olympic Sculpture Park, and Seattle Asian Art Museum (SAAM)
- Owns the downtown Seattle Art Museum facility and leases it to the Seattle Art Museum (the non-profit)

MDA

PDA of the City and owner of the Seattle Art Museum facility



Seattle Art Museum

Independent non-profit entity that leases the Seattle Art Museum facility from MDA



City Guarantee of MDA Bonds

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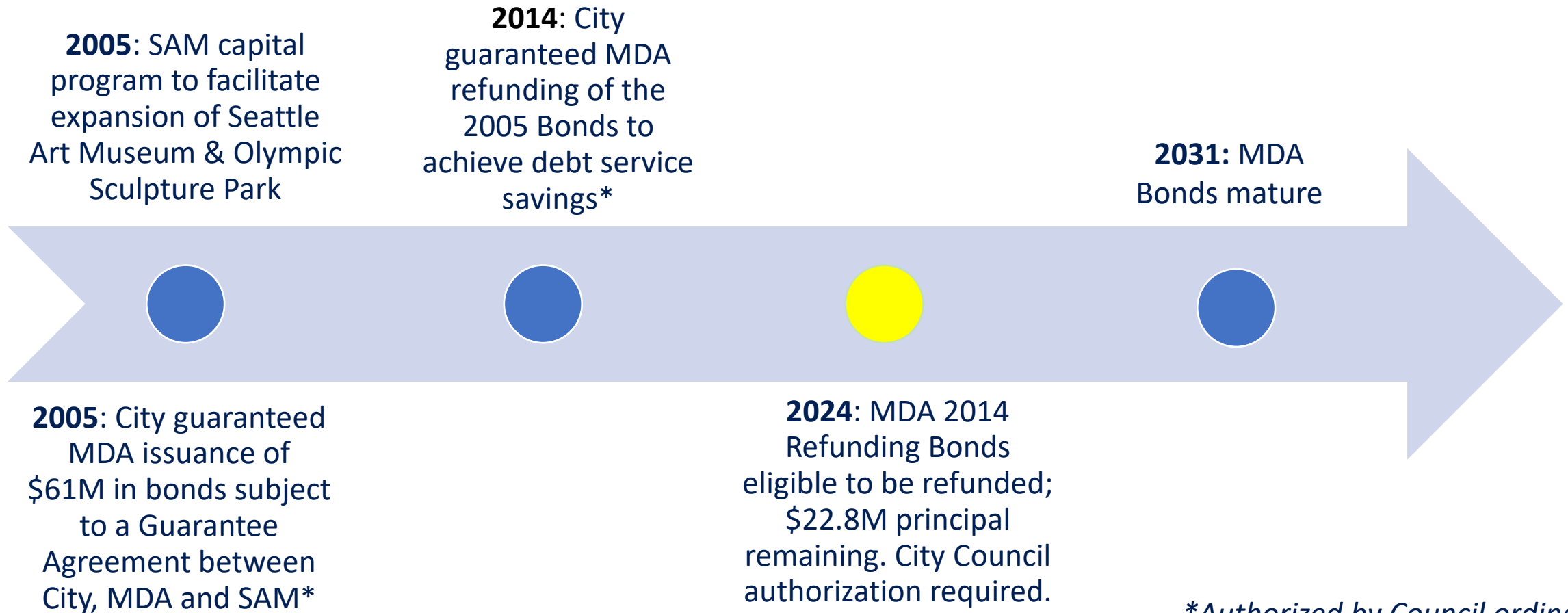
Overview of MDA Refunding Legislation

Authorizes the City's Director of Finance to approve and sign a *Third Amended and Restated Guarantee and Reimbursement Agreement* ("Agreement") which:

1. Authorizes the City's guarantee of the MDA Refunding Bonds in 2024
2. Increases the City's flexibility to respond to future proposals addressing financing needs of SAM and MDA
3. Retains terms of the current Agreement:
 - Ensures the City has a right to be reimbursed if required to make any advances pursuant to its guarantee
 - Requires future changes to the Agreement be subject to Council approval by ordinance



Timeline of MDA Bonds issued with City's guarantee



**Authorized by Council ordinance*

Payment of Debt Service on MDA Bonds

MDA owns the downtown museum and leases it to SAM, the nonprofit museum operator.



SAM leases out the 8 floors of office space above the art galleries to generate lease revenues. SAM uses these lease revenues to pay the debt service on the MDA bonds.



Lease revenues are deposited in full each month with a lockbox agent/bond trustee and applied to pay annual debt service of \$3.9M.

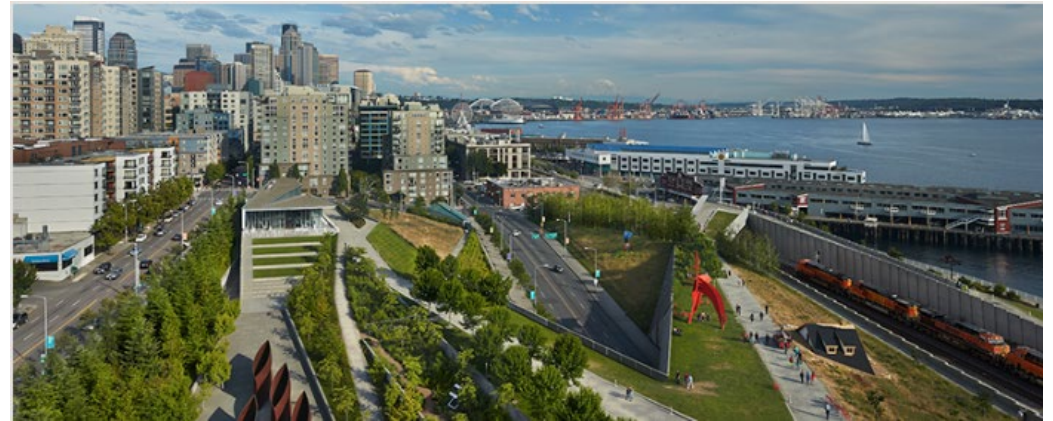
Any excess funds are returned to SAM each month to be used for operating the museum.



Refunding the MDA 2014 Refunding Bonds

Refunding benefits the MDA and SAM

- ✓ Savings from the refunding will flow back to SAM; lower debt service means that more excess funds will be available to SAM for museum operations



Refunding also reduces risk for the City

- ✓ Lower debt service on the MDA bonds reduces the City's exposure under the guarantee

Timing & Next Steps

Timing

- Reviewed by City's Debt Management Policy and Advisory Committee (DMPAC) in March 2024
- Council authorization by ordinance is required for the City to guarantee the 2024 MDA Refunding Bonds; savings maximized by refunding the bonds in 2024

Next Steps

- If approved by Council, the City will work with MDA to accomplish the refunding, anticipated to occur in mid-2024

MDA Legislation For Council Consideration

Does the Council authorize the City's guarantee of the MDA Refunding Bonds to be issued in 2024?

If the legislation is approved:

- ✓ The refunding will proceed.
- ✓ The amount of the debt service will be reduced, and the City's exposure will be reduced.
- ✓ Any future changes to the underlying security agreements would require separate legislation.

If the legislation is not approved:

- ✓ The refunding will not occur.
- ✓ The debt service on the MDA bonds will not be reduced, and the City will retain its current exposure under the 2014 Bonds.
- ✓ The current Agreement will remain in place.

Questions?

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