

STATEMENT OF REASONS FOR VETO OF ORDINANCE C-32889

July 31, 2001

President Rob Higgins
Members of the City Council
City of Spokane
W. 808 Spokane Falls Blvd.
Spokane, WA 99201

Dear President Higgins and Members of the City Council:

Ordinance No. C-32889 provides that the City of Spokane's Solid Waste Fund will loan \$800,000 to the Public Development Authority ("PDA") for purposes of assisting the Spokane Downtown Foundation ("Foundation") in making an August 1, 2001 payment on the Foundation's bonds; bonds issued relative to the Foundation purchasing the RPS Parking Garage in September 1998.

Pursuant to Section 16 of the Spokane City Charter, I present to you my veto of Ordinance No. C-32889. The reasons for this veto are set forth below. My objections to the passage of Ordinance No. C-32889 are as follows:

- ✍✍The Bonds at issue are not the City's obligation;
- ✍✍Reserves are available to make the August 1, 2001 bond payment;
- ✍✍The projected income stream identified to repay the proposed loan could just as easily be earmarked to replenish the bond payment reserve fund;
- ✍✍The proposed loan is not fully collateralized and does not otherwise meet standard loan underwriting criteria (local banks have declined the credit request);
- ✍✍The PDA has been unable to repay earlier uncollateralized loans from the City of Spokane;
- ✍✍The PDA is unable to meet its current obligations;
- ✍✍The use of City funds in such a risk filled manner could, in and of itself, be cause for concern in the municipal credit rating community;
- ✍✍Relative to the City's General Obligation Bond Credit Rating, expert opinions differ on the consequences, if any, which may result from the PDA/Foundation using the reserve funds to make the upcoming bond

payments. An objective assessment of the situation does not clearly militate for or against extending the credit; and
✍✍The manner and procedure under which the loan was passed by the Council will likely be subject to legal challenge.

Attached to this correspondence is a copy of the letter that I will be sending to the City's Bond Rating agencies today. It provides to you a more detailed explanation of the reasons surrounding my veto. I appreciate the work done by each member of the City Council in working towards a resolution to this pressing issue. We must pledge to continue to work together to achieve a comprehensive fair and long lasting resolution of this matter. It is our duty.

Respectfully submitted,

John T. Powers, Jr.
Mayor, City of Spokane

C: Jack Lynch, City Administrator
Randy Withrow, Chief of Staff
Terry Pfister, City Clerk
Mike Connelly, City Attorney
Laurel Siddoway, Special Counsel