



King County

Dow Constantine

King County Executive

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May 24, 2021

The Honorable Claudia Balducci
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Balducci:

This letter transmits a proposed Ordinance that, if enacted, would amend an existing wastewater bond authorization, Ordinance 18898 adopted by the King County Council in May 2019.

Ordinance 18898 authorized the issuance of junior lien debt on behalf of the County, backed by sewer rate revenues, in order to refinance (“refund”) any outstanding wastewater junior lien bonds, either when needed due to scheduled expiration or in order to lower interest expenses. This proposed Ordinance would permit the issuance of junior lien debt on occasion to refund or pay off wastewater senior lien debt or loans involving the State Revolving Fund/Public Works Trust Fund.

In late 2020, the County established a \$250 million commercial paper (CP) program to provide funds for acquiring and constructing improvements to the sewer system. In addition, the CP program, a form of junior lien debt, refunds outstanding junior lien debt pursuant to Ordinance 18898. The principal benefits of a CP program include very low borrowing interest rates and great flexibility to actively manage the cash flow needs for wastewater programs and services. These benefits mean that it is prudent to issue CP debt to pay off or refund the County’s outstanding wastewater senior lien debt and/or State Revolving Fund/Public Works Trust Fund loans when, as has been the case for at least most of the past decade, the interest rate on the CP is lower than the rate of return earned by WTD’s cash held in the County’s Investment Pool.

Ordinance 18898, however, did not authorize such use of junior lien debt to pay off or refund senior lien debt. Accordingly, this proposed Ordinance is to extend the definition of refunding candidates to include the Wastewater Fund’s senior lien debt and its State Revolving Fund/Public Works Trust Fund loans.

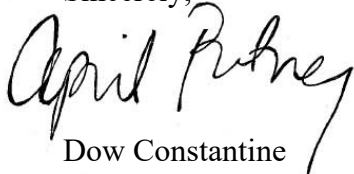
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The proposed Ordinance also contains technical revisions to align with existing legislation: Ordinance 19112 authorizing senior lien debt and Ordinance 19114 authorizing the CP program to provide financing for wastewater capital program. For example, one of the revisions acknowledges the County may choose to provide its own back up source of funding for its bonds (called a “liquidity facility”) during a market disruption when CP debt may not be selling, rather than use a liquidity facility from a bank or other financial institution.

The proposed Ordinance is aligned with the efficient and accountable government goal of King County’s Strategic Plan because it supports the objective of sound financial management and risk management while building the County’s long-term fiscal strength.

If your staff have any questions regarding the proposed amendment, please contact Ken Guy, Director, Finance and Business Operations Division, at 206-263-9254.

Sincerely,

 for

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Carolyn Busch, Chief of Staff
Melani Pedroza, Clerk of the Council
Shannon Braddock, Deputy Chief of Staff, Office of Executive
Karan Gill, Director, Council Relations, Office of the Executive
Dwight Dively, Director, Office of Performance, Strategy and Budget
Caroline Whalen, County Administrative Officer, Department of Executive
Services (DES)
Christie True, Director, Department of Natural Resources and Parks
Ken Guy, Director, Finance and Business Operations Division, DES