



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

December 11, 2012

Motion 13798

Proposed No. 2012-0444.2

Sponsors Phillips

1 A MOTION adopting water quality fund financial policies
2 regarding reserves and debt.

3 WHEREAS, the metropolitan King County council, in assuming the legislative
4 powers of the municipality of metropolitan Seattle, readopted the Comprehensive Water
5 Pollution Abatement Plan by Ordinance 12074 on December 6, 1995, and

6 WHEREAS, the Regional Wastewater Services Plan ("RWSP") was adopted by
7 the King County council in November 1999 by Ordinance 13680 and codified in K.C.C.
8 chapter 28.86, and

9 WHEREAS, the RWSP is a supplement to the King County Comprehensive
10 Water Pollution Abatement Plan. The RWSP identifies projects and programs needed to
11 provide wastewater capacity for homes and businesses in the wastewater service area
12 through 2030. The RWSP also provides policy direction for the operation and continued
13 development of the wastewater system and its capital improvement program, including
14 financial policies to guide financial forecasting and budgeting, debt financing and
15 borrowing and collection of revenue to support the implementation of the RWSP, and

16 WHEREAS, in 2001 and 2006, the council amended policies in the RWSP,
17 including amending and adding financial policies, as recommended by the regional water
18 quality committee, and

19 WHEREAS, beginning in 2009, the regional water quality committee's work plan
20 included a task to review financial policies of the RWSP and in September 2009, the
21 regional water quality committee chartered a financial policies work group ("FPWG")
22 comprised of staff representing the metropolitan water pollution abatement advisory
23 committee, sewer districts, the cities of Seattle and Bellevue, the executive and the
24 council, and

25 WHEREAS, FPWG was directed to review a limited set of policies and make
26 recommendations back to the committee, and

27 WHEREAS, in October 2010, FPWG presented its first recommendations
28 regarding amendments to financial policies regarding reserves and short-term, variable
29 rate debt, while FPWG continued to review other policies, and

30 WHEREAS, the regional water quality committee concurred with the FPWG
31 recommended policy amendments, but subsequent legal counsel and guidance
32 recommended that King County adopt financial policies by motion rather than an
33 ordinance amending adopted policies, and

34 WHEREAS, the regional water quality committee is also considering an
35 ordinance to raise the short-term, variable rate debt limit set in K.C.C. 28.86.160.C.1. FP-
36 14, and

37 WHEREAS, in accordance with K.C.C. 28.86.160.C.1. FP-15.2, the executive
38 has, in consultation with the regional water quality committee, proposed policies to
39 ensure that adequate debt service coverage and emergency reserves are established;

40 NOW THEREFORE, BE IT MOVED by the Council of King County:

41 A. The following water quality fund financial policies are adopted:

42 1. Definition. For the purposes of this motion “short-term, variable rate debt”
43 means certain junior lien obligations of the wastewater treatment utility, that have interest
44 rates that reset periodically.

45 2. Reserves in the Wastewater Treatment Division operating and capital
46 budgets.

47 a. The current practice of maintaining a liquidity reserve of at least ten percent
48 of operating expenses plus five million dollars in the construction fund has been viewed
49 favorably by rating agencies and has improved bond ratings, and should therefore
50 continue.

51 b. The proposed financial plan for each fiscal year should include a minimum
52 cash balance, to be utilized for reserves, at the beginning of the year equal to or greater
53 than ten percent of operating expenses plus five million dollars in the construction fund.

54 c. If the cash balance or reserve has been utilized in the current or preceding
55 year, the financial plan will show how and when it will be restored to the minimum.

56 d. In addition to this minimum cash balance, the financial plan should include
57 an emergency capital reserve at the beginning of year with a minimum of fifteen million
58 dollars to be used for unanticipated system repairs or equipment replacement in the event
59 of a natural disaster or some unforeseen system failure.

60 e. Interest earnings on the emergency capital reserve shall be available for
61 operations.

62 f. If the emergency capital reserve has been utilized in the current or preceding
63 year, the financial plan will show how the capital reserve will be replenished to fifteen
64 million within five years.

65 g. As a part of each Regional Wastewater Services Plan review and update, the
66 dollar amounts for reserves stipulated in this motion should be reviewed to ensure they
67 are appropriate in future years.

68 2. Short-term, variable rate debt limits.

69 a. The limit on short-term, variable rate debt as a percentage of overall
70 wastewater treatment division debt is no more than twenty percent of the total wastewater
71 treatment division debt to provide flexibility for the division to utilize this method of
72 financing when conditions are advantageous and there are opportunities to save
73 ratepayers financing costs.

74 b. The following factors shall be considered, analyzed, and reported to the
75 council before or at the time any increase in short-term, variable rate debt is proposed by
76 the executive through debt issuance to be approved by the council:

77 (1) The difference in yields of variable rate bonds compared to fixed rate
78 bonds;

79 (2) An estimate of potential risk and ability to manage the variable rate debt,
80 including monitoring market conditions;

81 (3) An estimate of total costs of issuing variable rate debt;

- 82 (4) The need for an externally provided liquidity facility; and
83 (5) Strategies for long-term financing and debt management.
84

Motion 13798 was introduced on 11/5/2012 and passed by the Metropolitan King County Council on 12/10/2012, by the following vote:

Yes: 8 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Hague,
Ms. Patterson, Ms. Lambert, Mr. Dunn and Mr. McDermott
No: 0
Excused: 1 - Mr. Ferguson

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Larry Gossett, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments: None