

**2024 Annual Debt Issuance
and Limited Tax General Obligation Commercial Paper Report**

March 2025



King County

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II. Executive Summary

This report addresses annual reporting requirements to the King County Council for various types of debt instruments to fund a variety of capital projects. The report classifies the debt into two categories: regular debt issuances and a new Limited Tax General Obligation (“LTGO”) Commercial Paper Program (CP).

Regular Debt Issuances

Ordinances 19325,¹ 19530² and 19377³ (collectively “the Ordinances”) respectively authorize the issuance of Unlimited Tax General Obligation (“UTGO”) bonds, “LTGO” bonds, and Sewer Revenue Bonds. As required by the Ordinances, this report provides a detailed description of County bond issuances undertaken during 2024.

Pursuant to the Ordinances, the Council authorized the King County Finance Director (i.e., the director of the Finance and Business Operations Division) to approve the sale of both County general obligation and revenue bonds. The Ordinances specify, however, that such approval is conditional upon the results of the sales meeting certain parameters described therein.

Delegation of such authority enables King County to hold bond sales on a greater number of dates during the year beyond just those when the Council is in session, as was previously the case. Such timing flexibility allows the County to be more responsive to changes in market conditions.

Section 12 of Ordinance 19325, Section 13 of Ordinance 19530, and Section 28 of Ordinance 19377 each require that the Finance Director provide an annual report to the Executive Finance Committee and the County Council describing each series of bonds approved pursuant to such authority. The report must be transmitted by March 31 of each year.

LTGO Commercial Paper Program

In 2024, Ordinance 19764⁴ authorized the issuance of LTGO CP notes. The Ordinance established a new general government CP Program in an amount not to exceed \$150 million. The CP Program creates a low-cost and flexible funding mechanism that is used to provide interim funding for a variety of capital projects and facilitates the current refinancing of outstanding bonds to reduce future debt service costs. The general government CP Program is modeled after a similar CP Program currently utilized by the Wastewater Treatment Division (WTD).

Pursuant to the Ordinance, the Council authorized the King County Finance Director (i.e., the director of the Finance and Business Operations Division) to serve as the County’s designated representative to accept offers on behalf of the County to purchase the CP notes. The Ordinance specifies that such approval is conditional upon specifications set forth within the Ordinance and by the County’s Debt Policy.

¹ [Link to Ordinance 19325](#)

² [Link to Ordinance 19530](#)

³ [Link to Ordinance 19377](#)

⁴ [Link to Ordinance 19764](#)

Section 32 of Ordinance 19764 requires that the Finance Director provide an annual report to the Executive Finance Committee and the County Council describing the details associated with each sale or refunding of LTGO CP notes approved pursuant to such authority.

In 2024, there were no opportunities to utilize the general government CP Program. Opportunities are expected to arise in 2025.

III. Background

Department Overview: The Department of Executive Services (DES) provides internal services to King County agencies. DES has a variety of direct customers, from all County agencies in need of facilities maintenance and purchasing to motor vehicle drivers applying for vehicle tab renewals. The Finance and Business Operations Division (FBOD) delivers accounting, procurement, treasury, public finance, and small business services. The FBOD Public Finance Office provides debt management services, including the issuance of bonds and related compliance activities over the life of the bonds.

IV. Report Requirements for Regular Debt Issuances

King County sold a substantial volume of bond issues during 2024 for both refunding⁵ purposes and to provide financing for new capital projects. Each issue is described briefly in chronological order below.

January 25: \$194,125,628 Water Infrastructure Finance and Innovation Act (WIFIA) Loan for Project 1 under the WIFIA Master Agreement

This loan was the first of three that will be entered into under the County's \$498,344,408 WIFIA Master Agreement, which was also entered into on January 25, 2024. The loan will provide new funding for the capital improvement program (CIP) of WTD. The loan has an interest rate of 4.40 percent and an average life of just over 27 years. This is the County's third loan under the Environmental Protection Agency's (EPA) WIFIA loan program. The WIFIA program has provided WTD with lower interest rates and more flexible debt structures than are available in the public market as well as the ability to draw funds as needed to fund ongoing construction instead of receiving the entire borrowing amount up front before it is actually required for project cash flow purposes.

April 3: \$87.2 million of LTGO and Refunding Bonds, Series 2024A (13 bids received)

The County received 13 bids, and the winning bid was provided by J.P. Morgan Securities, Inc., offering a true interest cost (TIC)⁶ of 3.28 percent for the bonds, which have an average life of nine years (specific project maturities ranged from seven to 30 years). The proceeds will be used to provide \$90 million of new funding for a variety of County capital projects, primarily comprised of technology upgrades, facility improvements at the Maleng Regional Justice Center (MRJC), land acquisitions backed by the Conservation Futures Tax, the Solid Waste capital program, and Community Facility projects. The proceeds also refunded \$7.6 million of outstanding LTGO bonds that were callable within 90 days of the April 24th closing.

⁵ In municipal bond financing, the term "refunding" essentially means that the County is "refinancing" a series of outstanding bonds to achieve debt service savings, consistent with the County's Debt Policy. The term refunding is used throughout this report to mean refinancing of the outstanding debt.

⁶ True Interest Cost (TIC) reflects the total costs of a bond issue (e.g., underwriter's discount and other fees) and the time value of money. TIC is used to compare bids at competitive bond sales.

The refunding reduced future debt service costs by almost \$0.5 million over the remaining eight-year life of the 2014B bonds, with a present value⁷ that equals 6.2 percent of the bonds being refunded.

June 5: \$115,580,000 of Junior Lien Sewer Revenue Bonds, 2024 (negotiated sale)

The bonds were purchased by Morgan Stanley & Co. LLC via a negotiated sale. They are variable rate debt demand bonds and are part of WTD's long-term variable rate debt portfolio. Bank of America, N.A. will provide the required liquidity for this issue, and Morgan Stanley & Co. LLC will serve as the remarketing agent.

The proceeds of the bonds were used to retire \$115 million of outstanding WTD CP that was issued in 2021 and 2023 to provide an interim financing solution. This issuance exchanged one type of variable rate debt for another and allowed the County to ensure that the flexibility associated with WTD's CP Program will be available for future WTD CIP needs.

July 24: \$392.6 million of Sewer Revenue and Refunding Bonds, Series 2024A (negotiated sale)

The true interest cost of the issue, which has an average life of just over 12 years, was 3.61 percent. The bond sale accomplished multiple objectives, including:

- Provided \$94 million of new funding for WTD's CIP. The TIC for this 30-year financing component of the issue was 4.21 percent.
- Reduced future debt service payments by \$19.3 million with the current refunding of sewer revenue bonds of \$253.1 million.
- Provided \$98 million for WTD's CIP to substitute for the contribution of WTD operating revenues, which are expected to be used later this year to retire outstanding higher-coupon bonds, thereby reducing future debt service payments by an estimated \$7.6 million.

The delegated authority to the Finance and Business Operations Division Director in the WTD bond Ordinances proved especially valuable for this transaction as it allowed the sale to take place on a Wednesday, thereby avoiding an extremely heavy volume of other municipal transactions the prior day. All else being equal, the flexibility to avoid issuing on a day with other large sales scheduled likely improved market results.

November 13: \$102.4 million of UTGO Bonds, Series 2024 (13 bids received)

The winning bid was provided by J.P Morgan Securities. The TIC of the issue was 3.64 percent, with an average life of just over 12 years. The bond sale finances part of the design and construction of a new medical tower at the Harborview Medical Center, which was approved by voters in 2020.

Again, the Council's delegation of authority to the Director of the Finance and Business Operations Division, as part of the UTGO bond Ordinance, proved valuable for this transaction. The delegation allowed the sale to take place on a Wednesday, thereby avoiding selling a bond issue the day after a holiday when the market has fewer participants. The flexibility to issue on a day with greater market participation likely improved results.

⁷ The "present value" of debt savings is determined by comparing the debt service payments of current bonds with the anticipated debt service payments of the new and/or refunded bonds, then uses the difference between the two to calculate the total amount of savings in debt payments in today's dollars.

December 4: \$89,891,562 WIFIA Loan for Project 2 under the WIFIA Master Agreement

This loan was the second of three that will be entered into under the County’s \$498,344,408 WIFIA Master Agreement, which was entered into on January 25, 2024. The loan will provide new funding for WTD’s CIP. The loan has an interest rate of 4.44 percent and an average life of almost 27 years. This is the County’s fourth loan under the EPA’s WIFIA loan program.

December 4: \$69.7 million of LTGO and Refunding Bonds, Series 2024B (13 bids received)

The County received 13 bids, and the winning bid was provided by Truist offering a TIC of 3.48 percent for the bonds, which have an average life of 11 years. The proceeds will be used to provide financing for multiple projects, including land acquisitions for conservation futures, solid waste facilities, and the KCSO’s new helicopter, as well as projects for road improvements, climate equity, participatory budgeting, and technology enhancements.

The proceeds were also used to refund \$9.3 million of outstanding LTGO bonds that are callable within 90 days of the December 19th closing. This refunding will reduce future debt service costs by almost \$0.7 million over the remaining 10-year life of the 2014C bonds, with a present value that equals 6.5 percent of the bonds being refunded.

December 10: \$169.9 million of Sewer Revenue Refunding Bonds, Series 2024B, and \$229.9 million of Limited Tax General Obligation (LTGO) Bonds (payable from sewer revenues), Series 2024A (negotiated sale)

The Sewer Revenue issue had an average life of just over 10 years and a TIC of 3.26 percent. The LTGO issue has an average life of just over 7.5 years and a TIC of 3.29 percent.

These refunding bond sales reduced future debt service payments by \$25.5 million through a current refunding of almost \$320 million of sewer bonds. King County utilized the flexibility associated with a negotiated sales process for these refunding bonds because of volatile market conditions that caused interest rates to fluctuate around King County’s refinancing targets.

V. Report Requirements LTGO Commercial Paper

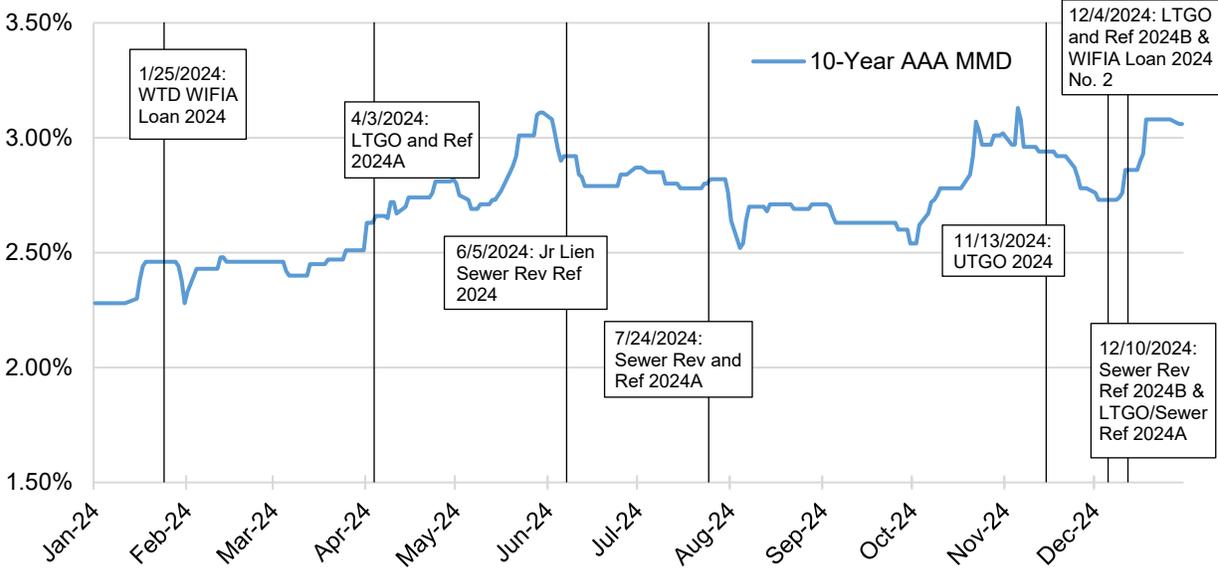
As stated in the Executive Summary, there were no opportunities to issue variable rate debt using the new general government CP Program in 2024.

VI. Conclusion and Next Steps

County bond issues continued to benefit from extremely high credit ratings – Aaa/AAA for GO bonds (the highest available) and Aa1/AA+ for sewer revenue bonds, respectively. Especially in times of greater market uncertainty, these excellent ratings proved very valuable in ensuring strong investor demand for the County’s bonds, resulting in very narrow credit spreads. The appetite for the County’s highly rated bonds is reflected in the large number of bids received in each of the competitive sales.

During 2024, the municipal market continued to experience significant volatility due to actions by the Federal Reserve and the uncertainty associated with the election in the fall. However, in a year that generally saw rising interest rates and extreme volatility, the chart of tax-exempt interest rates below shows that the County’s timing of its fixed-rate bond sales generally proved opportune, missing the interest rate peaks that occurred in both May and during the fourth quarter of the year.

2024 Interest Rate Movement and Timing for County Bond Sales



The Executive will submit the next FBOD report detailing bond sales and LTGO CP notes issued during 2025 in by March 31, 2026.