



King County

Dow Constantine

King County Executive

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October 29, 2020

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 bond authorization Ordinance for the Wastewater Treatment Division (WTD) that, if enacted, would amend Ordinance 19112, an existing bond authorization ordinance adopted by the Council in June of this year. The proposed Ordinance would authorize the issuance of refunding senior lien bonds in order to refinance WTD's outstanding State Revolving Fund (SRF) loans and Public Works Trust Fund (PWTF) loans that are held by the state's Department of Ecology.

Over the years, WTD has taken advantage of then-prevailing very favorable fixed rates on many SRF and PWTF term loans from the Department of Ecology to fund portions of the costs of various capital projects. Currently there are approximately \$225 million of such loans outstanding. With the steep decline in the interest rates over the past six months, it has become feasible to achieve significant debt service savings on many of these outstanding loans by refunding them with the proceeds of senior lien bonds. Specifically, it is estimated that the refunding of approximately \$150 million of these loans would currently achieve debt service savings that at least meet the County's 5 percent target for such transactions as identified in the adopted Debt Management Policy, Motion 12660.

Such a steep decline in interest rates had not been contemplated when Ordinance 19112 was transmitted; therefore, a request for the authority to refund the SRF and PWTF loans was not included at that time. Accordingly, this proposed Ordinance would permit such refundings.

We respectfully request expedited Council action on this proposed amending Ordinance in November or early December so that: (1) refunding bonds can be issued early in 2021 in order to capitalize on the current low level of interest rates; and (2) the resultant debt service savings can potentially be reflected in WTD's 2022 monthly sewer rate proposal. The exact terms of any bond issue will be established by the King County Finance Director in consultation with the County's Financial Advisor and confirmed by the Council in a separate motion to be adopted on the day of the sale.

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The enclosed proposed ordinance progresses the efficient and accountable government goal of the King County's Strategic Plan because it exercises sound financial management and risk management while building the County's long-term fiscal strength.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Dow Constantine".

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Carolyn Busch, Chief of Staff
Melani Pedroza, Clerk of the Council
Dwight Dively, Director, Office of Performance, Strategy and Budget
Shannon Braddock, Deputy Chief of Staff, Office of the Executive
Karan Gill, Director, Council Relations, Office of the Executive
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