



King County

Dow Constantine

King County Executive

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April 8, 2024

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

Dear Councilmember Upthegrove:

This letter transmits a proposed Ordinance that would, if approved, authorize the establishment of a new general government commercial paper (CP) program in the amount of not to exceed \$150 million. If approved the CP will create a low-cost and flexible financing mechanism that would be used to provide interim funding for a variety of County capital projects, as well as potentially facilitate the current refinancing (refunding) of outstanding bonds to reduce future debt service costs. The new general government CP Program is modeled after a similar CP program currently utilized by the Wastewater Treatment Division (WTD) of the Department of Parks and Natural Resources.

In 2020, the County established a CP program on behalf of WTD to provide interim funding for its ongoing capital program and to provide a mechanism for refinancing portions of its existing debt. CP notes are sold in maturities with terms of up to 270 days. At maturity, the interest and the principal on the notes must be paid. It is typical for the maturing notes to be funded by marketing of new CP notes. This process of “rolling” maturities continues until the County decides to retire and extinguish the principal associated with the original CP notes.

In rare circumstances, remarketing of the CP notes is not possible, so investors require assurance that funds will still be available to repay their maturing note. Such assurance is provided through an arrangement with an outside banking institution or by relying on an issuer’s own balance of cash and investments for liquidity self-liquidity). The County chose to use the liquidity provided by the County’s funds held in the King County Investment Pool (KCIP) to provide such assurance for the WTD CP program, thereby avoiding the need to incur bank fees.

Based on the success and cost-effectiveness of WTD’s CP program, the proposed Ordinance would create a similar program, backed by self-liquidity, for the County to use for its general government interim funding and refinancing needs. A general government CP program

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would provide the County with a ready, cost-effective borrowing tool that provides significant flexibility regarding repayment. The program works especially well to provide interim financing while the County determines final project costs to warrant proceeding with a standard fixed-rate permanent borrowing. In addition, having such a program in place would be beneficial to provide uninterrupted funding in the event of any subsequent delays in issuing such bonds.

Although the County can currently use inter-fund loans from the KCIP to provide much of the interim financing flexibility offered by a CP program, switching to an external source of funding would allow CP for County capital projects to be issued at tax-exempt interest rates. This, in turn, provides savings under most market conditions compared to the cost of inter-fund loans, which are charged interest equal to the KCIP's taxable yield.

Because the proposed CP program may undergo modifications over its lifetime in response to changing market conditions, the proposed Ordinance would delegate authority to the King County Finance Director to establish the program and implement any subsequent modifications, as is the case with the WTD CP program.

Thank you for your consideration of this proposed Ordinance. We respectfully request expedited Council action on this proposed legislation to permit access to such advantageous interim funding for County agencies as quickly as possible.

If your staff have questions regarding the proposed Ordinance, 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: Stephanie Cirkovich, Chief of Staff
 Melani Hay, Clerk of the Council
 Karan Gill, Chief of Staff, Office of the Executive
 Penny Lipsou, Council Relations Director, Office of the Executive
 Dwight Dively, Director, Office of Performance, Strategy and Budget
 Lorraine Patterson-Harris, County Administrative Officer, Department of Executive Services (DES)
 Ken Guy, Director, Finance and Business Operations Division, DES