## STAFF REPORT

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| **Agenda Item:** | 7 | **Name:** | Mike Reed |
| **Proposed No**.: | 2018-0280 | **Date:** | August 22, 2018 |

**SUBJECT:**

AN ORDINANCE authorizing the executive to enter into a loan agreement with the Washington State Department of Commerce Public Works Board for loan financing for a capital project in the Wastewater Treatment Division (WTD) in the Department of Natural Resources and Parks.

**SUMMARY:**

Proposed Ordinance 2018-0280 would authorize the executive to enter into an agreement with the Washington State Public Works Board for a project that has been awarded a Public Works Trust Fund (PWTF) loan of $3,500,000 for the purchase of land associated with the Georgetown Wet Weather Treatment Station (WWTS) project. This 20-year loan is provided at an interest rate of 1.66%, and is estimated to save King County $2,128,753 in interest expense ($850,905 net present value) as compared to conventional bond financing. As the Georgetown project is currently underway, the loan will be used to displace bond-funded expenditures for purchase of land for the project.

**BACKGROUND:**

Georgetown Wet Weather Treatment Station

The Georgetown WWTS Project was approved as part of King County's long-term combined sewer overflow control plan under Ordinance 17413, and incorporated in King County's CSO consent decree entered into on July 3, 2013. The project involves the construction of a Wet Weather Treatment Station that will control two current CSO outfalls (Brandon and Michigan) from overflowing more than once per year at the Hanford outfall into the Duwamish River; this will be accomplished by treating storm-driven influent to a level acceptable to EPA and Ecology before discharging the treated effluent to the Duwamish River. The facility will consist of the treatment station, conveyance pipelines and a new outfall structure, together with all the necessary appurtenances and facilities that will collectively treat, convey and discharge the treated effluent. The project is located at the corner of Fourth Avenue South and South Michigan Street in the Georgetown community of Seattle.

Public Works Trust Fund Loan Programs

The purpose of the Public Works Trust Fund Construction Loan Program is to help local governments address critical infrastructure needs for water, sewer, storm water, roads, bridges and solid waste/recycling systems. The Washington State Public Works Board has administered this and other infrastructure loan programs since 1986. The Public Works Board reports executing several thousand agreements for infrastructure projects with cities, counties, special purpose districts and others.

**ANALYSIS:**

Savings

This low interest loan agreement is estimated to save King County $2,128,753 in interest expense over 20 years ($850,905 net present value) as compared to conventional bond financing. The savings calculations are presented in the fiscal note that was transmitted with the legislation.

Legal Review

Legal counsel has worked with the Prosecuting Attorney's Office (PAO) to review the terms of the loan agreement. The proposed contract includes standard language requiring conformance of project subcontracts with provisions of this loan contract. Because this project is already underway and subcontracts are already in place, the PAO and the Public Works Board have developed amendatory language to avoid conflict with existing subcontracts, as follows:

“Construction of the Project has commenced, and various competitively bid contracts and subcontracts predating the execution of this (PWB Loan) Contract have been executed by the Contractor.  Nothing in this (PWB Loan) Contract shall modify or impair those preexisting contracts, and application of this (PWB Loan) Contract to subcontractors shall be prospective only.”

An amendment is being prepared to replace the existing contract with a revised contract including the above language. Legal review is ongoing.

**ATTACHMENTS**

1. Proposed Ordinance 2018-0280
   1. Attachment A: Public Works Board Construction Loan Contract—Contract No. PC18-96103-006
2. Transmittal Letter
3. Fiscal Note

**INVITED**

1. Tim Aratani, Manager, Finance and Administrative Services, Wastewater Treatment Division, Department of Natural Resources and Parks