September 6, 2018

The Honorable Joe McDermott

Chair, King County Council

Room 1200

C O U R T H O U S E

Dear Councilmember McDermott:

This letter transmits an ordinance that will ensure that the Wastewater Treatment Division (WTD) of the Department of Natural Resources and Parks (DNRP) will continue to be vigilant stewards of ratepayer funds and continue to effectively protect public health and enhance regional water quality.

The legislation requests supplemental appropriation in the amount of $143 million to the Water Quality Revenue Bond Fund 8920 of WTD to fund an escrow for the retirement of approximately $136 million of outstanding sewer revenue bonds issued between 2010 and 2012. In the six-year financial plan presented earlier this year, WTD proposed using the $144.9 million settlement from the Brightwater litigation and other available funds to fund its capital program through 2020. However, upon the recommendation of the County’s financial advisor, Piper Jaffray and Co., WTD has determined that, as a result of the increase in short-term interest rates since the beginning of the year, there is now a greater financial benefit in using the Brightwater settlement to retire outstanding County sewer revenue bonds issued on behalf of WTD. Approval of this legislation is requested in order to take advantage of the current interest rate environment and to complete the transaction before December 31, 2018.

Specifically, the ordinance will accomplish the following:

* Fund an escrow for the retirement of approximately $136 million of outstanding sewer revenue bonds issued between 2010 and 2012.
* Provide for both the payment of interest on such bonds until their earliest optional redemption (call) dates and then the repayment of the principal.
* Upon creation of the escrow, these bonds will be legally defeased and no longer deemed to be outstanding under the terms of their authorizing bond ordinances.
* Creation of this escrow is expected to lower annual payments of principal and interest through 2032 by almost $196 million based on current market conditions.

The legislation also furthers the goals of key County plans and initiatives as follows:

* The legislation furthers the King County Strategic Plan goal of efficient, accountable regional and local government by exercising sound financial debt practices making WTD a financially stronger utility and preserving its excellent credit ratings by providing savings to ratepayers through lower debt service.
* The legislation furthers the King County Equity and Social Justice Initiative goal of identifying opportunities to create more efficient and equitable structures that benefit ratepayers.
* The legislation furthers the Strategic Climate Action Plan by providing the financial resources to continue WTD's investment in energy conservation and sustainability efforts.

In developing the legislation, the Department of Natural Resources and Parks (DNRP) engaged the County’s financial advisor, Piper Jaffray and Co., and also spoke with members of the Metropolitan Water Pollution Abatement Advisory Committee. DNRP worked to incorporate their input into the legislation.

Thank you for your consideration of this ordinance. This important legislation will help King County residents through careful stewardship of ratepayer dollars.

If you have any questions, please feel free to contact Mark Isaacson, Division Director of the Wastewater Division of the Department of Natural Resources and Parks, at 206-477-4601.

Sincerely,

Dow Constantine

King County Executive

Enclosure

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

Christie True, Director, Department of Natural Resources and Parks (DNRP)

Mark Isaacson, Division Director, Wastewater Treatment Division, DNRP