



King County

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October 6, 2021

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 Ordinance that, if enacted, would authorize the issuance of senior lien bonds (bonds) on behalf of the Wastewater Treatment Division (WTD). It would authorize: (1) issuance of new-money bonds to finance the WTD capital program through 2024, the effective term of the proposed Ordinance; and (2) refunding bonds to refinance the outstanding debt of WTD when certain targeted debt service savings thresholds can be achieved.

The proposed authorization for new-money bonds to provide funding for the WTD capital program is limited to the amount of \$905 million. Although only a portion of this amount is assumed to be issued in the current financial plan that supports WTD's adopted monthly sewer rate for 2022, this proposed amount would accommodate additional issuances, for example, to replace WTD's existing Water Infrastructure Finance and Innovation Act (WIFIA) loan for the Georgetown Wet Weather Treatment Station project, if financial market conditions so warrant.

Consistent with other recent WTD bond authorizations, the proposed authorization for refunding bonds does not limit the amount that may be issued to ensure that the County can expeditiously take advantage of favorable market conditions and maximize debt service savings for ratepayers. The issuance of any refunding bonds will only be undertaken when market conditions permit the County to achieve certain targeted debt service savings.

The bonds can be sold as either sewer revenue bonds or so-called double-barreled limited tax general obligation bonds (LTGO bonds), which utilize net sewer revenues as the primary source of repayment with the added security to bondholders of pledging the full faith and credit of the County's General Fund. Prior to any issue, the County's Financial Advisor will advise the Finance Director as to whether to issue LTGO bonds.

The transmittal of this proposed Ordinance has been accelerated from the timeframe previously envisioned for a new senior lien bond ordinance for WTD in order to incorporate the same delegation authority for the approval of future WTD bond sales to the Finance

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Director, as was recently granted in Ordinance 19279 for the sale of the County's various-purpose LTGO bond sales. The primary benefit of granting such authority is to increase the number of days on which the bonds can be sold, providing more flexibility for the County to take advantage of favorable market opportunities.

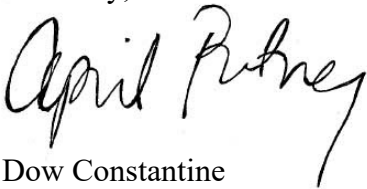
Accordingly, the exact terms of the bonds, which will be sold in multiple series and on either a tax-advantaged or taxable basis as determined by the County's bond counsel, would be approved by the Finance Director in consultation with the County's Financial Advisor on the day of each sale, subject to such terms conforming to certain parameters identified in the proposed Ordinance. Pursuant to the requirement in this proposed Ordinance, the Finance Director will provide an annual report to the County Council and the Executive Finance Committee describing each series of the bonds sold pursuant to this proposed Ordinance.

The proposed Ordinance includes an effective term through December 31, 2024. Although the intent is that a new bond authorization request will be adopted by June 30, 2024 in conjunction with the adoption of WTD's monthly sewer rate for 2025, the December 31, 2024 date was selected to ensure that there is no lapse in authority to issue bonds if the new legislation is delayed and to accommodate the possible forward delivery of bonds.

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

If your staff have any 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: Janine Weihe, Interim Chief of Staff
Melani Pedroza, Clerk of the Council
Shannon Braddock, Deputy Chief of Staff, Office of the Executive
Karan Gill, Director, Council Relations, Office of the Executive
Dwight Dively, Director, Office of Performance, Strategy and Budget
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