

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
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1. BILL SUMMARY

1. Legislation Title:

AN ORDINANCE relating to the municipal water system of The City of Seattle; authorizing the issuance and sale, from time to time in multiple series, of water system revenue bonds for the purpose of carrying out the current or advance refunding of all or a portion of the City’s outstanding water system revenue bonds pursuant to an approved refunding plan, providing for the reserve requirement, and paying the administrative costs of carrying out such refundings and paying costs of issuance of those Refunding Parity Bonds; describing the lien of those Refunding Parity Bonds; providing parameters for the bond sale terms including conditions, covenants, and other sale terms; rescinding the authorization to issue any future Refunding Parity Bonds under Ordinance 121939 (as amended by Ordinance 122837, as amended and restated by Ordinance 124339, and as further amended by Ordinance 125183); authorizing the Director of Finance to enter into agreements providing for the disposition of the Refunding Parity Bond proceeds; and ratifying and confirming certain prior acts.

2. Summary and background of the Legislation:

This legislation updates the existing omnibus refunding ordinance with technical changes enabling the City to refinance older bonds at lower interest rates for debt service savings.

The City is continually seeking opportunities to refinance its debt at lower interest rates. When market interest rates fall, substantial savings may be realized if the City can act quickly to refund (refinance) its outstanding bonds. When a refunding opportunity emerges, there may not be sufficient time for the City to follow its normal process of drafting, reviewing, and adopting an authorizing ordinance. The attached legislation authorizes the City to refund any of its outstanding Water System Revenue Bonds. The City’s Debt Management Policy Advisory Committee must approve all bond issues. In addition, refundings are guided by the Council-adopted Debt Management Policies. The relevant section of these policies is reproduced below:

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants to thereby improve operations and management.

In general, advance refundings for economic savings may be undertaken when a net present value savings of at least five percent (5%) of the refunded debt can be achieved. Current refundings which produce a net present value savings of less than five percent will be considered on a case-by-case basis. When reviewing potential refunding candidates, the City may utilize the following analytical tools: net present value savings as a percent of refunded par, graduated net present value savings as a percent of refunded par, opportunity cost indexing, and refunding efficiency. Refundings with negative savings will not be considered unless there is a compelling public policy objective. When refunding an entire bond series or a large portion of a bond series, relatively small negative savings for individual maturities may be acceptable if these individual maturities are refunded together with the larger bond series or portion of a bond series, for the purpose of administrative convenience, as long as the overall refunding of the bond series or large share of the bond series meets the refunding targets.

The City's Finance Director will notify the City Council President at least 30 days in advance of any refunding of Water System Revenue Bonds authorized by this ordinance.

2. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget? ___ Yes X No
- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
- No.
- c. Is there financial cost or other impacts of *not* implementing the legislation?

Yes, if the City is prevented from taking advantage of lower interest rates in a timely fashion, the lost savings could be substantial.

3. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?
- This legislation affects FAS, who coordinates the issuance of the bonds.
- b. Is a public hearing required for this legislation?
- No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?
- No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

e. Does this legislation affect a piece of property?

No.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

None/No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

No.

List attachments/exhibits below: None