

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the municipal water system of The City of Seattle; adopting a system or plan of additions or betterments to and extensions of the existing municipal water system; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, and paying the costs of issuance of the bonds; providing for certain terms, conditions, covenants, and the manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal water system refunding revenue bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This legislation provides the legal authorization to issue up to \$110.4 million of bonds for the Water System to fund a portion of capital expenditures outlined in the proposed 2017-2022 Capital Improvement Program (CIP).

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The Water bond sale is anticipated to occur in early 2017. The bond proceeds, combined with internally generated funds, will support the Water System capital program for about 17 months.

The bond sizing is based on the proposed budget, operating financial plans, rates, planned cash flow, and cash contribution targets. The bond proceeds will also be used to make a deposit to the bond reserve fund and to pay issuance costs.

The proposed issue will have fixed rates, a maximum maturity of 30 years, and estimated annual debt service (principal and interest payments) of about \$7.0 million starting in 2018. SPU will incorporate the debt service costs resulting from this bond issue in its upcoming rates proposal.

These bonds will finance improvements to the City's Water System. For further information about SPU's capital projects, please see the Proposed 2017-2022 CIP.

2. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

The Water Fund will be obligated to pay annual debt service on these bonds through their term.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or massive rate increases. Since the capital improvements financed with this debt have a long useful life and interest rates are currently low, it is more practical to spread the costs of these improvements over current and future beneficiaries by issuing bonds.

- c) **Does this legislation affect any departments besides the originating department?**

This legislation affects FAS, which will coordinate the issuance of bonds.

- d) **Is a public hearing required for this legislation?**

No.

- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

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

No.

- g) **Does this legislation affect a piece of property?**

No.

- h) **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

- i) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

NA

- j) **Other Issues:**

List attachments/exhibits below: