

SUMMARY and FISCAL NOTE*

Department:	Contact Person/Phone:	Executive Contact/Phone:
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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 electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuance of those bonds, and providing for the reserve fund requirement; providing for the terms, conditions, covenants, and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This legislation provides the legal authorization to issue up to \$275 million of bonds for Seattle City Light's 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 City Light bond sale is anticipated to occur in mid-2017. The bond proceeds, combined with internally generated funds, will support City Light's capital program for about one year.

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 \$17.9 million starting in 2018. City Light's proposed 5.6% rate increase for 2017 incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include Denny substation construction, advanced metering infrastructure and Alaskan Way viaduct infrastructure relocation. For further information about City Light'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?**

Yes. City Light will be obligated to pay 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 substantial cuts in capital and/or operating programs or significant 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 the 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.**

N/A

- j) **Other Issues:**

List attachments/exhibits below: