

Ordinance No. 120012

Council Bill No. 113263

The City of Seattle
Council Bill/Ordinance

AN ORDINANCE relating to incurring debt; amending Section 5.16.030 of the Seattle Municipal Code to pay interest not greater than eighteen percent (18%) annually or the maximum rate allowed by law, whichever is less, to increase to Ten Million Dollars the maximum amount of the lines of credit for warrant clearing that the City Finance Director is authorized to establish with any public depository, and to allow the use of the line of credit for other financial purposes; and amending Section 5.16.050 of the Seattle Municipal Code to allow the City Finance Director to contract for a rate of interest not to exceed the bank's current prime rate multiplied by 1.5 on the City's overdraft account.

6/21/00 FBI
6-26-00 Po

CF No. _____

Date Introduced:	<u>JUN 12 2000</u>		
Date 1st Referred:	<u>JUN 12 2000</u>	To: (committee)	<u>Finance, Budget & Economic Development Committee</u>
Date Re - Referred:		To: (committee)	
Date Re - Referred:		To: (committee)	
Date of Final Passage:	<u>6-26-00</u>	Full Council Vote:	<u>8-0</u>
Date Presented to Mayor:	<u>6-27-00</u>	Date Approved:	<u>7/3/00</u>
Date Returned to City Clerk:	<u>7/5/00</u>	Date Published:	<u>Ax3</u>
Date Vetoid by Mayor:		Date Veto Published:	
Date Passed Over Veto:		Veto Sustained:	

This file is complete and ready

Law Department

Law Dept. Review

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by:

Jan Drago

Councilmember DRAGO

Committee Action:

6/21/00 FBED Do pass 7-0 Drago

6-26-00 Passed 8-0 (Absent: Steinbrueck)

This file is complete and ready for presentation to Full Council. Committee: _____

(initial/date)

Law Department

Law Dept. Review

OMP Review

(initials)
City Clerk Review

Electronic Copy Loaded

Indexed

(initials)
Approved Full Council

ORDINANCE 12002

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3 AN ORDINANCE relating to incurring debt; amending Section 5.16.030 of the Seattle Municipal Code
4 to pay interest not greater than eighteen percent (18%) annually or the maximum rate allowed by
5 law, whichever is less, to increase to Ten Million Dollars the maximum amount of the lines of
6 credit for warrant clearing that the City Finance Director is authorized to establish with any
7 public depository, and to allow the use of the line of credit for other financial purposes; and
8 amending Section 5.16.050 of the Seattle Municipal Code to allow the City Finance Director to
9 contract for a rate of interest not to exceed the bank's current prime rate multiplied by 1.5 on the
10 City's overdraft account.

11 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

12 Section 1. Section 5.16.030 of the Seattle Municipal Code, as last amended by Section 143 of
13 Ordinance 116368, is further amended as follows:

14 **5.16.030. Finance Director authorized to establish credit (~~for cashing City warrants~~)**

15 As authorized by Section 43.09.2853 RCW(~~RCW 39.58.170~~), with the advice of the
16 Debt Management Policy Advisory Committee, the City Finance Director is authorized to
17 establish a line of credit for the City with any qualified public depository for cashing City warrants
18 and other financial purposes, to determine the amount of credit extended, to execute written
19 agreements therefor with either a fixed rate of interest adjusted periodically or a fluctuating rate of
20 interest, such rates not greater than eighteen percent (18%) annually or the maximum rate allowed
21 by law, whichever is less, and to pay interest and other finance or service charges. The total of all
22 lines of credit with all qualified public depositories shall not exceed Ten Million Dollars
23 (\$10,000,000.00) (~~Two Million Three Hundred Thousand Dollars (\$2,300,000.00)~~).

24 Section 2. Section 5.16.050 of the Seattle Municipal Code, as last amended by Section 145 of
Ordinance 116368, is further amended as follows:



1 **5.16.050 Warrant overdrafts.**

2 Subject to the following terms and conditions, the City Finance Director is authorized to contract with the
3 bank at which the City maintains its principal account for the bank to postpone presentment of City
4 warrants until the City can provide for their full payment:

5 A. The amount of the warrants for which presentment is so delayed shall be aggregated as a
6 warrant overdraft account;

7 B. The aggregate of the warrant overdrafts shall not exceed Twenty Million Dollars
8 (\$20,000,000.00);

9 C. The fee charged by the bank shall not exceed that bank's current prime rate multiplied
10 by 1.5 (~~((seventy five percent (75%) of the prime rate of interest published in the Wall Street~~
11 ~~Journal, Pacific Northwest edition))), for the dates for which the credit is outstanding;~~

12 D. The Debt Management Policy Advisory Committee shall review the contract with the
13 principal bank and, from time to time, advise the City Finance Director thereon and on the
14 aggregate of warrant overdrafts that may be outstanding;

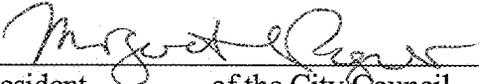
15 E. Fees paid for deferment of presentment shall cease and the bank may present
16 outstanding warrants should any other general fund warrant be presented to the City Finance
17 Director for payment and marked as presented but not paid for lack of funds.

18
19 Section 3. Any act consistent with the authority and prior to the effective date of this ordinance is
20 hereby ratified and confirmed.

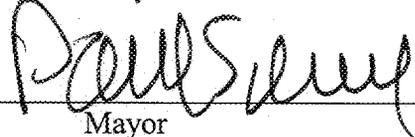


1 Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
3 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

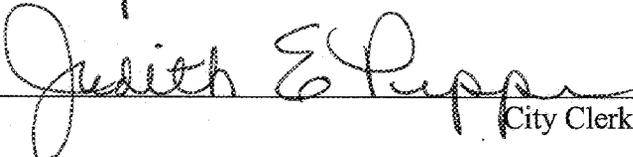
4 Passed by the City Council the 26th day of June, 2000, and signed by me in open
5 session in authentication of its passage this 26th day of June, 2000.

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7 
President _____ of the City Council

8 Approved by me this 3rd day of JULY, 2000.

9
10 
Mayor

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12 Filed by me this 5th day of July, 2000.

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14 
City Clerk

15 (Seal)



Fiscal Note

Department: Treasury	Contact Person/Phone: Susan Busbice, 4-5223	CBO Analyst/Phone: Barbara Gangwer, 5-0768
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Legislation Title:

AN ORDINANCE relating to incurring debt; amending Section 5.16.030 of the Seattle Municipal Code to pay interest not greater than eighteen percent (18%) annually or the maximum rate allowed by law, whichever is less, to increase to Ten Million Dollars the maximum amount of the lines of credit for warrant clearing that the City Finance Director is authorized to establish with any public depository, and to allow the use of the line of credit for other financial purposes; and amending Section 5.16.050 of the Seattle Municipal Code to allow the City Finance Director to contract for a rate of interest not to exceed the bank's current prime rate multiplied by 1.5 on the City's overdraft account.

Summary of the Legislation:

As authorized by SMC 5.16.170, the City may establish a secured line, or lines, of credit (LOC) with any qualified public depository to be drawn upon for cashing warrants; to delegate to a fiscal officer the authority to determine the amount of credit extended; and to pay interest and other finance or service charges. Currently the maximum amount authorized for all lines of credit is Two Million Three Hundred Thousand Dollars (\$2,300,000.00). This ordinance amends SMC 5.16.030 to increase the maximum allowed under a credit line to Ten Million Dollars (\$10,000,000) and to authorize the City Finance Director to use the LOC for other financial purposes to benefit the City. SMC 5.16.030 is also amended to provide for maximum interest rate of 18% or the maximum rate of interest allowed by law.

Finally, SMC 5.16.050 authorizes the City Finance Director to contract for overdraft protection with its depository bank. This section is amended to allow the City Finance Director to fix, by contract, a maximum interest rate that is the bank's prime rate multiplied by 1.5.

Background (Include justification for the legislation and funding history, if applicable):

In the event a disaster or other emergency prohibits the City's ability to communicate with its security brokers and custodial bank, the LOC will be used to provide a pre-established amount of working capital until communications can be reestablished. Based on the cost of capital and market conditions a business decision can then be made to sell securities to repay the line of credit or to extend the credit line. Without a secured



credit line the City could face a shortfall of available funds until securities could be sold and funds wired into City accounts.

The City may draw on the line(s) of credit for the purpose of cashing warrants/checks by the City, and the line of credit may be used as a source of temporary emergency cash or for other financial purposes such as using the LOC in lieu of issuing a tax anticipation note. The cost of this line of credit is 2% below Bank Prime for 30 days as long as the City maintains a minimum Bond Rating of BBB. After 30 days the rate increases to 4% above Bank Prime.

On occasion, the City's warrant account is in an overdraft position because staff cannot determine the exact date outstanding warrants/checks will clear the Twelfth District Federal Reserve Bank. While staff makes every effort to maintain adequate account balances on a daily basis, warrant activity can exceed cash balances. In this situation, the warrant account can automatically draw upon the established line of credit or the overdraft account to prevent warrants from being returned unpaid. The Maximum amount of interest allowed under SMC 5.16.050 has been exceeded by current market conditions, and the amendment allows the Finance Director to contract for a rate of interest that reflects current market conditions.

Public Private Partnership Review Status:

Is the project referenced in the legislation subject to P4 review? If yes, identify P4 review to date.

NO

Is the legislation subject to public hearing requirements? If yes, what public hearings have been held to date?

NO

Sustainability Issues (related to grant awards):

Estimated Expenditure Impacts:

FUND (List # and/or Account)	2000	2001	2002
A8311-741190	2,000.00	2,000.00	2,000.00
*Estimated annual cost for possible overdraft protection.			
TOTAL			

One-time \$ _____

On-going \$ 2,000



Estimated Revenue Impacts:

FUND (List # and/or Account)	2000	2001	2002
None			
TOTAL			

One-time \$ _____

On-going \$ _____

Estimated FTE Impacts:

FUND	2000	2001	2002
None			
TOTAL			

Full Time _____ # Part Time _____ # TES _____

Do positions sunset in the future? If yes, identify sunset date?

Other Issues (including long-term implications of the legislation):





City of Seattle

Paul Schell, Mayor

Executive Services Department

Dwight D. Dively, Director

MEMORANDUM

DATE: June 5, 2000

TO: Honorable Margaret Pageler, President
Seattle City Council

FROM: Dwight Dively, Director *DD*
Executive Services Department

VIA: Barbara Gangwer, CBO

SUBJECT: AN ORDINANCE relating to incurring debt; amending Section 5.16.030 of the Seattle Municipal Code to pay interest not greater than eighteen percent (18%) annually or the maximum rate allowed by law, whichever is less, to increase to Ten Million Dollars the maximum amount of the lines of credit for warrant clearing that the City Finance Director is authorized to establish with any public depository, and to allow the use of the line of credit for other financial purposes; and amending Section 5.16.050 of the Seattle Municipal Code to allow the City Finance Director to contract for a rate of interest not to exceed the bank's current prime rate multiplied by 1.5 on the City's overdraft account.

The attached ordinance amends SMC 5.16.030, which authorized the Finance Director to establish a line of credit (LOC) with the City's depository banks in accordance with RCW 43.09.2853. The attached ordinance increases the maximum amount of the lines of credit to Ten Million Dollars (\$10,000,000), corrects a statutory reference, and authorizes the Finance Director to utilize LOCs for other financial purposes that benefit the City.

The current ordinance authorizes a maximum amount of Two Million Three Hundred Thousand Dollars (\$2,300,000). This \$10,000,000 secured line of credit (LOC) will provide a pre-established funding source in the event of an emergency, preventing the return of any warrants due to unforeseen overdraft situations. In the event of an emergency situation where communication lines are disrupted, the LOC would enable the City to provide short-term working capital until such time as communications are restored with the City's custodial bank and various security brokers. Investment decisions could then be made to sell securities based on market conditions and the cost of funds to repay the LOC. Without a secured credit line, the City might be forced to "stand in line" with other large businesses that are seeking scarce funds. In an extreme emergency, we could



experience a temporary cash shortage in the Seattle area until order and wire communications are re-established. If such a situation were to occur, the City's secured credit arrangement would allow us to access cash on a preferential basis. The ordinance also authorizes the Finance Director to establish an LOC for other financial purposes that benefit the City.

A secured LOC will also benefit the City on a non-emergency basis. For example, the City has occasional overdraft positions in the Warrant Account as a result of more warrants clearing the Federal Reserve Bank on a given day than anticipated by City Treasury staff. This can occur because Treasury Services does not currently have a mechanism to accurately determine the number of warrants that will clear the City's account on a daily basis. Having access to a secured LOC will provide automatic protection and prevent the possible return of issued warrants. As long as the City maintains a minimum Bond Rating of BBB, outstanding balances on the LOC will be assessed at the favorable rate of 2% below Bank Prime for the first 30 days. The rate will increase to 4% above Bank Prime after that period of time.

Finally, this ordinance amends SMC 5.16.050, which authorizes the Finance Director to contract for overdraft protection with the City's depository bank. The amendment updates the maximum interest rate allowed by this section, and allows the Finance Director to negotiate a rate under current market conditions.

If you have any questions, or would like an individual briefing on this issue, please feel free to call Susan Busbice at 684-5223.

cc: Susan Busbice



STATE OF WASHINGTON - KING COUNTY

120507
City of Seattle, City Clerk

—ss.

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:120012/ORD IN FUL

was published on

07/14/00

The amount of the fee charged for the foregoing publication is the sum of \$ _____, which amount has been paid in full.

H. Patterson

Subscribed and sworn to before me on

07/14/00

McAllister

Notary Public for the State of Washington,
residing in Seattle

City of Seattle

ORDINANCE 120012

AN ORDINANCE relating to incurring debt; amending Section 5.16.030 of the Seattle Municipal Code to pay interest not greater than eighteen percent (18%) annually or the maximum rate allowed by law, whichever is less, to increase to Ten Million Dollars the maximum amount of the lines of credit for warrant clearing that the City Finance Director is authorized to establish with any public depository, and to allow the use of the line of credit for other financial purposes; and amending Section 5.16.050 of the Seattle Municipal Code to allow the City Finance Director to contract for a rate of interest not to exceed the bank's current prime rate multiplied by 1.5 on the City's overdraft account.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.16.030 of the Seattle Municipal Code, as last amended by Section 143 of Ordinance 116368, is further amended as follows:

5.16.030. FINANCE DIRECTOR AUTHORIZED TO ESTABLISH CREDIT (FOR CASHING CITY WARRANTS)

As authorized by Section 43.09.2853 RCW (RCW 39.58.170), with the advice of the Debt Management Policy Advisory Committee, the City Finance Director is authorized to establish a line of credit for the City with any qualified public depository for cashing City warrants and other financial purposes, to determine the amount of credit extended, to execute writ-

ten agreements therefor with either a fixed rate of interest adjusted periodically or a fluctuating rate of interest, such rates not greater than eighteen percent (18%) annually or the maximum rate allowed by law, whichever is less, and to pay interest and other finance or service charges. The total of all lines of credit with all qualified public depositories shall not exceed Ten Million Dollars (\$10,000,000.00) (Two Million Three Hundred Thousand Dollars (\$2,300,000.00)).

Section 2. Section 5.16.050 of the Seattle Municipal Code, as last amended by Section 143 of Ordinance 116368, is further amended as follows:

5.16.050 WARRANT OVERDRAFTS

Subject to the following terms and conditions, the City Finance Director is authorized to contract with the bank at which the City maintains its principal account for the bank to postpone presentation of City warrants until the City can provide for their full payment:

A. The amount of the warrants for which presentation is so delayed shall be aggregated as a warrant overdraft account.

B. The aggregate of the warrant overdrafts shall not exceed Twenty Million Dollars (\$20,000,000.00).

C. The fee charged by the bank shall not exceed that bank's current prime rate multiplied by 1.5 (seventy-five percent (75%) of the prime rate of interest published in the Wall Street Journal, Pacific Northwest edition), for the dates for which the credit is outstanding.

D. The Debt Management Policy Advisory Committee shall review the contract with the principal bank and, from time to time, advise the City Finance Director thereon and on the aggregate of warrant overdrafts that may be outstanding.

E. Fees paid for deferment of presentation shall cease and the bank may present outstanding warrants should any other general fund warrant be presented to the City Finance Director for payment and marked as presented but not paid for lack of funds.

Section 3. Any act consistent with the authority and prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 26th day of June, 2000, and signed by me in open session in authentication of its passage this 26th day of June, 2000.

MARGARET PAGELER,
President of the City Council.

Approved by me this 3rd day of July, 2000.

PAUL SCHELL,

Mayor.

Filed by me this 5th day of July, 2000.

(Seal) JUDITH E. PIPPIN,
City Clerk.

Publication ordered by JUDITH PIPPIN,
City Clerk.

((Boldface denotes deletion.))

Date of official publication in Daily Journal of Seattle: July 14, 2000.