

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: AN ORDINANCE related to Seattle Public Utilities; authorizing the Director of Seattle Public Utilities to accept a loan from the Washington State Public Works Board and to execute, deliver, and perform corresponding agreements; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This legislation would authorize Seattle Public Utilities (SPU) to accept a \$12.1 million low interest loan from the Washington State Public Works Board for the Morse Lake Pump Plant Project (C103032).

Background:

The proposed project is in SPU's Cedar River Municipal Watershed near North Bend. Chester Morse Lake is the major storage reservoir for Seattle's water supply system, providing up to two-thirds of the region's average annual drinking water supply. During drought conditions, the barge-mounted pump stations installed under the project will supply 240 million gallons of water daily from Chester Morse Lake for SPU water utility uses and to meet in-stream and municipal demands. The project consists of four major facility additions or improvements, including a pumping facility and discharge pipelines to convey water from Chester Morse Lake to the outlet channel. Total cost of the project is approximately \$50 million. The Washington Public Works Board has awarded SPU a loan for the project at a 1.5 percent rate over 24 years. Accepting the loan will save ratepayers approximately \$3.8 million in present value borrowing costs.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Additional appropriations are not needed. Project funding is included in the 2014 Adopted Budget.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Water Fund - 43100	Seattle Public Utilities	Washington Public Works Board	\$4.4 Million	\$7.7 Million
TOTAL				

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
Water Fund - 43100	Seattle Public Utilities	C150B		
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

This ordinance would authorize acceptance of a low interest loan from the Washington Public Works Board totaling \$12.1 million dollars. Draws on the loan would be made after applicable expenses are paid. The terms of this loan stipulate that any expenses made after July 1, 2013 are eligible for reimbursement. It is estimated that \$1 million of expenses from 2013 are eligible for reimbursement, and funds will be received in 2014. In addition, another \$3.4 million in eligible expenses are anticipated to be reimbursed in 2014. The remaining \$7.7 million will be drawn on the loan as construction on the Morse Lake Pump Plant accelerates 2015 and 2016.

The current budget calls for 2014 spending on Morse Lake Pump Plant of \$2.6 million, with another \$7.7 million in 2015. It is anticipated that spending will accelerate beyond those levels, allowing the loan to be fully drawn upon by the end of 2015. Roll forwards from this project and others will be used, meaning there will be no additional budget appropriations required.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 This legislation allows SPU to access capital dollars at lower interest rates.
- b) **What is the financial cost of not implementing the legislation?**
 If this legislation is not implemented, it will cost SPU approximately \$3,800,000 in additional debt service costs over the next 30 years.
- c) **Does this legislation affect any departments besides the originating department?**
 No
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
 There are no alternatives to this method of securing low interest financing of SPU water quality projects.

e) Is a public hearing required for this legislation?

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) Other Issues:

List attachments to the fiscal note below: