

FISCAL NOTE FOR CAPITAL PROJECTS ONLY

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Legislation Title:

AN ORDINANCE relating to the solid waste system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste 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; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

This legislation provides the legal authorization to issue up to \$39 million of bonds for Seattle Public Utility's Solid Waste System, based on assumptions in the Strategic Business Plan with an allowance for soil contamination at the North Transfer Station construction site.

Background:

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 Solid Waste bond sale is anticipated to occur in mid-2015. The bond proceeds, combined with internally generated funds, will support the Solid Waste capital program for about 18 months.

The bond sizing is based on the adopted budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will be used to make a deposit to the construction fund, to meet a required debt service reserve requirement, and to pay issuance costs.

The proposed issue is for 25-year, fixed-rate bonds. Total annual debt service is expected to be about \$3 million starting in 2016. SPU's currently projected mid-term adjustment of 5.9% in 2015 and 3.4% in 2016 for Solid Waste rates incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include primarily completion of the new North Transfer Station and rehabilitation and redevelopment of the old South Transfer site as laid out in SPU's Strategic Business Plan.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Seattle Public Utilities will be obligated to pay annual debt service on these bonds through their term.

b) What is the financial cost 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.

What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from financing the Solid Waste System's CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

d) Is a public hearing required for this legislation?

No

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

No

f) Does this legislation affect a piece of property?

No

g) Other Issues:

None

List attachments to the fiscal note below: