

CITY OF SEATTLE
ORDINANCE _____
COUNCIL BILL _____

AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 123481, to extend the term of an interfund loan.

WHEREAS, Ordinance 121179 approved a loan of up to \$10.48 million from the Consolidated Cash Pool to the Cumulative Reserve Subfund, Unrestricted Subaccount to be paid back by December 31, 2003; and

WHEREAS, the proceeds of this loan were to finance expenditures from the Cumulative Reserve Subfund, Unrestricted Account, related to the Joint Training Facility; and

WHEREAS, the loan proceeds that were temporarily credited to the Cumulative Reserve Subfund have been fully expended to fund the Joint Training Facility Project at 9401 Myers Way South; and

WHEREAS, the originally anticipated source for loan repayment was the proceeds generated from the sale of surplus City-owned property not needed at the Joint Training Facility site; and

WHEREAS, the downturn in the local economy negatively affected the prospects of selling the surplus property on the site; and

WHEREAS, the interest on the loan has been accruing, with an estimated total accrued at the end of 2014 in the amount of \$3,423,937; and

WHEREAS, the 2011-2012 Adopted Budget implemented contributions to the Cumulative Reserve Subfund to offset some portion of the total balance of the loan and accrued interest; and

WHEREAS, the Department of Finance and Administrative Services has proactively addressed environmental permitting issues and has identified key portions of the property that are now suitable for sale, and those that are to be retained for the purpose of environmental stewardship; and

WHEREAS, additional time is required to prepare the surplus property for sale and for the subsequent repayment of the interfund loan; and

WHEREAS, in the normal course of business the City may temporarily lend cash between funds to maintain required balances; NOW, THEREFORE,

1 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

2 Section 1. In order to extend through 2014 the term of a loan of \$10.48 million to the
3 Cumulative Reserve Subfund from the Consolidated Cash Pool, Section 3 of Ordinance 121179,
4 as last amended by Section 1 of Ordinance 123481, is hereby further amended as follows:
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6 Section 3. The entire principal loaned as authorized in Section 2, with interest thereon at
7 the rate of return of the City's Consolidated Cash Pool, shall be repaid no later than
8 ~~((December 31, 2012))~~ December 31, 2014, unless extended by ordinance.
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10 Section 2. This ordinance shall take effect and be in force 30 days after its approval by
11 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
12 shall take effect as provided by Seattle Municipal Code Section 1.04.020.
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Passed by the City Council the ____ day of _____, 2012, and
signed by me in open session in authentication of its passage this
____ day of _____, 2012.

President _____ of the City Council

Approved by me this ____ day of _____, 2012.

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2012.

Monica Martinez Simmons, City Clerk

(Seal)

2013 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services	Daniel Bretzke 733-9882	Jennifer Devore 615-1328

Legislation Title: AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 123481, to extend the term of an interfund loan.

Summary of the Legislation:

This legislation would amend Section 3 of Ordinance 121179 as last amended by Ordinance 123481 by extending the deadline for repayment of principal and interest on a \$10.48 million loan from December 31, 2012, to December 31, 2014.

Background: Ordinance 121179 was originally passed in mid-2003 to support site acquisition and pre-construction activities at the Joint Training Facility (JTF) at 9401 Myers Way South by authorizing an interfund loan from the Consolidated Cash Pool to the Cumulative Reserve Subfund, Unrestricted Subaccount. The original deadline for repayment of the loan was December 31, 2003. Ordinances 121363, 121980, 122289, 122558, 122854 and 123481 subsequently extended the term of the loan. The current extension expires on December 31, 2012.

The City was required to purchase more property than what was needed for the JTF project, thus the City borrowed the total purchase price in part through an inter-fund loan with the intent on repaying the loan with the proceeds from the sale of the property. Under Ordinance 122308 the City Council declared the property surplus and authorized the sale, although the sale transaction was not completed due to environmental and permitting issues. Additionally, the downturn in the local economy negatively affected prospects for a sale. Department of Finance and Administrative Services (FAS) staff have evaluated potential other municipal uses of the property, including a municipal jail, urban farming, and a Seattle City Light training facility. In preparation for the property's eventual sale, FAS has resolved some permitting issues including close out of the underlying mining permit, and is working with the Army Corps of Engineers to identify any further environmental constraints. FAS is also working toward completing the Roxbury Street vacation, that was conditionally granted under C.F. 307648.

It is anticipated that a portion of the property can be sold to support business economic activity and that proceeds from the sale will repay a portion of the inter-fund loan. Other portions of the property will be retained for environmental stewardship.

FAS does not expect proceeds from any property sale to be available to repay the loan prior to the December 31, 2012 expiration date and is therefore requesting an extension of the inter fund loan to December 31, 2014.

Though not expressly addressed in the legislation, the loan extension will result in additional interest expense. The interest expenses for each year of the loan to date, as well as estimated interest expenses through the end of the requested extension, are shown in the table below.

Summary Accrued and Estimated Interest on JTF Loan
 Estimated rates provided by Treasury for Consolidated Cash Pool

Year	Rate Basis	Annual Rate	Accrued Interest
2003	CAFR	0.03161	184,711
2004	CAFR	0.02338	252,030
2005	CAFR	0.02848	314,999
2006	CAFR	0.03966	453,637
2007	CAFR	0.05075	607,022
2008	CAFR	0.03905	488,703
2009	CAFR	0.01650	212,490
2010	CAFR	0.01027	134,443
2011	CAFR	0.00824	109,480
2012	Estimate	0.01625	218,514
2013	Estimate	0.01625	222,121
2014	Estimate	0.01625	225,787
Estimated Total Interest Liability:			3,423,937

The total estimated interest expense through December 31, 2014, is estimated to be \$3,423,938. Early repayment of the loan would reduce this cost. Total interest expense will also be higher or lower based on actual interest rates in 2013 – 2014.

FAS is working to obtain the highest net return to the City, which may include payment of the entire principal of the loan, accrued interest to-date, and continued environmental stewardship of portions of the property that remain under City ownership. It is probable that upon the final disposition of the property, other funding sources will need to be identified to repay the loan and accumulated interest. In anticipation of this, beginning in 2012, annual contributions are being made to the CRS Unrestricted Sub account to accumulate resources to pay down the remaining loan balance.

This legislation does not have any financial implications.

This legislation has financial implications.

Revenue Change Notes:

This legislation makes no appropriations or changes to revenue; it extends the deadline for repayment of an inter-fund loan only. The Department of Finance and Administrative Services will seek any necessary appropriations to repay this loan through future legislation and only upon receipt of revenues that will be used to fund repayment of the loan. Total interest expense for the loan from initiation in 2003 through the end of 2014 is approximately \$3,423,938.

Total Revenue Notes: None

Other Implications:

- a) Does the legislation have indirect financial implications, or long-term implications?
This legislation will provide additional time that is needed to further identify environmental issues and to allow the commercial property market conditions to improve. This will potentially increase the net proceeds realized from the sale of the property.
- b) What is the financial cost of not implementing this legislation?
Absent this legislation to extend the loan repayment deadline, the Department of Finance and Administrative Services would have to request that already programmed capital funds be redirected from their intended use to repay the loan by December 31, 2012.
- 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? Already programmed capital funds for critical projects would need to be redirected from their intended use to repay the loan by December 31, 2012.
- e) Is the legislation subject to public hearing requirements? No
- f) Other Issues: None

Please list attachments to the fiscal note below: None