

August 31, 2012

To: Tim Burgess, Chair, Government Performance & Finance Committee  
Nick Licata, Vice Chair  
Sally J. Clark, Member  
Mike O'Brien, Alternate

From : John McCoy, Council Central Staff

Re: Interfund Loan Ordinance

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The proposed interfund loan ordinance would lend up to \$2.05 million from the City's cash pool to the Street Vacation Subaccount of the Cumulative Reserve Subfund through the end of 2014. The loan would earn interest at a rate equal to that earned by the City's cash pool, currently less than 1%.

These funds will support work in 2012 and 2013 on the King Street Station Multimodal Project in the Seattle Department of Transportation. According to project staff, this money would backfill a recent reduction in available federal grants. The most recent Capital Improvement Plan (CIP) showed the King Street Station project costing a total of \$52.3 million, of which nearly \$42 million was slated to come from state and federal grants.

The money is proposed to be repaid from an expected \$7.65 million street vacation payment in 2013 from the expansion of Children's Hospital, half of which would go to the Street Vacation Subaccount. The exact timing of the payment depends on how fast the hospital completes its project. According to the City Budget Office, using this money for the King Street Station project does not deprive any other currently budgeted project of funding, since the current CIP did not anticipate the Children's Hospital payment.

As for the mechanics, the ordinance relates to Items 2.2 and 2.3 in the Second Quarter Supplemental appropriations ordinance, which together appropriate \$2.0 million to the Seattle Department of Transportation's Mobility Capital Budget Control level, where the King Street Station project lives.

Central Staff have reviewed this matter and see no issues with the interfund loan ordinance. The cash pool had a market value of \$1.556 billion as of July 31, 2012. Street vacation revenue, while quite irregular, has averaged about \$1 million per year over the last 10 years, so it appears likely that the loan will be repaid over the time allotted.