

#5

Dan Enrico  
SPU Morse Lake Loan ORD  
March 14, 2014  
Version #1

**CITY OF SEATTLE**  
**ORDINANCE \_\_\_\_\_**  
**COUNCIL BILL 118064**

AN ORDINANCE relating 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.

WHEREAS, the Drinking Water State Revolving Fund (DWSRF) program is a partnership of the state and federal governments to make low-interest loans to public water systems for capital improvements aimed at increasing public health protection; and

WHEREAS, the Washington State Public Works Board is the entity responsible for providing financial assistance to local governments and tribes in Washington under the DWSRF; and

WHEREAS, Seattle Public Utilities applied for and has been awarded \$12,120,000 from the Public Works Board in the form of a low-interest loan; NOW, THEREFORE,

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

Section 1. The Director of the Seattle Public Utilities is authorized to accept, execute, deliver and perform on behalf of the City of Seattle the agreement for the following loan from the Washington State Public Works Board for the purposes described below, and is authorized to obligate the City to repay the loan according to the terms of the loan agreement. The funds, when received, shall be deposited in the receiving fund identified below to support, or as reimbursements for, spending on the purposes set forth in the loan agreement.

| Loan Provider                       | Purpose                       | Amount       | Receiving Fund     |
|-------------------------------------|-------------------------------|--------------|--------------------|
| Washington State Public Works Board | Morse Lake Pump Plant Project | \$12,120,000 | Water Fund (43100) |

Section 2. Any act consistent with the authority of this ordinance that is taken after passage of this ordinance but prior to its effective date is hereby ratified and confirmed.



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

4  
5 Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2014, and  
6 signed by me in open session in authentication of its passage this  
7 \_\_\_\_ day of \_\_\_\_\_, 2014.

8  
9  
10 \_\_\_\_\_  
11 President \_\_\_\_\_ of the City Council

12  
13 Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2014.

14  
15 \_\_\_\_\_  
16 Edward B. Murray, Mayor

17  
18  
19 Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2014.

20  
21 \_\_\_\_\_  
22 Monica Martinez Simmons, City Clerk

23  
24 (Seal)



**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

| <b>Department:</b>       | <b>Contact Person/Phone:</b> | <b>CBO Analyst/Phone:</b> |
|--------------------------|------------------------------|---------------------------|
| Seattle Public Utilities | Dan Enrico/4-7413            | Saroja Reddy/5-1232       |

**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 |
| <b>TOTAL</b>         |                          |                               |               |               |

**Spending/Cash Flow:**

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

\* 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:**





**City of Seattle**  
**Edward B. Murray**  
Mayor

April 1, 2014

Honorable Tim Burgess  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill that would authorize acceptance of a \$12.1 million loan from the Washington State Public Works Board for the Morse Lake Pump Plant project at Chester Morse Lake.

Chester Morse Lake, in the Cedar River Municipal Watershed, provides up to two-thirds of the region's average annual drinking water supply. The Morse Lake Pump Plant project consists of several major improvements, including a pumping facility and discharge pipelines to pump water from Chester Morse Lake to the outlet channel to meet in-stream and municipal demands. During drought conditions, the barge-mounted pump stations installed under the project could supply 240 million gallons of water daily. The total cost of the project is approximately \$50 million.

The Washington State Public Works Board helps local governments finance public works projects. To help manage costs to ratepayers, Seattle Public Utilities is diligent about seeking grants and loans to help fund major capital investments. Seattle was awarded this loan because the Morse Lake Pump Plant project ranked highly in the categories of health, safety and need.

This loan will help finance a critical project to maintain high quality drinking water and save our ratepayers about \$3.8 million in borrowing costs. Thank you for your consideration of this legislation. Should you have questions, please contact Dan Enrico at 206-684-7413.

Sincerely,

  
Edward B. Murray  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

