

Daniel Bretzke/Tony Kilduff
FAS JTF Loan Extension 2015-16 ORD
October 28, 2014
Version #4

CITY OF SEATTLE
ORDINANCE _____
COUNCIL BILL 118242

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AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 124038, 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 from this loan were to finance expenditures from the Cumulative Reserve Subfund, Unrestricted Account, related to the City's 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 Department of Finance and Administrative Services delayed preparing the property for sale to allow the Seattle Department of Transportation to evaluate the use of the site for purposes related to the Seawall Replacement Project; 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 suitable for sale or reuse by other City departments, along with those that are to be retained for the purpose of environmental stewardship; and

WHEREAS, the interest on the interfund loan has been accruing, with an estimated total accrual at the end of 2016 in the amount of \$3,815,229; and

WHEREAS, additional time is needed to review potential City departmental use of the property prior to offering the property for sale and for the subsequent repayment of the interfund loan; and

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

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

4 Section 1. In order to extend the term of a loan of \$10.48 million to the Cumulative
5 Reserve Subfund from the Consolidated Cash Pool, and to impose repayment terms should the
6 loan not be fully repaid by December 31, 2016, Section 3 of Ordinance 121179, as last amended
7 by Section 1 of Ordinance 124038, is hereby further amended as follows:

8
9 Section 3. (~~The entire principal loaned as authorized in Section 2, with interest~~
10 ~~thereon at the rate of return of the City's Consolidated Cash Pool, shall be repaid no~~
11 ~~later than December 31, 2014, unless extended by ordinance.~~) If the loan plus accrued
12 interest is not repaid in full by December 31, 2016, the jurisdictional department shall
13 begin repaying the City's Consolidated Cash Pool at least \$650,000 per year beginning
14 in 2017 until the loan plus accrued interest has been repaid.

15
16 Section 2. This ordinance shall take effect and be in force 30 days after its approval by
17 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
18 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 _____, 2014, and
signed by me in open session in authentication of its passage this
____ day of _____, 2014.

President _____ of the City Council

Approved by me this ____ day of _____, 2014.

Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

Monica Martinez Simmons, City Clerk

(Seal)

2015 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services	Hillary Hamilton 684-0421	Jennifer Devore 615-1328

Legislation Title:

AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 124038, 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 124038 by extending the deadline for repayment of principal and interest on a \$10.48 million interfund loan from December 31, 2014, to December 31, 2016.

Background:

Ordinance 121179 was originally passed in mid-2003 to support site acquisition and preconstruction activities of 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, 123481 and 124038 subsequently extended the term of the loan. The current extension expires on December 31, 2014.

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 interfund loan with the intent on repaying the loan with the proceeds from the sale of the surplus property. In 2006, 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. In subsequent years, Department of Finance and Administrative Services (FAS) staff has evaluated other potential municipal uses of the property, including a municipal jail, urban farming, and a Seattle City Light training facility. In 2013, the Seattle Department of Transportation also developed an option for use of the site related to the Seawall Replacement Project. In preparation for the property's eventual sale or City use, FAS obtained a wetland jurisdictional determination on the property from the Army Corps of Engineers in 2012. FAS is evaluating the site for other potential City uses.

FAS does not expect proceeds from any property sale or departmental transfer to be available to repay the loan prior to the December 31, 2014 expiration date and is therefore requesting an extension of the interfund loan to December 31, 2016.



Though not expressly addressed in the legislation, the loan extension will result in additional interest expense. The actual and forecast interest expenses for each year of the original \$10.48 million loan are shown in the table below.

**Summary Accrued and Estimated Interest on
 \$10.48 million 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	CAFR	0.0784	\$218,514
2013	CAFR	0.0675	\$94,819
2014	Estimate	0.00089	\$123,923
2015	Estimate	0.01320	\$187,226
2016	Estimate	0.03000	\$433,232

**Estimated Total Interest
 Liability: \$3,815,229**

The total estimated interest expense through December 31, 2016, is estimated to be \$3,815,229. Early repayment of the loan would reduce this cost. Total interest expense will also be higher or lower based on actual interest rates in 2015 – 2016.

Please check one of the following:

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 interfund loan only. The Department of Finance and Administrative Services will seek any necessary appropriations to repay this loan through future legislation and only on 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 2016 is approximately \$3,815,229.

Total Revenue Notes: None

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
This legislation will provide additional time to evaluate other City uses of the property.

b) **What is the financial cost of not implementing the legislation?**

Absent this legislation to extend the loan repayment deadline, the Department of Finance and Administrative Services would have to request funds to repay the loan by December 31, 2014.

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?**

Scarce general government funds would need to be redirected from their intended use to repay the loan by December 31, 2014.

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.

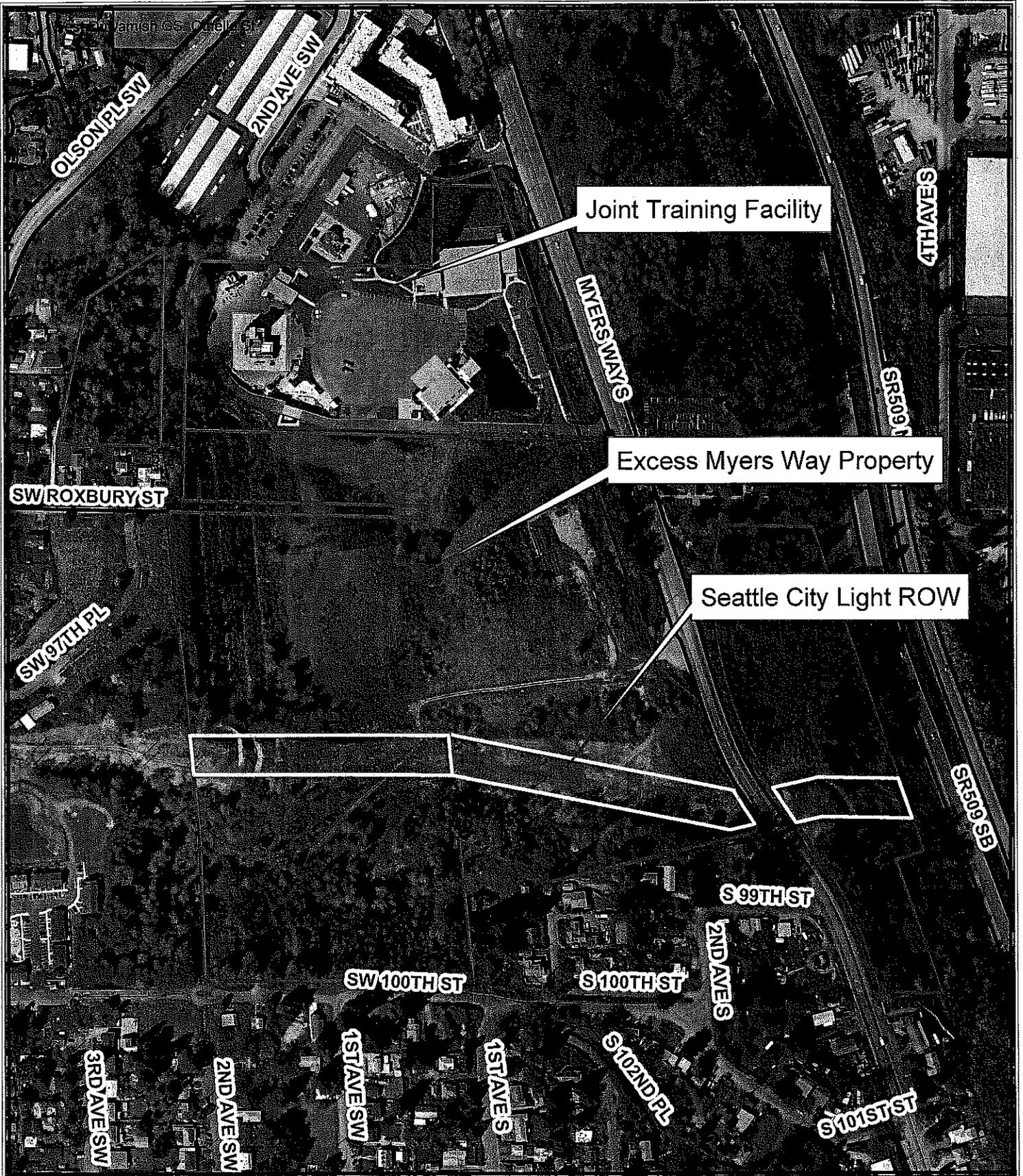
g) **Does this legislation affect a piece of property?** Yes. Please see attachment A for a location map.

h) **Other Issues:** None

List attachments to the fiscal note below:

Attachment A: Location Map





Joint Training Facility Myers Way Property





City of Seattle
Edward B. Murray
Mayor

September 22, 2014

Honorable Tim Burgess, President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am transmitting the attached proposed Council Bill for consideration with the 2015-16 Proposed Budget. This legislation will extend by two years the deadline for repayment of a \$10.48 million interfund loan from the City's Consolidated Cash Pool to the Cumulative Reserve Sub-fund to December 31, 2016. This loan was originally initiated to provide temporary funding to support site acquisition and pre-construction activities for the Joint Training Facility (JTF) at 9401 Myers Way South.

The original interfund loan was authorized by Ordinance 121179 in 2003 and last amended by Ordinance 124038 in 2012. At the time the JTF was being constructed, the City was required to purchase more property than what was needed for the JTF Project and borrowed the total purchase price, in part, through an interfund loan. Funds to repay the interfund loan are expected to come from proceeds from the sale of excess City-owned property at the JTF site. In 2006, under ordinance 122308, the City Council declared the property surplus and authorized its sale, although the sale was never completed due to environmental permitting issues coupled with the economic downturn. Since that time, Department of Finance and Administrative Services (FAS) staff has worked to improve the development potential of the site. In 2013, the Army Corps of Engineers issued a wetland Jurisdictional Determination, which clarifies the area suitable for development and thereby increases the value of the property. FAS is currently evaluating the site for potential City uses.

A property sale or a determination that the property could be used by other City departments is not possible prior to the loan's current expiration date of December 31, 2014 and, therefore, we respectfully request that the interfund loan be extended through December 31, 2016. Thank you for your consideration of this legislation. Should you have questions, please contact Hillary Hamilton at 684-0421.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward B. Murray".

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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