

SUMMARY and FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
FAS/SCL	M. Van Dyck 4-8347 K. Grainger 4-3713	S. Reddy 5-1232 G. Shiring 6-4085

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuance of those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; ratifying and confirming certain prior acts; and amending certain definitions set forth in the Omnibus Refunding Bond Ordinance relating to municipal light and power revenue bonds.

Summary and background of the Legislation: This legislation provides the legal authorization to issue up to \$280 million of bonds for Seattle City Light's System to fund a portion of capital expenditures outlines in the Adopted 2015-2020 Capital Improvement Program (CIP).

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.

Seattle City Light is planning to sell the bonds in August 2016 and up to \$100 million could be in the form of variable rate debt. The bond proceeds, combined with internally generated funds, will support Seattle City Light's capital program for about 11 months.

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

Both proposed issues are for a maximum maturity of 30 years. The fixed rate issue is expected to have an interest rate of about 5.0% (dependent on market conditions) and an annual debt service (principal and interest payment) of about \$11.6 million starting in 2017. No debt service on this issue is expected in 2016. For the variable rate issue, monthly interest payments will commence one month after issue; the amount of interest paid will vary with market interest rates. Seattle City Light is assuming an interest rate of about 2.0% and annual debt service of \$0.5 million in 2016 and \$3.7 million in 2017. SCL's 2016 adopted rates incorporate the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include generator rebuilds, existing network

upgrades, relocating electrical service to accommodate transportation projects, advanced metering infrastructure, and construction of the new Denny substation. For further information about SCL’s capital projects, please see the Adopted 2015-2020 CIP.

Bond Financing Required:

Type	Up to Amount	Assumed Interest Rate	Term	Timing	Expected Annual Debt Service/Payment in 2017
Variable Rate	\$100 million	2.0%	30 Year	Aug 2016	\$3.7 million
Fixed Rate	\$180 million	5.0%	30 Year	Aug 2016	\$11.6 million
TOTAL	\$280 million	N/A	30 Year	Aug 2016	\$15.3 million

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
 Seattle City Light will be obligated to pay debt service on these bonds through their term.
- b) **Is there financial cost or other impacts 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.
- 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) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

No

- h) If this legislation includes a new initiative or a major programmatic expansion:
What are the long-term and measurable goals of the program? Please describe how
this legislation would help achieve the program's desired goals.**

N/A

- i) Other Issues:**

List attachments below: