



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

May 16, 2011

Motion 13477

Proposed No. 2011-0150.2

Sponsors Patterson

1 A MOTION adopting a revised general fund debt
2 management policy as required by proviso in the 2011
3 Budget Ordinance 16984, Section 18, Proviso P4; and
4 rescinding Motion 11196.

5 WHEREAS, the 2011 Budget Ordinance, Ordinance 16984, Section 18, Proviso
6 P4, required that \$100,000 of the appropriation for the office of performance, strategy
7 and budget not be encumbered or expended until the executive transmits legislation
8 revising the county's general fund debt management policies and the council adopts
9 legislation that references the proviso's ordinance, section and number and states that the
10 executive has responded to the proviso, and

11 WHEREAS, the executive has responded to the proviso by submitting the motion
12 herein, and

13 WHEREAS, the following policies are enacted to maintain standard and rational
14 practices for the issuance and management of general fund debt by King County, and

15 WHEREAS, these policies are designed to provide guidance in selecting projects
16 for debt financing, maintaining the county's credit rating, reducing issuance costs,
17 identifying how much of general fund resources should go to projects that require debt
18 financing, and to provide complete financial disclosure and reporting, and

19 WHEREAS, the county's general fund debt policy is that the level of pay as you
20 go versus debt to finance the county's capital improvement program should be based on
21 asset type, intergenerational equity, policy priorities and market conditions, and

22 WHEREAS, Motion 11196 established basic general fund debt policies including
23 defining general fund debt obligations, the purposes and uses of debt, rating goals and
24 debt capacity, debt structure and debt administration and established an advisory panel;

25 NOW, THEREFORE, BE IT MOVED by the Council of King County:

26 A. Motion 11196 is hereby rescinded.

27 B. The following general fund debt management policies are adopted

28 **1. Definition.** For the purposes of this motion "general fund debt obligations"
29 means fixed payment term obligations (such as limited tax general obligation debt, lease
30 purchase debt and capital equipment leases) that are not recoverable from direct charges
31 to benefiting non-general fund agencies and that are expenses that create fixed
32 obligations against tax revenues otherwise available for general fund operating programs.
33 General fund debt obligations include general fund supported limited tax general
34 obligation ("LTGO") debt, other general fund supported debt not paid directly from
35 property taxes, general fund supported capital lease payments, and the portion of non-
36 general fund debt recovered by central charges to the general fund.

37 **2. Requirements, purposes and use of debt.**

38 a. Debt-financed projects must comply with all county planning requirements
39 and applicable King County codes except in cases of emergency.

40 b. Debt shall be used only for projects that have been part of a capital planning
41 process except in cases of emergency.

42 c. A debt-financed project shall add to the physical infrastructure and capital
43 assets of the county or enhance the productive capacity of county services. Examples of
44 these types of projects are technology and telephone installations and upgrades, buildings
45 and building rehabilitations, and selected maintenance projects.

46 d. Bond proceeds should be used only for permanent financing of the costs of
47 planning, design, land acquisition, buildings, permanent structures, attached fixtures or
48 equipment, and other capital items such as equipment or major information technology
49 systems with a useful life of three years or longer. The terms of the debt will not exceed
50 the estimated useful life of the asset(s) being financed.

51 e. Exceptions may be made for certain large non-recurring expenses such as
52 judgments or settlements that require multiyear financing provided the term of repayment
53 does not exceed five years.

54 **3. Credit objectives.** The county seeks to maintain its current LTGO ratings of
55 AA+ from Fitch, Aa1 from Moody's and AAA from Standard and Poor's. The highest
56 possible rating will be sought so long as it does not impair the ability of the county to
57 provide basic services and achievement of other county objectives.

58 **4. Debt capacity.** To maintain the ratings listed in subsection B.3 of this
59 motion, the county adheres to the following guidelines in deciding how much additional
60 county general fund supported debt will be issued in a fiscal year.

61 a. Total limited tax general obligation debt shall not exceed the statutory and
62 constitutional limitations imposed by the state.

63 b. Required annual adjusted general fund debt obligations shall not exceed six
64 percent of general fund total revenue collected. The calculation shall be in accordance
65 with Attachment A to this motion.

66 c. The county may exceed this limit in the event of an emergency, as defined in
67 K.C.C. chapter 12.52.

68 **5. Debt structure.**

69 a. Unless otherwise deemed appropriate, the county shall seek to structure debt
70 to produce level annual debt service (principal and interest) payments over the life of
71 each project being financed.

72 b. The county may use interim financing such as bond anticipation notes in
73 anticipation of a future bond issue. The interim financing shall not have maturities
74 greater than two years. One-year notes may not be rolled more than once unless the
75 second and any subsequent rollovers are approved in advance by the executive finance
76 committee. Except in cases of emergency, the interest on interim financing should be
77 paid on a pay-as-you-go basis and not from proceeds from a subsequent sale of new debt.

78 **6. Debt administration and process.** The office of performance, strategy and
79 budget will prepare an annual six-year debt plan (with current year, proposed year and
80 four out-years) and present this plan as part of the annual budget. The plan will identify
81 and project current, proposed and future debt; identify and forecast relevant revenue
82 measures against which compliance with the debt service limitation will apply; provide
83 sufficient information to demonstrate compliance with debt policies and identify any
84 required proposed or pending exceptions.

85 **7. Review.** The executive finance committee is responsible for reviewing the

86 general fund debt management policy and recommending any policy changes to the
87 executive and county council for approval.

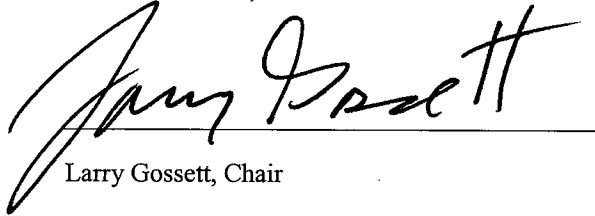
88 C. No later than June 30, 2020, the executive shall review the current debt
89 condition of the county, and submit to the council a motion reaffirming the policies in
90 section B.1. to B.7. of this motion, recommending changes to these policies or
91 recommending new policies as appropriate.

92 D. This motion remains in effect until the earlier of council adoption of the
93 motion described in section C. of this motion, or January 1, 2021.
94

Motion 13477 was introduced on 4/11/2011 and passed by the Metropolitan King County Council on 5/16/2011, by the following vote:

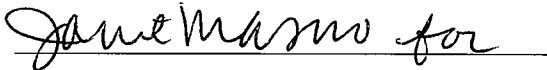
Yes: 8 - Mr. Phillips, Mr. Gossett, Ms. Hague, Ms. Patterson, Ms. Lambert, Mr. Ferguson, Mr. Dunn and Mr. McDermott
No: 0
Excused: 1 - Mr. von Reichbauer

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Gossett, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments: A. General Fund Debt Limit Calculation

Attachment A: General Fund Debt Limit Calculation

The General fund debt limit provides that adjusted debt obligations divided by total actual general fund revenue collected shall not exceed 6%. In order to calculate the limit, the following details are provided:

A. General fund debt obligations shall include:

1. Existing general fund debt service
2. General fund supported debt not paid directly from property taxes
3. General fund capital lease (63-20) obligations
4. General fund portion of debt recovered by central rates, reduced by specific revenues that offset debt service either through the general fund overhead charge or service charges to outside entities.

B. The debt limit calculation will be the adjusted general fund debt obligation divided by total general fund revenue, where:

1. The adjusted general fund debt obligation value will include:
 - a. Existing general fund debt service
 - b. General fund supported debt not paid directly from property taxes
 - c. General fund capital lease (63-20) obligations
 - d. General fund portion of debt recovered by central rates, not reduced by specific revenues that offset debt service since these revenues are included in total general fund revenues.
2. General fund revenue will be total actual revenue collected including property tax revenue used for general fund debt service.