



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**May 8, 2001**

**Motion 11196**

**Proposed No. 2000-0394.2**

**Sponsors Nickels and McKenna**

1                   A MOTION enacting practices for the issuance and  
2                   management of the King County General Fund Debt Policy.

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5                   WHEREAS, the following policies are enacted to maintain standard and rational  
6                   practices for the issuance and management of general fund debt by King County. These  
7                   policies are designed to provide guidance in selecting projects for debt, to maintain the  
8                   county's credit rating, to reduce issuance costs and to provide complete financial  
9                   disclosure and reporting, and

10                  WHEREAS, the county's general policy is that "pay-as-you-go" funding is the  
11                  preferred method of financing for the county's Capital Improvement Program. This is  
12                  particularly true for rehabilitation and major maintenance of facilities, equipment  
13                  acquisitions and costs of acquiring and installing computer software. Debt should be  
14                  used in those circumstances in which the investment is necessary and cost-effective and  
15                  cash flow circumstances require multiyear financing;

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

17           A. “General fund debt obligations” definition. For the purposes of this motion,  
18 “general fund debt obligations” means fixed payment term obligations (such as limited  
19 general obligation debt, lease purchase debt and capital-equipment leases) that are not  
20 recoverable from direct charges to benefiting non-current expense fund agencies and are  
21 expenses which will create fixed obligations against tax revenues otherwise available for  
22 current expense fund operating programs. “General fund debt obligations” includes CX  
23 LTGO debt and all functional equivalents (such as lease purchase or installment  
24 purchase).

25           B. Purposes and use of debt.

26           1. Debt-financed projects must comply with all county planning requirements  
27 and applicable King County codes except in cases of emergency.

28           2. Debt will be used for projects that have been part of systematic capital  
29 planning process. The county will adopt a six-year CIP plan as well as prepare a  
30 Comprehensive Plan pursuant to the Growth Management Act. The county’s six-year  
31 CIP will be in compliance with the county’s Comprehensive Plan.

32           3. The project shall have a reasonably long useful life, add to the physical  
33 infrastructure and capital assets of the county or enhance the productive capacity of  
34 county services. Examples of these types of projects are roads, utilities, buildings and  
35 parks.

36           4. Borrowing will be used only for investments whose useful life equals or  
37 exceeds the term of the debt.

38           5. Bond proceeds should be limited to financing the costs of planning, design,  
39 land acquisition, buildings, permanent structures, attached fixtures or equipment and

40 other capital items such as equipment or major information technology system with a  
41 useful life of five years or longer.

42 6. Exceptions may be made for judgments or settlements that require multiyear  
43 financing provided the term of repayment does not exceed five years.

44 7. Projects have definable beginnings and ends.

45 8. Revenues are not available from other financing sources, such as grants, or  
46 from voter-approved sources.

47 C. Rating goals. The county seeks to maintain its rating of Aa1. The highest  
48 possible rating will be sought so long as it does not impair the ability of the county to  
49 provide basic services and achievement of other county objectives.

50 D. Debt capacity. To maintain the Aa1 rating, the county adheres to the  
51 following guidelines in deciding how much additional county limited term general  
52 obligation debt will be issued in a fiscal year.

53 1. Total LTGO debt shall be kept within the 1.5 percent of assessed value  
54 limitation in the State Constitution.

55 2. Required annual debt service payments shall not exceed five percent of the  
56 general fund's net revenue available for debt service, as described in Adopted Financial  
57 Policy #1. This policy, in Motion 5888, passed January 3, 1984, prescribes that the  
58 county's financial plan should provide for an anticipated year-end undesignated current  
59 expense fund balance of six percent of estimated annual revenues.

60 3. The county shall endeavor to have debt service payments be below this five  
61 percent cap.

62           4. The county may exceed this five percent cap in the event of an emergency, as  
63 defined in K.C.C. chapter 12.52.

64           5. Receipts backing debt service and leases shall be deducted from the costs in  
65 the above calculation.

66           E. Debt structure.

67           1. The county will seek to structure debt with level principal and interest  
68 payments over the life of the debt.

69           2. The county can use interim financing in anticipation of a limited or unlimited  
70 bond issue. The financing should not have maturities greater than two years.

71           F. Debt administration and process. The county will prepare an annual six-year  
72 debt plan and present this plan as part of the annual budget. This plan will identify and  
73 project current, proposed and future debt; identify and forecast relevant revenues  
74 measures against which compliance of the five percent restriction will apply, provide  
75 sufficient information to demonstrate compliance with debt policies and identify any  
76 required proposed or pending exceptions.

77           G. Advisory panel.

78           1. The county will appoint a five member advisory panel to review the annual  
79 general fund LTGO. Two members of the panel will be appointed by the county  
80 executive and three members will be selected by the King County council. Members  
81 shall be selected based on their knowledge of capital financing and government  
82 budgeting.

83           2. The purpose of the advisory panel will be to review our general fund debt  
84 policies, review for compliance with our general fund debt policies, examine trends in the

85 general fund LTGO debt service financial plan and make recommendations to the council  
86 and executive in each of these areas.

87 3. The advisory panel shall convene in the first quarter of every even-numbered  
88 year. Recommendations of the advisory panel shall be forwarded to the council by April  
89 30 of every even-numbered year.

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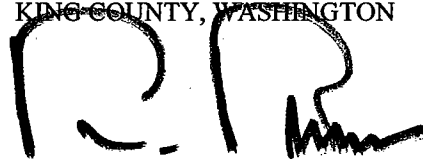
Motion 11196 was introduced on 7/5/00 and passed by the Metropolitan King County Council on 5/7/01, by the following vote:

Yes: 13 - Mr. von Reichbauer, Ms. Miller, Ms. Fimia, Mr. Phillips, Mr. Pelz, Mr. McKenna, Ms. Sullivan, Mr. Nickels, Mr. Pullen, Mr. Gossett, Ms. Hague, Mr. Thomas and Mr. Irons

No: 0

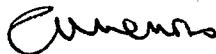
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



Pete von Reichbauer, Chair

ATTEST:



Anne Noris, Clerk of the Council

Attachments None