The Why, What and How of King County's WIFIA Loan

Western States Water Council

August 2, 2018

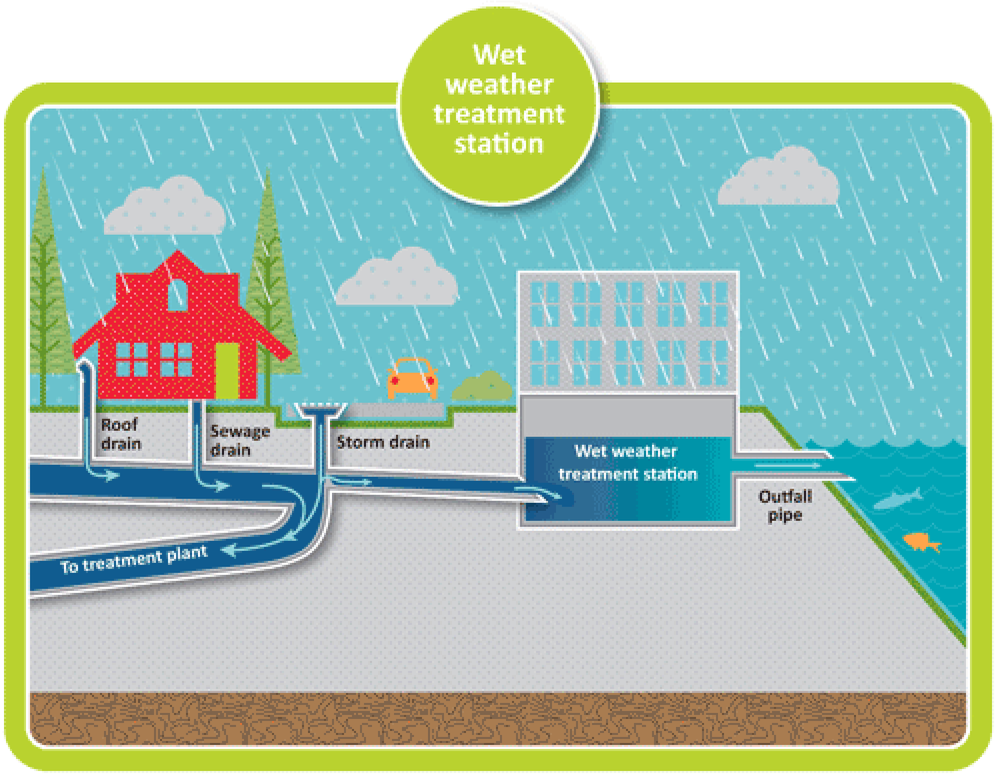
King County
Department of
Natural Resources and Parks
Wastewater Treatment Division

Why WIFIA? Savings & Certainty

- $30.4M in savings, $22.5M present value benefit, 16.8% of loan amount.
- The WIFIA rate on 4/19/18 was 1.02% lower than a tax-exempt issue; our lowest 30-year borrowing cost.
- Washington SRF rates likely to be lower than WIFIA rate, but limited funding with no guarantees.
- $134.5M at 3.06% is now available through the end of 2023.

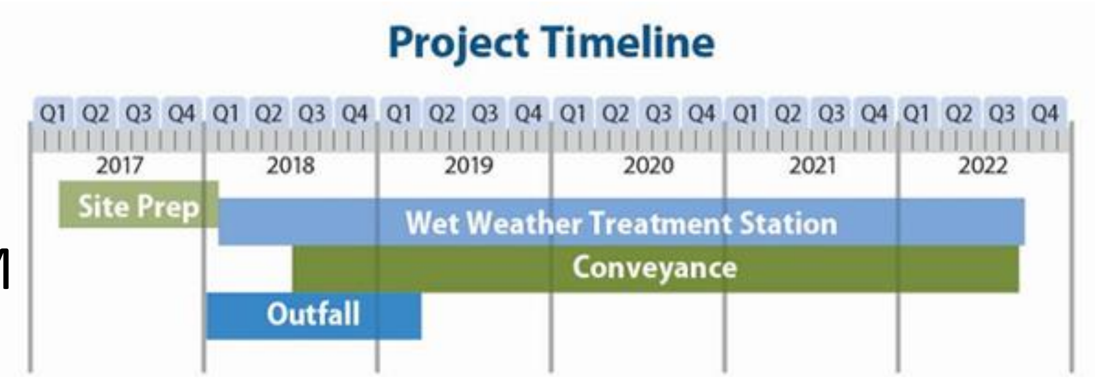
What? The Georgetown Wet Weather Treatment Plant

- WTD's largest project at $262M in $1.6B planning period
- Mandated under consent decree – will treat 70MGD of wastewater a day, reducing CSO's down to one-per-year based on 20-yr rolling average
  - Primary treatment followed by UV disinfection for two overflow locations
- As of April 2017 LOI:
  - Achieved 90% design
  - Awarded demolition contract
  - Submitted application for Envision sustainability rating
  - Incurred $42M
  - Completing property acquisition



What? The Georgetown Project

- Traditional DBB procurement
- Contracts for:
  - Treatment: $96.2M
  - Outfall: $4.7M
  - Conveyance: $16.7M

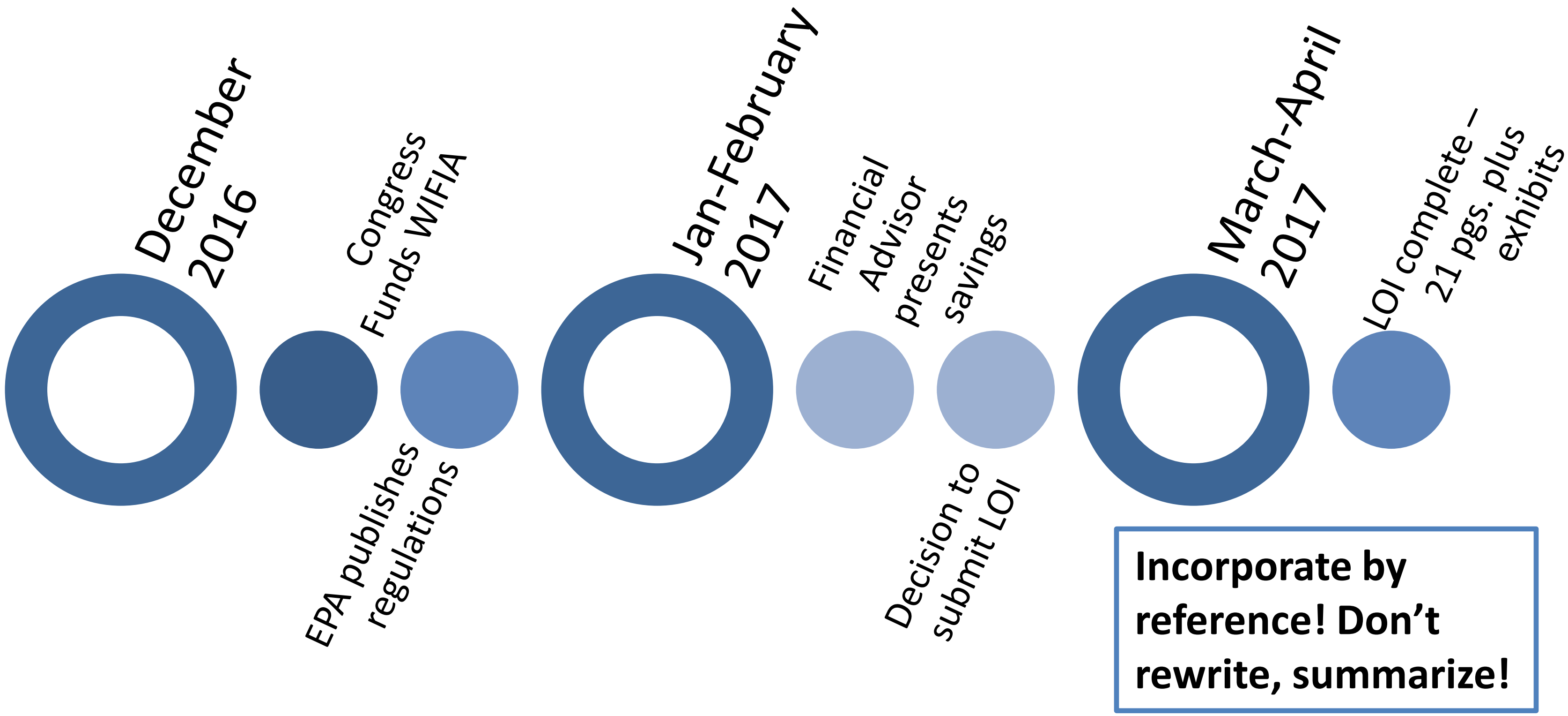


- 51% non-WIFIA portion will be financed through WTD's usual methods:
  - $11.3M SRF loan for fy 2019. Potential for more.
  - Cash and fixed-rate senior lien bonds.

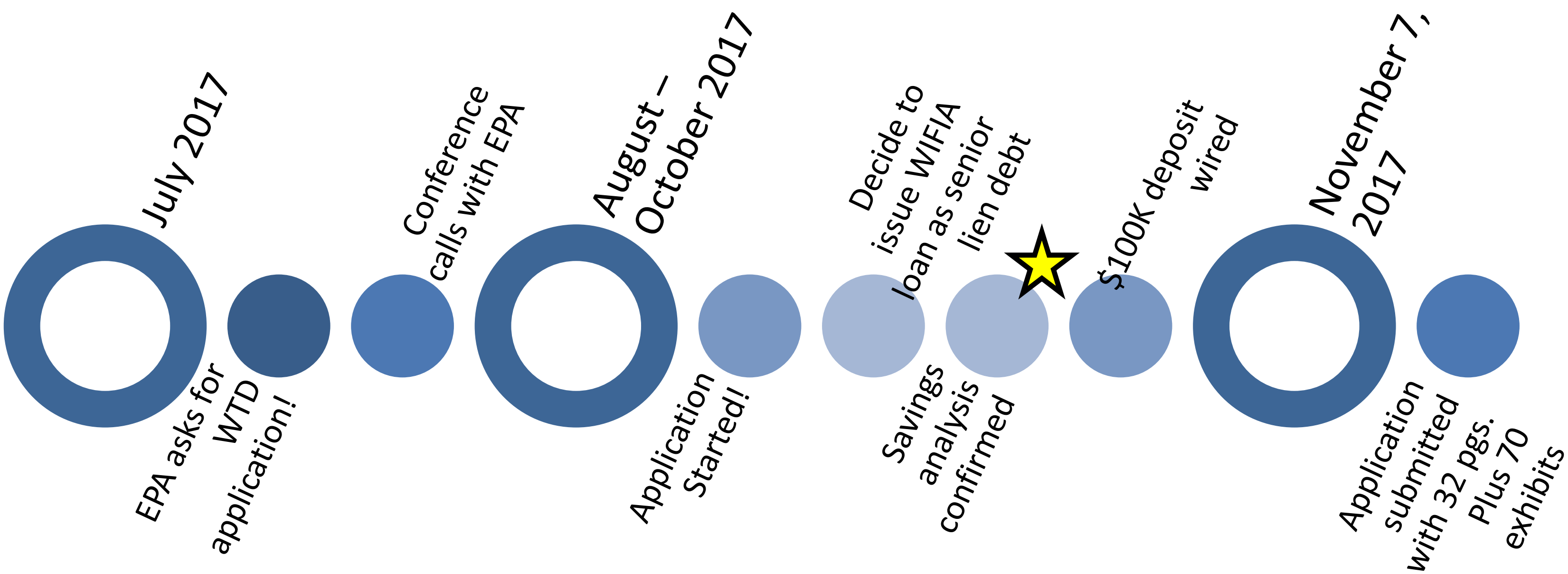
How We Did It

- Letter of interest and application done without the assistance of outside consultants.
- Wastewater Treatment Division (WTD) has a deep bench.
  - Full-time grant administrator
  - Capital budget analyst
  - Environmental specialist for NEPA compliance
- Procurement documents had previously incorporated many federal requirements.
- Project documentation needed to be summarized, not created.

How We Did It - Timeline



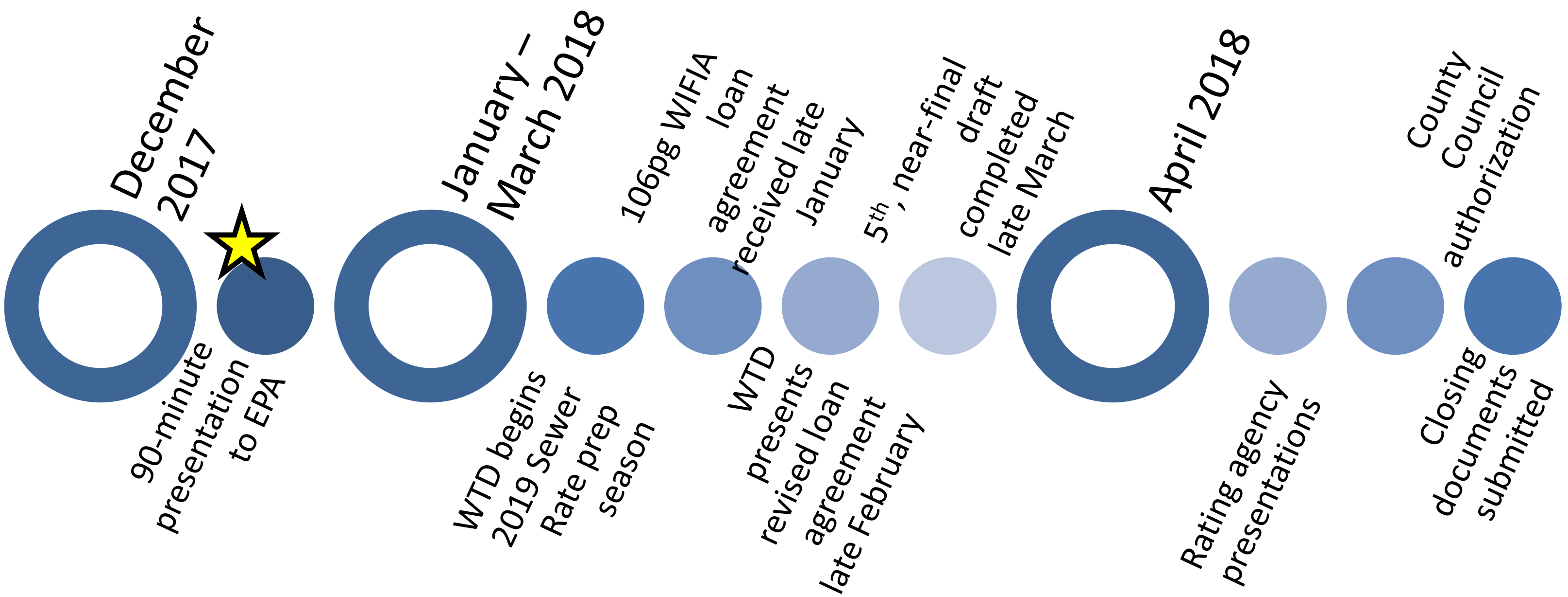
How We Did It - Timeline



Significant Coordination between:
Project managers, in-house counsel, risk managers, finance officer, and permit managers.

Bond Sale

How We Did It - Timeline



Priced and closed on 4/19!

☆ *Bond Sale*

What is Next?

- Draws will be delayed to defer interest payments.
  - WIFIA funding is available until one year after substantial completion.
  - WTD will use a $141M legal settlement or interim financing to delay draws.
- Loan compliance
  - Monthly project reporting.
  - Annual financial forecasts, coinciding with adoption of 2019 sewer rate.
  - Share bond transcripts, rating letters, official statements with EPA.

Lessons Shared

- WIFIA is great! EPA staff are professional, helpful and knowledgeable. EPA wants the program to succeed.
- Have a good project.
  - Large, but not one that places your system at risk.
  - Have skin in the game. Show that significant costs have been incurred. Most project costs incurred prior to LOI are WIFIA eligible and can be reimbursed.
  - After this next round, look at the type of projects that EPA has asked for applications. Does your project fit the profile?
  - Talk to EPA about your project.