



King County

Department of Natural Resources and Parks

Wastewater Treatment Division

King Street Center, KSC-NR-0500
201 South Jackson Street
Seattle, WA 98104-3855

June 6, 2017

Mr. Daniel Thompson
Department of Ecology
Water Quality Program - Financial Management Section
PO Box 47600
Olympia WA 98504-7600

Re: Proposed Rulemaking for WAC 173-98, Uses and Limitations of the
Water Pollution Control Revolving Fund

Dear Mr. Thompson,

The Wastewater Treatment Division of King County, Washington, (WTD) is pleased to provide comments on two proposed amendments to section 173-98 of the Washington Administrative Code.

WAC 173-98-400 Loan interest rate.

The proposed amendment reads as follows:

WAC 173-98-400 Loan interest rates.

- (1) Interest will accrue on each disbursement as it is paid to the recipient. This is "deferred interest." Deferred interest is added to the principal at project completion.
- (2) The department bases loan interest rates on the average market interest rate. The average market interest rate is:
 - (a) Based on the daily market rate published in the bond buyer's index for tax-exempt municipal bonds; and

As stated in the annual Final Water Quality Funding Offer List and Intended Use Plan, loan interest rates are based on the 11 Bond G.O. Index, a weekly index published by The Bond Buyer. WTD recommends that section (2) above be revised to match the language in the Intended Use Plan so that the regulation conforms to what has been department practice.

WAC 173-98-450 Loan reserve requirements.

WTD currently maintains \$10.3 million of reserves for its revolving fund loans and, under its current loan agreements, must accumulate an additional \$8.0 million by 2020. WTD is pleased that for future loan agreements, the Department is proposing that the creation and funding of a reserve account will be at its discretion rather than a requirement. The proposed change, however, does not relieve WTD from maintaining and accumulating \$18 million of reserves on its existing loans. These are funds that, if made available for its capital program, would reduce WTD's need for external financing and improve its overall credit quality.

WTD recommends that the proposed rule change include a provision that would allow the department to waive the reserve requirement on existing loan agreements for borrowers that have a rating of at least Aa3 by Moody's Investor's Service or AA- by S&P Global Ratings or Fitch Ratings Service. Given the high credit quality associated with the wastewater sector and with bond ratings in these categories, the department can be confident that the financial strength of the Water Pollution Control Revolving Fund will not be impaired. Eliminating the reserve requirement on existing loan agreements would also be consistent with the practices of other state revolving funds. The department may wish to consult the Public Works Trust Fund, which when it changed the debt service payment date on its loans to June 1 from July 1, amended Public Works loan agreements by requesting borrowers to simply sign a letter that confirmed the change in the payment date.

Thank you for the opportunity to provide these comments.

Very truly yours

Wastewater Treatment Division
King County, Washington

A handwritten signature in cursive script that reads "Daniel Kaplan".

Daniel Kaplan
Financial Services Administrator