

# Procedures for Failed Remarketing of the King County Wastewater Treatment Division's (WTD) Commercial Paper Program

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**December 15, 2020**

## *Purpose*

The purpose of this document is to describe King County's procedures related to providing self-liquidity for commercial paper notes in the event of a failed remarketing.

## *Authorization of Commercial Paper Program*

The commercial paper notes issued under this program have been authorized by Ordinance 19114, Ordinance 18898, and Motion 15771 and issued pursuant to the Issuing and Paying Agent Agreement (Mode Agreement) between King County ("County") and U.S. Bank, National Association ("Paying Agent"). Each capitalized term not otherwise defined herein shall have the same meaning given to that term in the Ordinance or, to the extent not defined in the Ordinance, the Sale Motion or the Issuing and Paying Agent Agreement (Mode Agreement). Should there be any inconsistency between these procedures and the authorizing documents, the authorizing documents shall prevail.

## *Introduction*

The cumulative maximum amount of Commercial Paper that can be issued is \$250 million, of which \$25 million may mature on any given day and \$50 million may mature in a calendar week (i.e., Monday through Friday). The County monitors these maximum maturity levels and may change them to meet operational needs. To the extent possible, overnight rolls are to be avoided. Additionally, there are several days and periods to be avoided for rolls and maturity dates, if possible, including: County holidays, large debt service days (first business day of January, June, July, and December), tax distribution days to Washington State on May 20 and November 20 (next business day if the 20th is a weekend), last business day of any month, and late December (low market liquidity conditions).

In the event of a failed remarketing of the outstanding commercial paper for WTD, it may become necessary for the County to fund the commercial paper that was not remarketed. The following steps outline the timing of actions that will take place in such an event.

**All times referenced are Pacific Time (PT).**

### *Shortfall Notice and Deposit of Funds Procedures*

1. **Shortfall Notice:** The Dealer will notify the Paying Agent and the County's Treasury Operations team ("Treasury Team") of any difference between the amounts of commercial paper maturing on that day ("Notice Date") and the amount which the Dealer has arranged to sell ("Shortfall Notice") by **9:00 am PT**. Contact information for the Treasury Team is included in Appendix A. The Paying Agent shall promptly confirm the required funding amount ("Funding Amount") with the Treasury Team by **9:30 am PT**. Notice and confirmation shall be made by both phone and email.
2. **Funding:** Promptly after confirming the Funding Amount with the Treasury Team, the Paying Agent will transfer funds sufficient to cover the Funding Amount from the Treasury Section Main Account with the Paying Agent. The Paying Agent will deposit said amount into an account designated as the repository of the fund earmarked to pay the commercial paper. The Treasury Team's Investment and Debt Management unit ("Investment Team") will then instruct its investment counterparties and custodian banks to reduce investment balances or sell securities to generate cash to cover the Funding Amount.
3. **DTC Settlement:** The Paying Agent will apply the deposit of funds no later than **11:30 am PT** on the Notice Date to pay the owners of the commercial paper maturing on that day.
4. **Deposit of Funds:** No later than **2:30 pm PT** on the Notice Date, the County will have sufficient funds in the Treasury Section Main Account with the Paying Agent to cover the Funding Amount.

### *Operating Procedures for Liquidity and Funding Sources*

The Investment Team is responsible for managing the liquidity process and will facilitate these transactions with the County's investment counterparties and banks in accordance with the Investment Policy for the King County Investment Pool ("KCIP").

Promptly upon receipt of the Shortfall Notice, the Investment Team is authorized to access bank cash balances, lines-of-credit, and investments of the KCIP in order to deliver the required funds to the Paying Agent.

The County's banking services provider has approved a line-of-credit for daylight overdrafts of \$440 million. This line-of-credit allows the County to immediately wire the required cash to the Paying Agent before it receives cash from its investment custodian banks or from the Local Government Investment Pool ("LGIP") operated by the Washington State Treasurer's Office.

## Procedures:

- At least one business day before a commercial paper maturity date, the Investment Team will notify its overnight repurchase agreement counterparties and the LGIP that balance reductions may be necessary to fund a failed remarketing. The Investment Team will also begin considering which option it will likely use in case of a failed remarketing.
- On the morning of a commercial paper maturity, the Investment Team will decide which of the options to use. The procedures for each option are outlined below:
  - **Repo:** The Investment Team will provide the County's overnight repurchase agreement provider with a tentative dollar amount, also known as circling an amount. This will typically occur around 6:45 am PT.
    - If no Shortfall Notice is received by 9:30 am PT, the Investment Team will finalize the circled amount with the investment dealer and follow its normal procedures.
    - If a Shortfall Notice is received, the Investment Team will reduce the circled amount by the amount necessary to cover the Funding Amount.
  - **LGIP:** Before 7:00 am PT, the Investment Team will notify LGIP staff that a late withdrawal from the LGIP may be necessary.
    - If no Shortfall Notice is received by 9:30 am PT, the County will notify the LGIP that no withdrawal will be necessary.
    - If a Shortfall Notice is received, and the County will not have sufficient cash from repo reductions or securities sales to satisfy the Funding Amount, the Investment Team will notify the LGIP that a withdrawal will be necessary.
  - **Security Sales:** If reductions in repo balances or withdrawals from the LGIP are not an available or attractive option, the Investment Team will select securities for possible sale that can be settled on a same-day basis.
    - If no Shortfall Notice is received by 9:30 am PT, no action is required.
    - If a Shortfall Notice is received, and the County will not have sufficient cash from other sources to satisfy the Funding Amount, the Investment Team will obtain bids from its investment dealers and execute the sale with the most competitive bid for the selected security. Transaction details will then be transmitted to the County's safekeeping bank for settlement.

If it is apparent that the failed remarketing is not a one-day phenomenon but a continuing situation, then enough funds will be raised and coordinated with the maturity date(s) of the outstanding commercial paper.

*Notification within King County – Appendix B*

Promptly upon receipt of a Shortfall Notice, the Investment Team will notify:

1. Members of the Executive Finance Committee (“EFC”)
2. Department Director, Department of Natural Resources and Parks (“DNRP”)
3. Financial Services Manager, WTD

*Notification to the Ratings Agencies – Appendix C*

The Debt Manager will notify the rating agencies if:

1. There is a draw on the County’s self-liquidity program, as described in this letter;
2. A Dealer or the Paying Agent resigns or is replaced;
3. Either the authorizing sale motion or ordinance for the notes is amended or supplemented;
4. A Liquidity Facility or Credit Enhancement is provided for the notes;
5. There has been a termination of the note program; or
6. A written agreement between the County and a Dealer, Paying Agent, Liquidity Provider, or Credit Provider is amended, supplemented, extended, terminated, or expired or replaced.

## **Appendix A: King County Treasury and Investment Team Contact Information**

**Carol Basile**

**Treasury Manager**

*Carol.Basile@kingcounty.gov*

206-263-9255

**Nigel Lewis**

**Debt Manager**

*Nigel.Lewis@kingcounty.gov*

206-263-2857

**Mike Smith**

**Chief Investment Officer**

*Mike.Smith@kingcounty.gov*

206-263-2866 (o)

206-790-1972 (c)

**Christine Denis**

**Portfolio Manager**

*Christine.Denis@kingcounty.gov*

206-263-2846 (o)

206-200-1214 (c)

**Janice Park**

**Business and Finance Officer III**

*Janice.Park@kingcounty.gov*

206-263-2851 (o)

## **Appendix B: Notifications within King County**

### **EFC Members**

**Councilmember Jeanne Kohl-Welles, Chair**

*Jeanne.Kohl-Welles@kingcounty.gov*

**206-477-1004**

**Dwight Dively, Director, Office of Performance, Strategy and Budget**

*Dwight.Dively@kingcounty.gov*

**206-263-9687**

**Caroline Whalen, County Administrative Officer**

*Caroline.Whalen@kingcounty.gov*

**206-263-9760**

**Ken Guy, Director, Finance and Business Operations Division**

*Ken.Guy@kingcounty.gov*

**206-263-9254**

### **Department Director, DNRP**

**Christie True**

*Christie.True@kingcounty.gov*

**206-477-4550**

### **Financial Services Manager, WTD**

**Hiedi Popochock**

*Hiedi.Popochock@kingcounty.gov*

**206-477-1842**

## **Appendix C: Notifications to Rating Agencies**

### **Standard & Poor's:**

**Marissa Zuccaro**

***Marissa.Zuccaro@spglobal.com***

**303-721-4762**

**Chris Morgan**

***Chris.Morgan@spglobal.com***

**415-371-5032**

**Guyna G. Johnson**

***Guyna.Johnson@spglobal.com***

**212-438-5059**

**Tim Tung**

***Tim.Tung@spglobal.com***

**415-371-5041**

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## **Appendix C: Notifications to Rating Agencies (continued)**

### **Moody's Investors Service**

**Joann Hempel**

***Joann.Hempel@moodys.com***

**212-553-4743**

**Chandra Ghosal**

***Chandra.Ghosal@moodys.com***

**212-553-1095**

**Tom Jacobs**

***Thomas.Jacobs@moodys.com***

**212-553-0131**

**Will Oh**

***William.Oh@moodys.com***

**415-274-1739**



## **Appendix D: Dealer and Issuing and Paying Agent Contact Information**

### **Dealer:**

**BofA Securities, Inc.**

**One Bryant Park, Ninth Floor**

**New York NY 10036**

**Attention: Tax Exempt Money Market Desk**

**Telephone: 212-449-5101**

**Facsimile: 646-736-6960**

***DG.TEMM@bofa.com***

### **Issuing and Paying Agent:**

**U.S. Bank, N.A.**

**1420 Fifth Avenue, 7th Floor**

**Seattle WA 98101**

***Shared email: MMI.processing@usbank.com***

**Beverly Freeney**

***Beverly.Freeney@usbank.com***

**212-951-6993**

**Carolyn Morrison**

***Carolyn.Morrison@usbank.com***

**206-344-4678**

**Aaron Fong**

***Aaron.Fong@usbank.com***

**206-344-4609**