

RatingsDirect®

Summary:

King County, Washington; CP

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Credit Profile

US\$250.0 mil commercial pap nts due 12/15/2050

Short Term Rating

A-1+

New

Rating Action

S&P Global Ratings assigned its 'A-1+' short-term rating to King County, Wash.'s commercial paper (CP) program.

Notes issued under the CP program will be secured by a limited-tax general obligation pledge, with payments in practice payable from net revenue of the county's wastewater utility. Consistent with our "Methodology For Linking Long-Term And Short-Term Ratings" criteria, published April 7, 2017, on RatingsDirect, the short-term rating reflects our application of standard mapping of a 'AAA' long-term rating to an 'A-1+' short-term rating. This is based on view of the county's demonstrated market access in combination with the indentures and defined procedures for managing self-liquidity meeting our "Commercial Paper, VRDO, And Self-Liquidity" criteria, published July 3, 2007.

The county intends to use the program to provide flexibility in the timing of financing capital projects for its wastewater utility, which is a wholesale provider for 37 client utilities in and around Seattle. The county is taking self-liquidity approach in lieu of a bank line or letter of credit to achieve financing cost savings.

Credit overview

We view the county has having ample liquid assets and a credible defined liquidation process to manage the liquidity risks of the program on a timely basis. As of Sept. 30, 2020, which will likely be a low point for the year, the assets the county was using for self-liquidity after our discounts represented a robust 25x the CP program's capacity at the maximum interest rate for the full duration and 252x the county's internal limit on CP coming due on a particular day. The county has very strong market access, in our view, with a recent record of approximately annual limited-tax GO and sewer revenue issuances. S&P Global Ratings will monitor the liquidity and sufficiency of assets identified by King County on a monthly basis.

Credit Opinion

Liquidity analysis

The county has identified the King County Investment Pool as the source of liquidity for the full and timely purchase price of as much as \$250 million in CP under the program. Although holdings attributable to the county itself generally account for about 40% of assets, the full pool, which also serves approximately 100 local governments, is available for liquidity purposes.

The pool's holdings as of Sept. 30, 2020--September and March are generally close to low points in a given

year--totaled \$8.1 billion. The range of fixed-income assets backing the debt is made up of various investments, including cash, money market instruments, U.S. government securities, and investment-grade bonds. The pool's investment policy includes limits we view as generally supportive of liquidity, including an effective duration of 1.5 years or less and a minimum of 40% of securities with remaining maturities of 12 months or less. The policy specifies maximum holdings by security type and does not allow for equities.

We calculate the pool's discounted available liquidity at \$6.8 billion, or 25x the program's \$250 million maximum capacity by ordinance plus an additional \$22 million in interest if imposed at the maximum rate. Our discounts in this case weigh most heavily on U.S. agencies maturing in excess of one year and on investment-grade debt.

Self-liquidity governance

Although the county could have as much as \$250 million outstanding under its authorizing ordinances, the county has restricted outstanding "new money" CP obligations to \$175 million. Under the agreement with the paying agent, maturities can range from one to 270 days. The county's internal guidelines set a limit of \$25 million for CP maturing on any single day and \$50 million maturing in any single week, which further narrows the likely scope of an unexpected need to draw on the pool's assets.

We view the county as having credible clear and detailed procedures to ensure the maintenance of sufficient asset coverage and to meet liquidity demands on a timely basis. The county's investment team is required to identify possible liquidation options one business day prior to the remarketing day. The CP dealer has agreed to notify the paying agent and county of successful remarketings (or lack thereof) by 9 a.m. Pacific (noon Eastern) of a given maturity date. Should a shortfall occur, the county's treasury team would deploy existing assets to pay any CP outstanding by 11:30 a.m. Pacific (2:30 p.m. Eastern).

Related Research

- King County, Washington; General Obligation; General Obligation Equivalent Security, Oct. 9, 2020
- King County, Washington; CP; Joint Criteria; Water/Sewer, June 18, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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