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King County, Washington

King County

Options for Use of Brightwater Settlement Funds

August 2, 2018

Options for Brightwater Settlement Funds

Overview

Debt Reduction Options

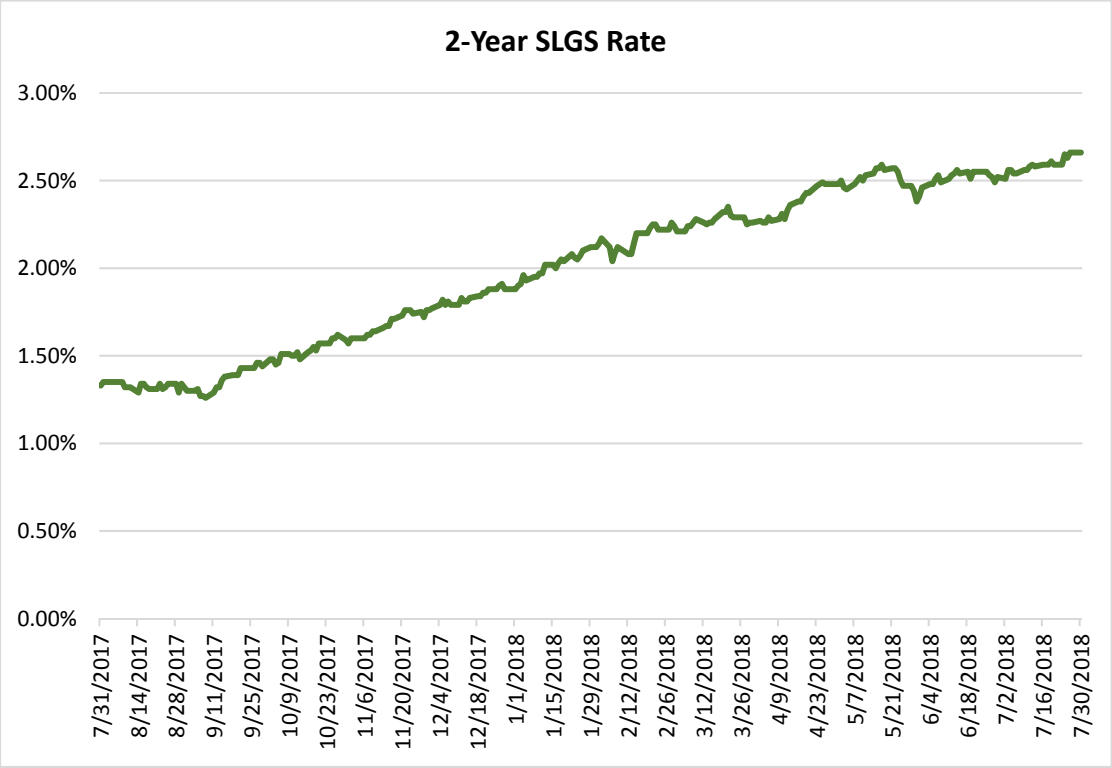
1) Base Case
   - Utilize funds for Capital Improvement Program
   - Forego issuance of new money debt, resulting in debt reduction

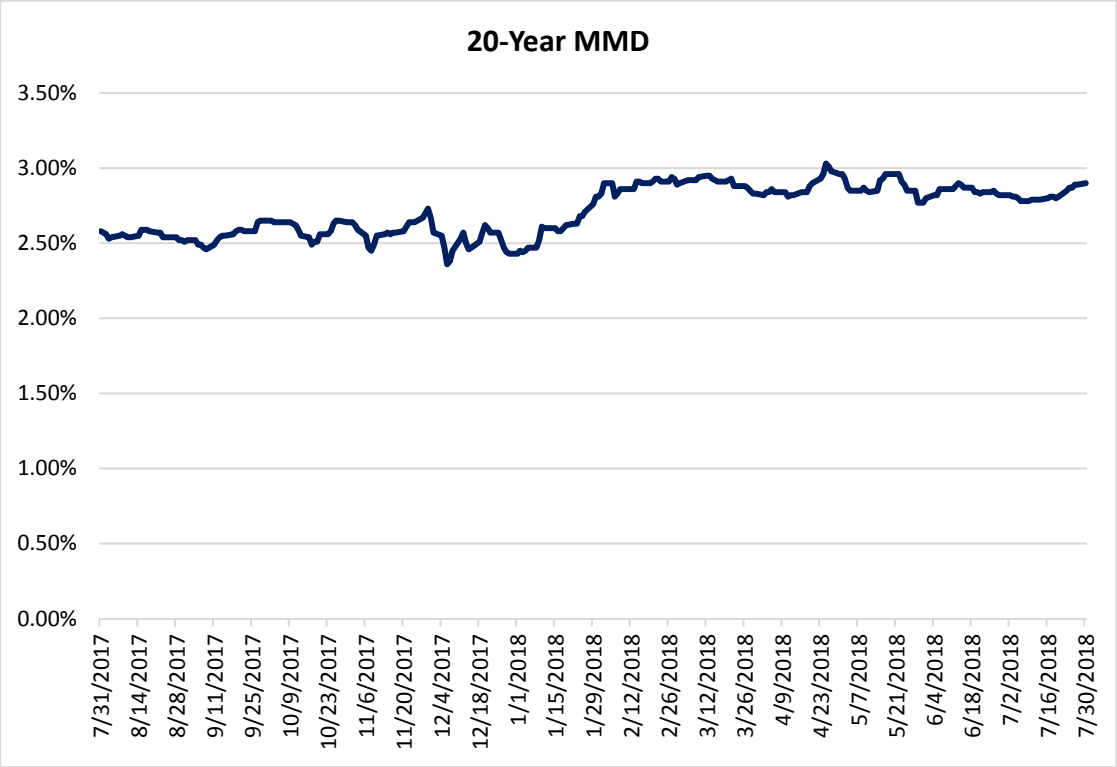
2) Direct Debt Reduction
   - Utilize funds for targeted defeasance of outstanding debt
   - Capital needs are funded with new money bond issue(s)
   - Benefit is realized from differential between debt defeased and new money debt service

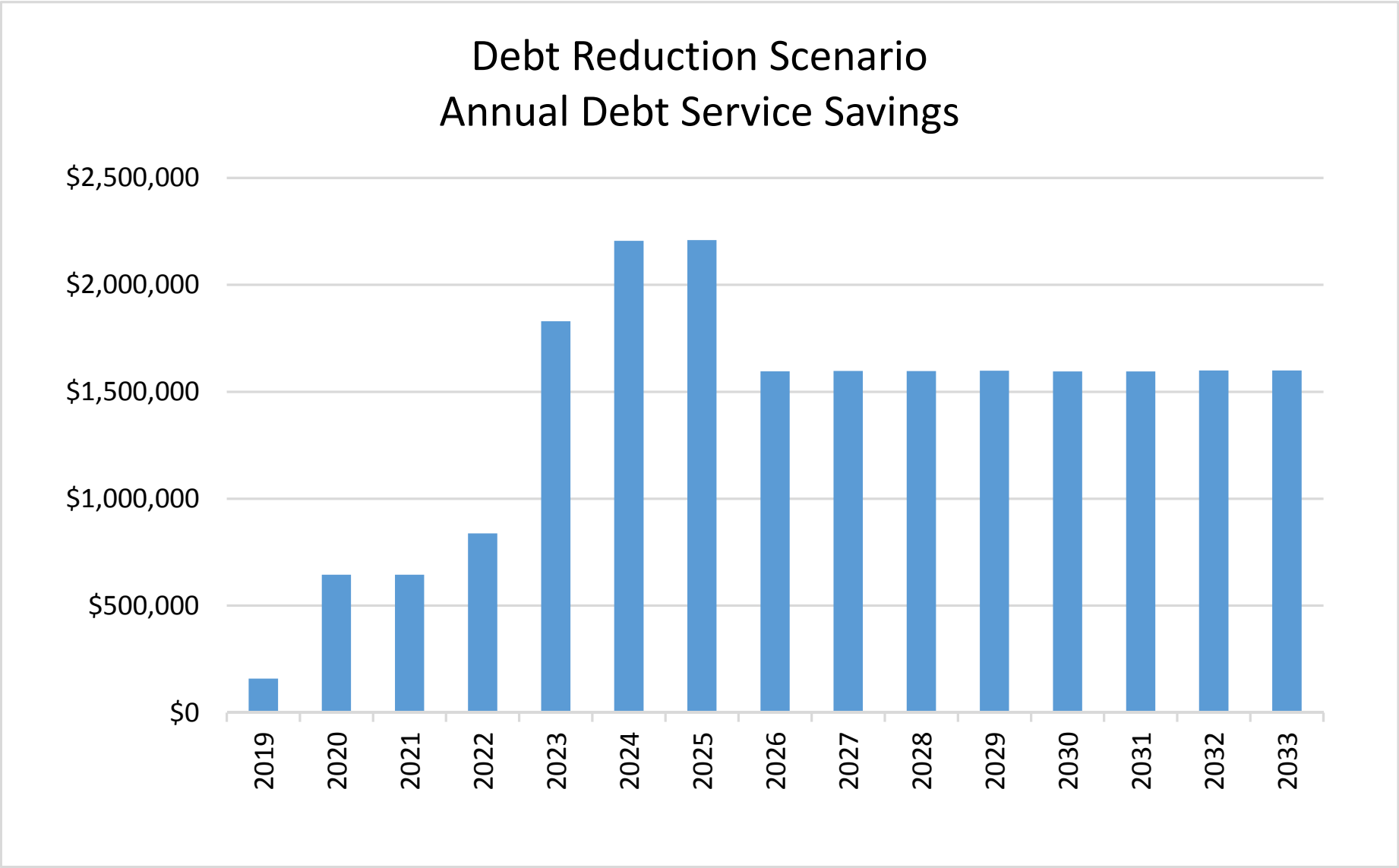
Why does direct debt reduction approach look more interesting today?

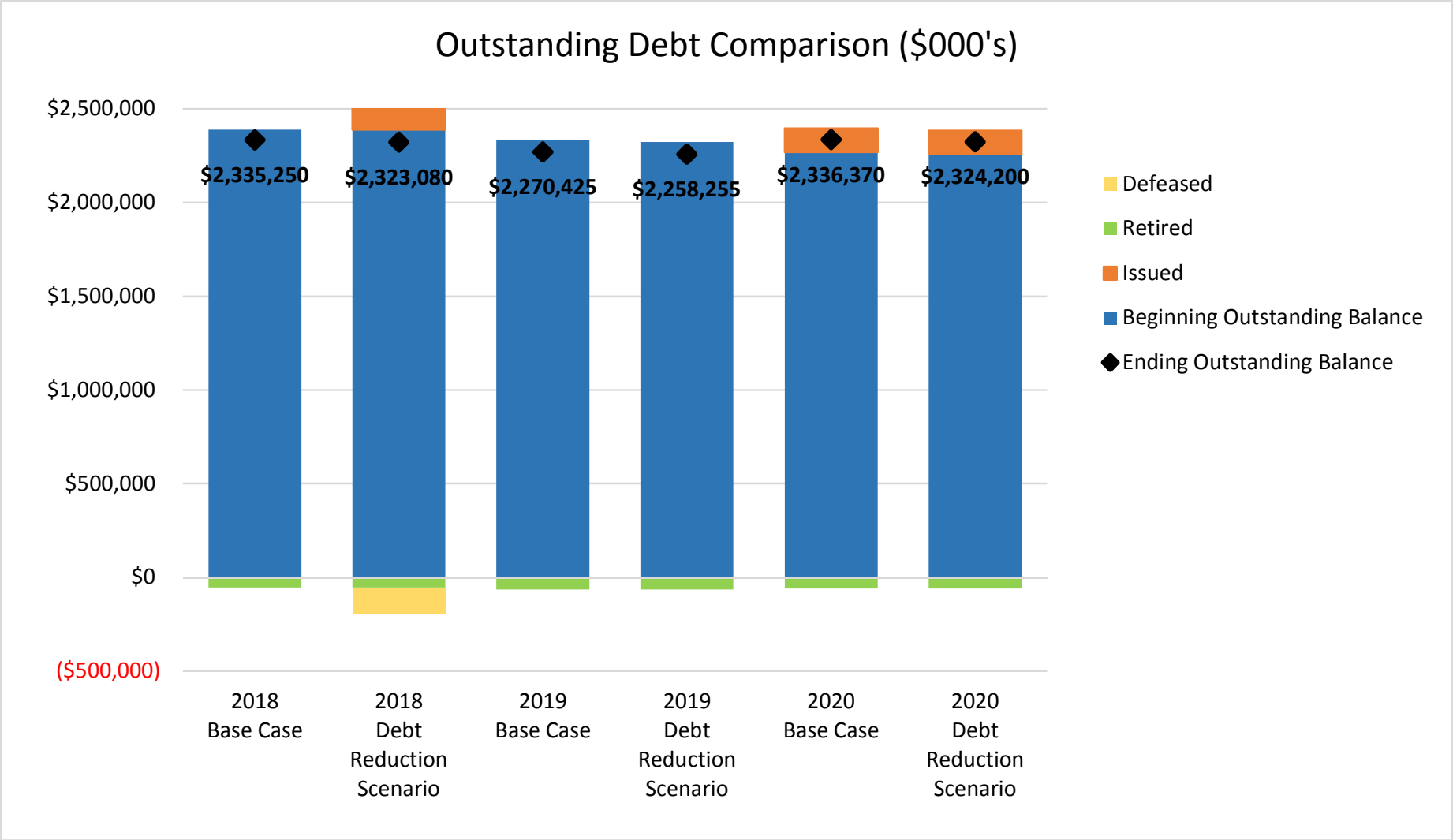
- Elimination of tax-exempt advance refunding limits opportunities to monetize existing call features
- Short-term investment yields have increased significantly, making defeasance escrows more efficient
- Long-term municipal interest rates are still relatively low which makes it an attractive time to borrow

Market Conditions






Debt Reduction Scenario
Annual Debt Service Savings
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033


Outstanding Debt Comparison ($000's)
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
($500,000)
$2,335,250
$2,323,080
$2,270,425
$2,258,255
$2,336,370
$2,324,200
2018 Base Case
2018 Debt Reduction Scenario
2019 Base Case
2019 Debt Reduction Scenario
2020 Base Case
2020 Debt Reduction Scenario
Defeased
Retired
Issued
Beginning Outstanding Balance
Ending Outstanding Balance