

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

| | |
|------------------------|---------------------|
| Item No. | <u>6c</u> |
| Date of Meeting | <u>May 24, 2016</u> |

DATE: May 5, 2016

TO: Ted Fick, Chief Executive Officer

FROM: Elizabeth Morrison, Director, Corporate Finance

SUBJECT: Resolution No. 3722 – sale and issuance of intermediate lien revenue refunding bonds in the aggregate principal amount of not to exceed \$130,000,000

ACTION REQUESTED

Request First Reading of Resolution No. 3722: A Resolution of the Port Commission of the Port of Seattle authorizing the issuance and sale of intermediate lien revenue refunding bonds in one or more series the aggregate principal amount of not to exceed \$130,000,000, for the purpose of refunding certain outstanding revenue bonds of the Port; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds.

SYNOPSIS

Commission authorization is requested to issue intermediate lien revenue refunding bonds (the “Bonds”) in an amount estimated not to exceed \$130,000,000 (including cost of issuance) to refund up to \$124,625,000 outstanding intermediate lien revenue bonds, Series 2006 for debt service savings.

BACKGROUND

As part of the Port’s debt management program, the Port monitors opportunities to reduce debt service. In 2006, the Port issued Intermediate Lien Revenue Bonds to refund bonds issued in 2000 to fund Airport projects. The 2006 Bonds are now callable and current low interest rates provide a favorable refunding opportunity. The outstanding amount is \$124,625,000 million and estimated present value savings are currently \$19 million. The refunding bonds will be structured for level savings which will result in reduced annual debt service with the same final maturity date as the 2006 Bonds. The total Bond amount will also include proceeds sufficient to pay cost of issuance. Intermediate lien bonds (including the 2006 bonds to be refunded and the 2016 bonds to be issued) are secured by a common debt service reserve fund. Due to sufficient funds already contributed to the reserve, including a contribution from the 2006 bonds, no proceeds from the 2016 bonds will need to be added to the common debt service reserve.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

May 5, 2016

Page 2 of 2

ADDITIONAL BACKGROUND

The Bonds are being issued pursuant to the Intermediate Lien Master Resolution No. 3540 and this Resolution No. 3722. The Bonds will be issued in one series as governmental bonds exempt from all federal income tax (non-AMT)

Resolution No. 3722 is similar in all material respects to other Intermediate Lien Series Resolutions and provides for a common debt service reserve fund that provides security for all intermediate lien bonds.

The Resolution delegates to the Port's Chief Executive Officer the authority to approve interest rates, maturity dates, redemption rights, interest payment dates, and principal maturities for the Bonds (these are generally set at the time of pricing and dictated by market conditions at that time). Commission parameters that limit the delegation are a maximum bond size, minimum savings rate for the refunding and expiration date for the delegated authority. If the Bonds cannot be sold within these parameters, further Commission action would be required. The recommended delegation parameters are:

| | |
|--|------------------|
| Maximum size: | \$130,000,000 |
| Minimum debt service savings: | 4.0% |
| Expiration of Delegation of Authority: | October 31, 2016 |

Upon adoption, Resolution No. 3722 will authorize the Designated Port Representative (the Chief Executive Officer, the Chief Financial Officer) to approve the Bond Purchase Contract, the official statement, escrow agreement (if any), pay the cost of issuance and take other action appropriate for the prompt execution and delivery of the Bonds. The Bonds will be sold through negotiated sale to Merrill Lynch, Pierce, Fenner & Smith Inc.; Barclays Capital; Drexel Hamilton, LLC; Citigroup Global Markets, Inc.; Goldman Sachs & Co.; and Siebert Brandford Shank & Co., LLC. Piper Jaffray is serving as Financial Advisor, K&L Gates LLP is serving as bond counsel and Pacifica Law Group is serving as disclosure counsel on the transaction.

ATTACHMENTS TO THIS REQUEST

- Draft Resolution No. 3722

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 27, 2015 - Commission Briefing on Draft Plan of Finance