

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting: November 10, 2009

DATE: October 29, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Craig J. Kerr, Treasury Manager
Elizabeth Morrison, Sr. Manager, Corporate Finance

SUBJECT: New Solicitation for Financial Advisory Services

ACTION REQUESTED:

Authorize the Chief Executive Officer to enter into a solicitation process and execute a contract for Financial Advisory (FA) Services for Five (5) years with the Right to Extend for Two (2) Additional Years at an estimated cost of \$3,000,000.00.

BACKGROUND

When issuing debt, governmental entities, including the Port of Seattle (Port), employ the services of independent outside financial expertise. These firms advise on the overall debt and financial management activity of the Port. Financial advisors are able to provide current information on market trends, rates, debt structures and investor concerns. They provide analytical support and insights into rating agencies, and other issuers.

The Port's debt management needs include new issuance to fund capital improvements and management of existing debt, currently \$3.7 billion. For example, the Port's financial advisor advises on the Port's overall debt structure and financial management, bringing the perspective of investors and rating agencies; advises on opportunities to refund existing debt for savings; participates in all aspects of bond issuance; advises on and participates in extensions and replacements of letters of credit on variable rate debt; assists in the coordination of the finance team and evaluates proposals and new financial products; and provides an independent perspective at Commission briefings on financial matters. The Port's Financial Advisor also shares their knowledge of other local government issuers, of other airports and seaports nationwide are encountering in their need for financing as well as analyzing the financial impact of pending or new legislation. Finally, the financial advisor provides recommendations for improving the long term financial position of the Port.

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The current financial advisory contract is a five-year contract that expires on April 1, 2010. Due to the timing of letter of credit expirations, it is important to have the new financial advisory contract signed and the advisor fully functioning prior to April, 2010. The proposed procurement schedule allows the Port to have a new contract place by February, 2010, allowing adequate time to address the expiring letters-of-credit.

Staff is requesting that this contract exceed the three year limit. Financial and debt management are on-going functions that benefit from a consistent approach and a long-term view. Some Port financing initiatives have been multiyear efforts, for example, the development of the Port's Intermediate Lien, which was tied to the lengthy negotiation of a new airline agreement, the rental car facility financing, which took several years to complete due to challenging business and bond market conditions, and the Terminal 18 Special Revenue bond transaction, which involved complex tenant negotiations. A five year contract should also encourage wider participation among potential respondents, since there is considerable effort required for the successful firm to become familiar with the Port's businesses, financial structure and management and the Port's debt – including familiarity with voluminous legal documents. A longer-term contract will encourage firms to submit a response and make the investment of their time.

FEES

The financial advisor would be compensated in two ways. For new bond issues, the FA would receive a fee per bonds. In addition, the FA would be paid an annual fee for all work not related to a new bond issue e.g. letters of credit, debt structure advise, rating agency updates, etc. Because the timing and amount of debt depends on the capital needs of the operating divisions or on the market driven refunding opportunities, the dollar amount is set a level that is estimated to accommodate five to seven years of multiple transactions, taking into account the Port's prior experience.

REQUESTED ACTION

Authorize the Chief Executive Officer to enter into a solicitation process and execute a contract for Financial Advisory Services for Five (5) years with the Right to Extend for Two (2) additional years at an estimated cost of \$3,000,000.00.