ITEM NO. ___7a Supp______

DATE OF
MEETING: __May 11, 2010___

Intermediate Lien Revenue Bonds, Series 2010

May 11, 2010

Port of Seattle

Topics

- Overview
- Refunding Candidates
- New Funding for Airport Projects
- Schedule

Overview

- Staff will be requesting Commission authorization for the sale and issuance of Intermediate Lien Revenue Bonds, Series 2010
  - Bonds will be used to:
    - Refund existing debt at lower interest rates for interest cost savings
    - Fund Airport capital spending for various renewal and replacement projects pursuant to the approved capital budget
  - Bonds are expected to fund or refund approximately $300-$550 mil.
    - Refunding amount varies $153 - $385 million depending on which bonds are included for refunding
    - New funding estimated at $150 million
  - Bonds will be issued on the Port's Intermediate Lien which is targeted for Airport capital

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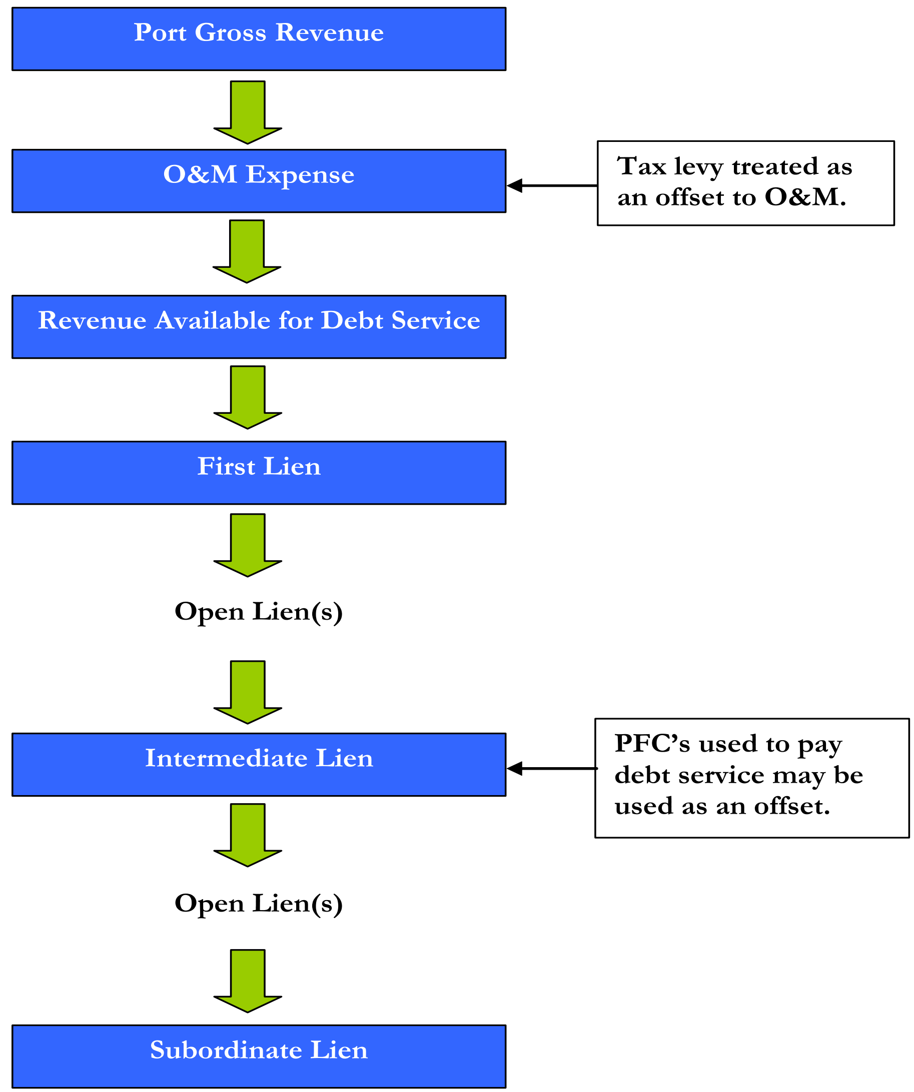
Port Revenue Bond Lien Structure

- First Lien
  - Primarily for non-airport funding
  - Legal coverage 1.35x
  - Actual coverage strengthened due to reduced usage
  - Port policy is to maintain coverage of at least 1.8x
- Intermediate Lien (introduced 2005)
  - Primarily for airport funding
  - Legal coverage 1.25x (from a combination of cash flow and cash reserves);
- Subordinate Lien
  - Target for variable rate funding
  - Includes CP program
  - Legal coverage of 1.00x calculated net of prior lien debt service



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Refunding Candidates

- As part of the Port's on-going debt management, staff reviews opportunities to refund existing debt at lower rates
- Two series of bonds will be refunded
  - Both are currently callable, First Lien Revenue Bonds
  - Originally funded Airport projects
  - Port policy requires minimum savings of 3% to refund

Bond Issue	Par Value	Savings Rate *	Savings Amount *	Final Maturity
2000B	$128 mil.	6.1%	$7.8 mil.	2024
1998A	$25 mil.	8.8%	$2.2 mil.	2017
TOTAL	$153 mil.		$10.0 mil.	

* Savings rates and amounts estimates based on current market. Amount is the present value

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Other Potential Refundings

- Other potential refunding candidates are:
  - First Lien Revenue Bonds, Series 2001B
    - Estimated savings is only 1%, does not yet meet the target
  - Passenger Facility Charge (PFC) Revenue Bonds, Series 1998A&B
    - Bonds are secured solely by PFC revenues
    - Staff is reviewing options to refund as either PFC bonds or include in the 2010 Intermediate Lien Bonds
  - Subordinate Lien Revenue Bonds, Series 2005
    - Variable rate bonds backed by a letter of credit (LOC) that expires August, 2010
    - Staff is reviewing options for replacing the LOC or refunding with fixed rate bonds included in this bond issue
- Staff will update Commission on the inclusion of any of the above

New Funding for Airport Projects

- The 2010-2014 Plan of Finance was presented to the Commission November 10, 2009
  - Airport Funding Plan is based on the capital program and operating budget (and related forecast) approved by the Commission as part of the budget process
  - The Plan is developed with strict adherence to financial management policies
    - Airport debt service coverage of 1.25x
    - Airport minimum operating fund balances equal to 10 months operating and maintenance expenses
  - The Plan funds $1.076 billion in Airport capital spending 2010-2014
    - Includes future bond funding for $444 million of capital spending
    - Airport cash is also a significant funding source - $218 million

Aviation Capital Funding 2010-2014

	2010-2014 ($mil.)
Aviation CIP	
Committed	587
Business Plan Prospective	489
TOTAL	1,076
Aviation Funding Sources	
Net income and operating funds	218
Tax levy (1)	11
Grants	63
Passenger Facility Charge	61
Customer Facility Charge (2)	236
Existing revenue bond proceeds	43
Future bond proceeds	444
	1,076

(1) Highline capital spending (excludes expense spending funded by tax levy)

(2) Includes proceeds of CFC-paid bonds

Source: Commission presentation November 10, 2009

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Bond Funded Projects

- Airport capital plan assumes need for new bonds beginning in 2011.
- Issuance in 2010 expected to provide lower cost of debt due to "AMT window" in Economic Stimulus Bill
  - Private activity bonds can be issued free from the Alternative Minimum Tax (AMT)
    - unique opportunity scheduled to terminate end of 2010
    - In current market this window means approximately 1% lower interest rate – estimated present value savings of $16 million
- Total new money component estimated to fund approximately $150 mil.
  - 2010 scheduled principal payments for existing debt are $101 mil.
  - Projects are primarily aeronautical
    - Have been reviewed with the airlines
    - Debt service will primarily be paid through airline rates and charges
    - Debt service is reflected in CPE forecast reviewed by Commission

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Bond Funded Projects

Bond Projects ($ million)	2011	2012	2013	TOTAL
Airfield pavement	6.2	6.0	0.0	12.2
Storm water & sewer pipes	2.4	1.1	0.0	3.5
Baggage handling improvements	10.5	5.3	0.9	16.7
Vertical circulation renewal & replacement	23.0	30.7	27.0	80.7
Preconditioned Air	3.0	3.0	2.1	8.1
GSE electrical charge stations	5.0	0.1	0.0	5.1
Other Terminal improvements	12.8	5.5	0.0	18.3
TOTAL	62.9	51.8	30.0	144.7

Process & Schedule

- June
  - Commission authorization
    - First Reading June 1
    - Second Reading June 22

- July
  - Sell Revenue Bonds

- August
  - Close revenue bonds

Airport Bonds – New Funding Issues

- The Port has generally issued new money bonds every 1-2 yrs to provide on-going funding for Airport capital projects

Bond Issue	Amount ($mil.)	Purpose
1996 Rev.	106	General capital funding
1997 Rev.	140	General capital funding
1998 PFC	263	General capital funding (PFC projects)
1999 Rev.	231	General capital funding
2000 Rev.	352	General capital funding
2001 Rev.	428	General capital funding
2003 Fuel System	121	Fuel Hydrant System
2003 Rev.	555	General capital funding
2005 Rev.	252	General capital funding
2009 Rev.	317	Rental Car Facility

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