

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6c

Date of Meeting February 11, 2011

Correct Date of Meeting:

February 1, 2011

DATE: January 12, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Elizabeth Morrison, Sr. Manager Corporate Finance

SUBJECT: Resolution No. 3648, Second Reading and Final Passage, Authorizing the sale and issuance of limited tax general obligation bonds of the Port in the principal amount not to exceed \$117 million* for the purpose of refinancing capital improvements to Port facilities and financing for Port activities and costs of issuance.

*Preliminary, subject to change

ACTION REQUESTED:

Second Reading and Final Passage of Resolution No. 3648 authorizing the issuance and sale of General Obligation (G.O.) 2011 Taxable Bonds and 2011 Refunding Bonds ("Bonds"), in an amount estimated at \$117 million (including cost of issuance).

SYNOPSIS

Commission authorization is requested to issue G.O. Bonds, 2011 Taxable and 2011 Refunding, in an amount estimated at \$117 million (including cost of issuance) to refund existing G.O. debt for debt service savings and to provide interim funding for a portion of the acquisition of the Eastside rail corridor.

BACKGROUND

In 2000, the Port issued \$107,305,000 of General Obligation (G.O.) bonds, 2000 Series B for the purpose of funding marine terminal improvements; currently, \$80,815,000 remains outstanding. The 2000B Bonds may now be optionally redeemed by the Port and the current interest rate environment provides an opportunity to refund these bonds at lower interest rates and reduce debt service payments.

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In 2009, the Port acquired the Eastside Rail Corridor from Burlington Northern Santa Fe Railway with a combination of tax levy funds and short-term borrowing. In conjunction with this acquisition, the Port entered into a Memorandum of Understanding with several interested parties providing for the sale of certain portions, rights or easements on the corridor. To provide interim funding in anticipation of receipt of all funds under the MOU, the G.O. bond sale will include a taxable portion not to exceed \$30 million and maturing in three to five years.

GENERAL OBLIGATION BONDS, 2011; RESOLUTION NO. 3648:

The Bonds issued pursuant to Resolution No. 3648 will be General Obligation bonds and debt service on the bonds will be paid from the Port's property tax levy on the same basis as the Port's currently outstanding G.O. bonds.

The Bonds will be issued in two series based on tax status: (1) 2011 Refunding Bonds will be issued as private activity bonds exempt from regular federal income tax, but subject to the Alternative Minimum Tax (AMT) and will refund the 2000B bonds; and (2) 2011 Taxable Bonds will be subject to federal income tax and will provide interim funding for the corridor acquisition. The final maturity year of the refunding Bonds will not exceed the final maturity year of the 2000B Bonds being refunded.

Resolution No. 3648 delegates to the Port's Designated Port Representation (the Chief Executive Officer or the Chief Financial and Administrative Officer) the authority to approve time of sale, 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). This delegation is limited to parameters established by the Commission; if the Bonds cannot be sold within these parameters, further Commission action would be required. The parameters include:

Maximum size: \$117 million
Maximum interest rate on taxable bonds: 4.5%
Minimum debt service savings on refunded bonds: 3.75%
Expiration of Delegation Authority: six months

Upon adoption, Resolution No. 3648 will authorize the Designated Port Representative to approve the Bond Purchase Contract, the preliminary and final Official Statements, any escrow agreement, 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 Barclays Capital, Seibert Brandford Shank & Co., Morgan Stanley & Co. Inc., and Goldman Sachs & Co. Seattle Northwest Securities Corporation, Inc. is serving as Financial Advisor and K&L Gates LLP is serving as bond counsel on the transaction.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Resolution No. 3648

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- October 26, 2010-Commission Briefing on the 2011-2015 Draft Plan of Finance
- January 25, 2011-First Reading