

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>February 24, 2015</u>

DATE: February 4, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Elizabeth Morrison, Director, Corporate Finance
SUBJECT: Resolution No. 3703 authorizing the issuance and sale of limited tax general obligation (G.O.) and G.O. refunding bonds of the Port in the aggregate principal amount of not to exceed \$200 million

ACTION REQUESTED

Request First Reading of Resolution No. 3703: A Resolution of the Port Commission of the Port of Seattle, authorizing the sale and issuance of limited tax general obligation and refunding bonds of the Port in the aggregate principal amount of not to exceed \$200,000,000 for eligible Port purposes, including payment of all or a portion of the Port's contribution for the Alaskan Way viaduct replacement program, and refunding of certain outstanding obligations of the Port; and authorizing a Designated Port Representative to approve certain matters relating to the bonds including date or dates of the sale of the bonds, approval of the bid offering, acceptance of bids for the bonds, execution of all documents and actions necessary to sell and deliver the bonds, preparation and dissemination of a preliminary official statement and final official statement; and providing for continuing disclosure.

SYNOPSIS

Commission authorization is requested to issue G.O. Bonds in an amount estimated not to exceed \$200,000,000 million (including cost of issuance) to pay for the Port's first installment to the Alaskan Way Viaduct Replacement Program pursuant to the Port's funding agreement with the State of Washington effective August 27, 2013, and to refund up to \$57,380,000 outstanding bonds (See Exhibit A) to achieve debt service savings. The actual amounts refunded and the associated savings will be based on market conditions at the time of sale of the G.O. Bonds.

BACKGROUND

On August 27, 2013, the Port entered into a funding agreement with the State of Washington for the Port's contribution to the State's program to replace the Alaskan Way Viaduct with a deep bore tunnel. Under the funding agreement, the Port is obligated to pay the State \$120 million on May 1, 2015, and \$147 million on May 1, 2016 for a total of \$267 million. In anticipation of these payments, the Commission has set aside cash that will fund an estimated \$50 million of this total which can be applied to either payment. The remaining \$217 million will be funded with proceeds from the sale of general obligation bonds. This issuance of GO Bonds will provide for the \$120 million first installment due on May 1, 2015. The State will provide the

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Commission with a program update on or before the date of second reading of Resolution No. 3703.

The Port's on-going debt management program includes the monitoring of existing debt for opportunities to refund at lower interest rates and reduce debt service. The current low interest rate environment offers an opportunity to potentially refund general obligation bonds issued in 2006 and meet or exceed the Port's debt service savings; the current savings estimate is 12% target. The 2006 bonds are callable on June 1, 2015. The 2006 bonds were issued for the purpose of refunding bonds originally issued in 1999 and 2000 to fund a portion of the costs of the Terminal 18 expansion project.

ADDITIONAL BACKGROUND

The GO Bonds are being issued pursuant to Resolution No. 3703. The G.O. Bonds will be issued in one or more series. The Bonds will be governmental purpose bonds, the interest on which will be exempt from all federal income tax.

Resolution No. 3703 (the G.O. Bond Resolution) is similar in all material respects to other G.O. Bond Resolutions. G.O. Bonds are backed by the full faith and credit of the Port and require that the Port levy taxes sufficient, along with other funds, to pay scheduled principal of and interest on the Port's outstanding G.O. Bond obligations. The portion of the G.O. Bonds that will refund the 2006 bonds is for interest cost savings only and not for funding any new spending, nor will it extend the current final maturity date of the refunded bonds.

The G.O. Bond Resolution delegates to the Designated Port Representative (the Port's Chief Executive Officer or the Port's Chief Financial and Administrative Officer) the authority to approve the sale of the G.O. Bonds within parameters established by the Commission in the G.O. Bond Resolution. Commission parameters that limit the delegation are a maximum principal amount, minimum savings rate, maximum interest rate, and expiration date for the delegated authority. If the G.O. Bonds cannot be sold within these parameters, further Commission action would be required. The recommended delegation parameters are:

Maximum size:	\$200,000,000
Minimum aggregate debt service savings (for the refunding):	4.00%
Maximum interest rate:	4.50%
Expiration of Delegation of Authority:	August 31, 2015
Text	

Upon adoption, Resolution No. 3703 (the G. O. Bond Resolution) will authorize the Designated Port Representative to select the manner of sale, approve the final sale terms, execute an escrow agreement, pay the cost of issuance and take other action appropriate for the prompt execution and delivery of the G.O. Bonds. Unlike most Port bonds that are sold through a negotiated process with the Port's underwriting team, the G.O. Bonds are expected to be sold through a competitive sale in which, any banking firm can bid on the Bonds and the sale is awarded to the bank with the lowest overall interest rate. The Port's debt management procedures allow for

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competitive sales for appropriate transactions where, in consultation with the Port's Financial Advisor, a competitive sale is likely to provide better financial results than a negotiated sale. Competitive sales are well suited to transactions that have a relatively simple, high quality credit like the Port's G.O. Bonds sold in relatively stable market environments.

Piper Jaffray, Inc. is serving as Financial Advisor, K&L Gates LLP is serving as bond counsel and Pacifica Law Group, LLP is serving as disclosure counsel on the transaction.

ATTACHMENTS TO THIS REQUEST

- Resolution No. 3703
- GCB 1140 SR99 Alaskan Way Replacement Program Funding Agreement between WSDOT and Port of Seattle

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 28, 2014, Commission was briefed on the 2015-2019 Draft Plan of Finance.
- February 10, 2015, Commission was briefed on the status of the Alaskan Way Viaduct Replacement Project.