

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No.	<u>7d</u>
Date of Meeting	<u>April 28, 2015</u>

DATE: April 20, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Elizabeth Morrison, Director, Corporate Finance
SUBJECT: 2015 Intermediate Lien Revenue and Refunding Bonds

SYNOPSIS

Staff is currently working on an Intermediate Lien Revenue bond issue to achieve two purposes. First, the bonds will refund currently outstanding bonds for debt service savings. Second, the bonds will provide funding for a portion of the Airport capital program. The 2015-2019 Draft Plan of Finance identified the need for bond funding \$1.16 billion of the \$1.72 billion five-year Airport capital plan, including a bond issue in 2015. The current estimated amount of the bond issue (including the refunding bonds) is approximately \$650 million. Port staff will return to the Commission in June with a request for First and Second reading of a bond resolution authorizing the sale of bonds.

BACKGROUND

As part of the Port's debt management program, the Port monitors opportunities to reduce debt service. In 2005, the Port issued Intermediate Lien Revenue Bonds to fund Airport projects; those bonds are callable on June 1, 2015. Current low interest rates provide a favorable refunding opportunity. The outstanding amount is \$319 million and estimated present value savings are currently \$30 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 2005 Bonds.

In addition, the 2015 bonds will include an estimated \$300 million for project spending on the Airport's capital program. The Port has typically issued bonds for approximately 18 to 24 months of spending on a group of current projects and may include reimbursement for spending that has already occurred. This approach minimizes the amount of bonds needed to pay capitalized interest prior to facility completion.

The 2015 bonds will fund a portion of several projects including reimbursing the Airport Development Fund for some prior spending; cash, grants, passenger facility charges and future bond proceeds will also provide funding for these projects. Bond proceeds may only be spent on projects that have received proper authorization; the issuance of bonds does not authorize project spending. The following are some of the more significant projects that are expected to use bond proceeds.

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Ted Fick, Chief Executive Officer

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Center runway replacement
NorthStar
Aircraft remain-overnight (RON) parking on the former USPS site
B2 expansion for Delta club
Vertical Conveyance Modernization
Airfield Pavement Program
Passenger loading bridge renewal

This is the first new money Revenue bond issue since 2010. When the Port issues new money Revenue bonds (as opposed to refunding bonds), the Port provides a financial forecast in its bond disclosure; the forecast provides investors with the Port's current best thinking on future operating, capital and funding plans. Because investors are relying on the disclosure information, it must be based on reasonable assumptions; however, it is a forecast and subject to change. The forecast will include not only the Airport, but also the Seaport Alliance and other Port businesses.

The total bond amount will also include proceeds sufficient to pay cost of issuance, fund the required debt service reserve and pay for capitalized interest as appropriate. The bonds are expected to have level debt service. Port staff is currently working on the bond resolution and disclosure documents and will return to the Commission in June for First and Second reading of the bond resolution; more detail and updates on the use of bond proceeds and the size of the issue will be provided at that time.

ATTACHMENTS TO THIS BRIEFING

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 28, 2014 – Briefing on 2015-2019 Draft Plan of Finance