



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 7e

**ACTION ITEM**

**Date of Meeting** April 28, 2020

**DATE:** April 20, 2020

**TO:** Stephen Metruck, Executive Director

**FROM:** Elizabeth Morrison, Director, Corporate Finance

**SUBJECT:** Resolution No. 3774 – Authorizing the Port to obtain (one or more) credit facilities and incur an indebtedness (under RCW 53.36.030) up to a maximum dollar amount of \$150,000,000.

**ACTION REQUESTED**

Request (1) unanimous consent to adopt Resolution 3774 at the same meeting at which it is first introduced; (2) introduction and adoption of Resolution 3774: A resolution of the Port of Seattle Commission Authorizing the Port to obtain (one or more) credit facilities and incur an indebtedness (under RCW 53.36.030) up to a maximum dollar amount of \$150,000,000. The Port’s obligations under the credit facilities will be a general obligation of the Port and will be evidenced by credit agreements between the Port and financial institution lender(s).

**EXECUTIVE SUMMARY**

Commission authorization is requested to obtain (one or more) credit facilities, that could be in the form of a line of credit or a term loan, up to a maximum amount of \$150,000,000 for an estimated term of three years for the purpose of providing liquidity to manage the reduction in revenues the Port is experiencing during the global health emergency. The credit facilities will be a general obligation of the Port meaning they will be backed by the full faith and credit of the Port including revenues and tax receipts.

**JUSTIFICATION**

As a result of the current global health emergency, the Port is experiencing a reduction in revenues that is likely to continue through 2020 and possibly into 2021. The Port maintains operating fund balances to manage financial downturns, but the depth and duration of this downturn is expected to strain those resources. In order to provide access to sufficient liquidity and to provide financial flexibility during this period, staff recommends that the Port obtain one or more credit facilities of up to \$150,000,000.

The Port requested proposals from several banks and a proposal from J.P. Morgan currently provides the best combination of terms, cost and execution. Staff is working on final terms and conditions; if acceptable terms are not reached, staff may look to another provider and will inform the Commission. The preferred facility is designed for maximum flexibility. It is structured

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as a revolving loan that the Port can draw upon (up to \$150,000,000) as needed and repay as funds are available, with all obligations due at the end of the three-year term. The proposed facility has a variable rate of interest based on the London Inter Bank Offered Rate (LIBOR) plus a spread. The initial spread is noted in the parameters below; the spread may increase under certain circumstances such a credit rating downgrade or a default. The proposed interest rates are within the parameters noted below and initially estimated at 3% per year. The proceeds of the loan can be used for any lawful Port purpose, e.g. operating expenses, capital investments or the payment of debt service for any operating division with no regulatory restrictions.

Staff is requesting that the introduction and passage of Resolution No. 3774 be held on the same day in order to secure the credit facility while access is available. The adverse economic situation that is a consequence of the health emergency has resulted in a high demand for credit as businesses and other organizations seek funds to manage through the downturn. Due to the uncertainty of the recovery and future availability of credit, staff recommends acting quickly.

**DETAILS**

The credit facility is obtained pursuant to Resolution No. 3774. The Resolution is similar in all material respects to existing G.O. Bond Resolutions. The Port’s obligations under the facility are backed by the full faith and credit of the Port and requires that the Port levy taxes sufficient, along with other funds, to pay scheduled principal of and interest on the Port’s outstanding G.O. obligations of \$332,570,000. Actual payment of interest and principal can be made from the Port’s tax levy or from the Port’s operating revenues. Actual repayment will be based on use. Any outstanding principal can also be refunded with long-term debt.

The Resolution delegates to the Designated Port Representative (the Port’s Executive Director or the Port’s Chief Financial Officer) the authority to negotiate and approve final terms for the credit facilities, including but not limited to interest rates, payment terms, covenants, and maturity dates. The Designated Port Representative is authorized to execute the facilities and take all other actions necessary for the prompt execution and delivery of each facility’s obligations. The authority granted to the Designated Port Representative shall remain in effect until December 31, 2020. In furtherance of the foregoing, the Designated Port Representative is authorized to approve and enter into agreements for the payment of all fees and expenses associated with the transaction. Origination fees and costs estimated at \$350,000 can be paid from existing funds or from a draw on the facility. This delegation is limited as follows:

Maximum size of the obligation:	\$150,000,000
Maximum Rate – if variable:	
• Basis for setting interest rates:Common index, e.g., LIBOR	
• Maximum initial interest rate spread to index:	2.5%
Maximum Rate – if fixed	3.5%

Piper Sandler, Inc. is serving as Financial Advisor, K&L Gates LLP is serving as bond counsel on the transaction.

**ATTACHMENTS TO THIS REQUEST**

Resolution No. 3774