



**COMMISSION
AGENDA MEMORANDUM**

Item No. 10b

ACTION ITEM

Date of Meeting April 12, 2022

DATE: March 25, 2022

TO: Stephen Metruck, Executive Director

FROM: Elizabeth Morrison, Director, Corporate Finance
Scott Bertram, Manager Corporate Financial Analysis

SUBJECT: Resolution No. 3801 – Issuance and Sale of Intermediate Lien Revenue and Refunding Bonds in the Aggregate Principal Amount of Not-to-Exceed \$1,000,000,000.

ACTION REQUESTED

Request introduction of Resolution No. 3801: A Resolution of the Commission of the Port of Seattle authorizing the issuance and sale of Intermediate Lien revenue and refunding bonds in one or more series in the aggregate principal amount of not to exceed \$1,000,000,000, for the purposes of financing capital improvements to aviation facilities and refunding certain outstanding revenue bonds of the Port; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds.

EXECUTIVE SUMMARY

Commission authorization is requested to issue Intermediate Lien revenue and refunding bonds (the “Bonds”) in an amount estimated not to exceed \$1,000,000,000 (including a reserve fund deposit, capitalized interest, and cost of issuance) to fund the costs of capital improvements at the Airport (Exhibit A) and to refund up to \$309,945,000 of outstanding Intermediate Lien revenue bonds, Series 2012A & B (the “2012 Bonds”) and \$99,785,000 of outstanding Intermediate Lien revenue bonds, Series 2013 (the “2013 Bonds”), for debt service savings.

JUSTIFICATION

As part of the Port’s debt management program, the Port monitors opportunities to reduce debt service. Current low interest rates and anticipation of rising interest rates provide a favorable refunding opportunity. The 2012 Bonds funded or refunded Airport capital improvements and are callable on August 1, 2022, and the current estimated present value savings of refunding the 2012 Bonds is approximately \$25 million.

The 2013 Bonds refunded prior bonds for Airport capital improvements and are not callable until 2023. If the Port refunds these 2013 Bonds now, the refunding would be done on a federally taxable basis because. Generally, the Port waits until bonds are currently callable in order to execute a refunding on a tax-exempt basis, but market conditions may make it advantageous to

Meeting Date: April 12, 2022

lock-in interest rates and savings this year. The estimated present value savings of refunding the 2013 Bonds on a taxable basis is approximately \$4 million. Staff will continue to monitor the market and include the refunding of the 2013 Bonds if deemed advantageous. If the 2013 Bonds are not refunded with this transaction, they may be refunded in the future.

In addition, the Bonds will include funding for an approximately \$560 million in Airport project costs within the Airport capital improvement plan. As described in the 2022-2026 Draft Plan of Finance, cash, grants, passenger facility charges and existing and future bond proceeds will also provide funding. Some of the major projects to be funded, in part, with this bond issuance include Baggage Optimization, C1 Expansion, Concourse A Expansion and North Main Terminal Redevelopment along with various other Airport improvements; a list of projects currently identified for 2021 Bond funding is provided in Exhibit A. If project spending is delayed or if other funding sources are available, e.g., Infrastructure Investment and Jobs Act grants, Bond proceeds may be redirected to other projects within the limits established by the federal tax code; use of any bond proceeds is identified in project authorization requests and no bond proceeds can actually be spent on any projects without the appropriate project authorization.

The total Bond amount will also include proceeds sufficient to pay cost of issuance, fund the required debt service reserve and pay a portion of the interest on the Bonds during construction (capitalized interest) as appropriate.

DETAILS

The Bonds are being issued pursuant to the Intermediate Lien Master Resolution No. 3540 and this Resolution No. 3801. The Bonds will be issued in multiple series based on the tax status of the projects to be funded or the 2012 Bonds or 2013 Bonds refunded. Three series are anticipated.

- One series will be issued as governmental bonds exempt from all federal income tax (non-AMT) and used to refund a portion of the 2012A bonds; it also may fund costs of projects eligible for governmental bond funding.
- A second series will be issued as private activity bonds exempt from regular income tax but subject to the Alternative Minimum Tax (AMT). This is the most common type of tax-exempt bond that the Port issues because it allows the Port to lease facilities to airport and seaport tenants. This series will be used to refund the 2012B bonds and to provide funding for airport investments.
- The third series of bonds will be issued as taxable debt and Investors will be subject to federal income tax. This series will be used to refund a portion of the 2012A bonds and the 2013 Bonds, if refunded) [I thought it was the 2013 Bonds? – see above] and to fund new investments that are not eligible for tax-exempt bond funding or would otherwise benefit from greater flexibility of not needing to comply with tax-exempt bond restrictions.

Meeting Date: April 12, 2022

The table below summarizes the refunding candidates.

Refunding Candidates	Total Principal (\$)
Intermediate Lien Revenue Bonds, Series 2012A	274,200,000
Intermediate Lien Revenue Bonds, Series 2012B	35,745,000
Intermediate Lien Revenue Bonds, Series 2013 (1)	<u>99,785,000</u>
TOTAL	409,730,000
(1) Potential candidate	

Resolution No. 3801 is similar in all material respects to other Intermediate Lien Series Resolutions and provides for a contribution to the common debt service reserve fund that provides security for all Intermediate Lien bonds.

The Resolution delegates to the Port’s Executive Director the authority to approve 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). Commission parameters that limit the delegation are a maximum bond size, maximum interest rate and expiration date for the delegated authority. If the Bonds cannot be sold within these parameters, further Commission action would be required. The recommended delegation parameters are:

Maximum size: \$1,000,000,000
 Maximum interest rate: 4.5%
 Expiration of Delegation of Authority: December 31, 2022

Upon adoption, Resolution No. 3801 will authorize the Designated Port Representative (the Executive Director or the Chief Financial Officer) to approve the Bond Purchase Contract, the official statement, escrow agreement, if any, 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 Citigroup Global Markets, Inc.; Academy Securities, Inc. ⁽¹⁾, Backstrom McCarley Berry & Co., LLC ⁽²⁾, BofA Merrill Lynch; Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC; Morgan Stanley and Co. LLC.. Piper Sandler & Co. is serving as Financial Advisor, K&L Gates LLP is serving as bond counsel and Pacifica Law Group is serving as disclosure counsel on the transaction.

COMMISSION AGENDA – Action Item No. 10b

Page 4 of 5

Meeting Date: April 12, 2022

- (1) Disabled veteran owned firm
- (2) Minority owned firm

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3801
- (2) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 26, 2021 – The Commission was briefed on the Draft Plan of Finance

Meeting Date: April 12, 2022

EXHIBIT A

Checked Bag Optimization
North Main Terminal Redevelopment
Concourse C Building Floor Expansion
Concourse A Expansion
2021-25 Airfield Pavement
Upgrades Satellite Train System (STS) Control
Main Terminal and Concourse Low Voltage Sys Upgrade
Post IAF Airline Realignment
Airfield Sanitary Sewer Improv
Restroom Upgrades Concourses B, C, D
Checkpoint 1 Relocation and equipment
South188th Tunnel Lighting
N. Terminals Utilities Upgrade
Airfield Snow Equipment
Snow Storage Improvements
Terminal Security Enhancements
North Employee Parking Lot Improvements
Telecommunication Meet Me Room
Arrivals Roadway widening
Apartment Sound Insulation
Parking Revenue Infrastructure
Parking Garage Elevators Modernization
Perimeter Intrusion Detect Sys
Port Shared-Lounge Concourse A