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[Annotation] Morrison, Elizabeth

To be updated with a cushion

COMMISSION

AGENDA MEMORANDUM Item No. 10a

ACTION ITEM Date of Meeting April 16, 2024

DATE: March 22, 2024

TO: Stephen Metruck, Executive Director

FROM: Elizabeth Morrison, Director, Corporate Finance

Scott Bertram, Manager, Corporate Financial Analysis

SUBJECT: Resolution No. 3822 authorizing the issuance and sale of limited tax general obligation and refunding bonds of the Port in the aggregate principal amount of not to exceed \$325,000,000

ACTION REQUESTED

Introduction of Resolution No. 3822: A Resolution of the Port of Seattle authorizing the issuance and sale of General Obligation and Refunding Bonds, 2024 in the aggregate principal amount of not to exceed \$325,000,000 (the "2024 LTGO Bonds"), for the purpose of financing or refinancing capital improvements to Port facilities and refunding certain outstanding obligations of the Port; and authorizing a Designated Port Representative to approve certain matters relating to the sale of the 2024 LTGO Bonds.

EXECUTIVE SUMMARY

The 2024 LTGO Bonds will be used to provide an estimated \$200 million for capital improvements in the Seattle Harbor and in support of maritime industries ("new money bonds"). The Bonds will also refund an estimated \$103.8 million of outstanding 2015 LTGO bonds and generate debt service savings. General obligation bond (LTGO) debt service is paid from the Port's tax levy.

JUSTIFICATION

As part of the Port's debt management program, the Port monitors opportunities to reduce debt service. In 2015, the Port issued the 2015 LTGO bonds to fund a portion of its contribution for the Alaskan Way viaduct replacement program and to refund certain outstanding obligations of the Port. These bonds will be callable on June 1, 2024, and the current estimated present value savings of refunding these 2015 GO Bonds is approximately \$3.6 million.

In addition, the 2024 LTGO Bonds will include funding for an estimated \$200 million in Port project costs. The 2024-2028 Plan of Finance estimated future LTGO bond needs of \$351 million to pay for capital costs for Maritime, Economic Development and Northwest Seaport Alliance (NWSA) North Harbor investments over the next five years. The 202 4 LTGO Bonds will be used

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to fund all or a portion of projects in the Seattle harbor including redevelopment of Terminal 91 berths 6 and 8, and the development of the Maritime Innovation Center at Fishermen's Terminal. These projects are ready for construction and are currently funded with tax levy cash. Other projects that might use a portion of the bond proceeds include, but are not limited to, Terminal 91 Uplands Development Phase I and various container terminal projects for the NWSA in the North Harbor, including those at Terminals 5, 18, 30 and 46. Exhibit A provides a list of potential projects.

If project spending is delayed, the 2024 LTGO Bond proceeds may be redirected to other projects identified in the Plan of Finance for tax levy or LTGO bond funding. No 2024 LTGO Bond proceeds or other funds can be spent on any project without the appropriate project authorization, and use of 2024 LTGO Bond proceeds is to be identified in Port project authorization requests. The total 2024 LTGO Bond amount will also include proceeds sufficient to pay cost of issuance.

DETAILS

The 2024 LTGO Bonds are being issued pursuant to Resolution No. 3822 which is similar in all material respects to other LTGO Bond Resolutions. The 2024 LTGO 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 LTGO Bond obligations.

The 2024 LTGO Bonds will be issued in multiple series based on the tax status of the projects to be funded or refunded. One series will be issued as tax-exempt, governmental purpose and will be used to refund the 2015 LTGO Bonds that are also governmental purpose. Investors in these

governmental purpose 2024 LTGO Bonds are exempt from all federal income taxes on the 2024 LTGO Bonds. For project funding needs, the resolution provides for both a tax-exempt, private activity series (exempt from regular income tax, but subject to the alternative minimum tax – AMT) and a taxable series, which is subject to federal income tax. Certain projects like the Maritime Innovation Center and the Terminal 91 Uplands development do not qualify for taxexempt bond funding. In addition, although taxable bonds typically come with a higher rate of interest compared to tax-exempt bonds, they do provide the Port with flexibility to use the proceeds for any project and to use the associated bond funded facilities for a variety of purposes that might or might not qualify for tax-exemption during the life of the bonds. The Port will evaluate individual projects to determine qualification and appropriateness of tax-exempt bonds. The 2024 LTGO Bond Resolution delegates to the Designated Port Representative (the Port's Executive Director, the Deputy Executive Director or the Port's Chief Financial Officer or their respective delegates) the authority to approve the manner and date of the sale of the 2024 LTGO Bonds within parameters established by the Commission in the 2024 LTGO Bond Resolution. Commission parameters that limit the delegation are a maximum principal amount, maximum interest rate, minimum savings rate on refunded bonds and expiration date for the delegated authority. If the 2024 LTGO Bonds cannot be sold within these parameters, further Commission action would be required.

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The recommended delegation parameters are:

Maximum size (par): \$325,000,000

Maximum interest rate on new money bonds: 6.0%

Minimum savings on refunded bonds 3.5%

Expiration of Delegation of Authority: April 23, 2025

The savings target is a weighted average based on the Port's debt management policy. The 2015 LTGO Bonds being refunded included longer-term bonds for the SR99 project with a refunding target of 4% and shorter-term bonds that refunded 2006 LTGO Bonds and have a savings target of 2%.

Upon adoption, Resolution No. 3822 (the 2024 LTGO Bond Resolution) will authorize a Designated Port Representative to select the manner and date of the sale, approve the final sale terms, pay the cost of issuance, execute all documents, prepare, and disseminate a preliminary official statement and final official statement, provide for continuing disclosure and take other action appropriate for the prompt execution and delivery of the 2024 LTGO Bonds.

Unlike Port revenue 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 2024 LTGO Bonds of each series. The Port's debt management procedures allow for 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 LTGO Bonds and are sold in relatively stable market environments. Should market conditions change, in consultation with the Port's Financial Advisor, a Designated Port Representative may determine that a negotiated sale is a more effective approach. A negotiated sale would also need to be executed within the Commission established parameters.

Piper Sandler 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

(1) Draft Resolution No. 3822

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 24, 2023 – The Commission was briefed on the draft plan of finance and tax levy including the 2024 LTGO Bonds.

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[Annotation] Bertram, Scott

Angie/Elizabeth review - based on conversation yesterday w/David Morrison.

[Annotation] Rose, Angie

Looks good - David is working on the CIP roll-forward this week. Once we get that, we can tidy up the project names.

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EXHIBIT A

Terminal 91 Berths 6 and 8 Redevelopment

Terminal 91 Uplands Development Phase I

Fishermen's Terminal Maritime Innovation Center

Terminal 5 Modernization

T5 Phase 2 Paving

T5 Transtainer runs

T5 Reefer demarcation

T5 Container Yard Expansion

T18 Shorepower Design

T18 Full Dock Rehab Design

Jack Block Park Pier & Plaza Replacement

T46 N. Substation #1 Replacement

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