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COMMISSION

AGENDA MEMORANDUM Item No. 10a

ACTION ITEM Date of Meeting June 11, 2024

DATE: May 24, 2024

TO: Stephen Metruck, Executive Director

FROM: Elizabeth Morrison, Director, Corporate Finance

Scott Bertram, Manager Corporate Financial Analysis

SUBJECT: Resolution No. 3826 – Issuance and Sale of Intermediate Lien Revenue and Refunding Bonds in the Aggregate Principal Amount of Not-to-Exceed \$850,000,000.

ACTION REQUESTED

Request introduction of Resolution No. 3826: 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 (the "2024 Revenue Bonds"), in the aggregate principal amount of not to exceed \$850,000,000 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

The 2024 Revenue Bonds will be used to fund an estimated \$535 million of capital improvements at the Airport, and to refund up to \$85,065,000 of outstanding Intermediate Lien revenue refunding bonds, Series 2013 (the "2013 Bonds") and \$187,275,000 of outstanding Intermediate Lien revenue refunding bonds, Series 2015AB (the "2015 Bonds"), for debt service savings.

JUSTIFICATION

As part of the Port's debt management program, the Port monitors opportunities to reduce debt service. At this time, current interest rates provide for a potentially favorable refunding opportunity on several outstanding Port revenue bonds, including the 2013 Bonds and the 2015 Bonds, both of which funded or refunded Airport capital improvements. The 2013 bonds are currently callable, and the 2015 bonds will be callable in September and October, 2024. The current estimated present value savings of refunding the 2013 Bonds and 2015 Bonds is approximately \$1.7 million and \$7.5 million, respectively.

The 2024-2028 Plan of Finance estimated future revenue bond needs of \$3.6 billion to help pay for the Airport's ~\$5.5 billion capital improvement plan over the next five years, and these 2024 Revenue Bonds will include funding for approximately \$535 million of those Airport project costs. Some of the major projects to be funded, in part, with this bond issuance include North Main Template revised September 22, 2016.

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Terminal Redevelopment, Baggage Optimization, C Concourse Expansion, S Concourse Evolution, and A Concourse Expansion along with various other Airport improvements; a list of projects currently identified for 2024 Bond funding is provided in Exhibit A. If project spending is delayed or if other funding sources are available, e.g., federal grants, the 2024 Revenue Bond proceeds may be redirected to other projects within the limits established by the federal tax code. No 2024 Revenue Bond proceeds or other funds can be spent on any project without the appropriate project authorization.

The 2024 Revenue bonds will also include proceeds sufficient to pay cost of issuance, fund the required debt service reserve and pay a portion of the interest (capitalized interest) on the Bonds during project construction (i.e. until the bond funded projects can be placed in service and included in the rate base).

DETAILS

The Bonds are being issued pursuant to the Intermediate Lien Master Resolution No. 3540 and this Resolution No. 3826. The Bonds will be issued in multiple series based on the tax status of the projects to be funded or the tax status of the 2013 Bonds or 2015 Bonds being refunded.

Three series are anticipated.

- One series is expected to be issued as governmental bonds exempt from all federal income tax (Non-AMT). This series would be used to refund the outstanding 2015 bonds; it may also provide funding for airport capital projects eligible for governmental bond funding, if applicable.
- A second series is expected to 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 would be used to refund the 2013 Bonds, which were issued as AMT bonds, and provide funding for on-going airport capital investments.

- The third series of bonds may be issued as taxable debt and investors would be subject to federal income tax. This series would be used to fund airport capital 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. Currently, Port staff does not expect the need for taxable bonds, but we have retained the option to include a taxable series if circumstances change.

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The table below summarizes the potential refunding candidates.

Refunding Candidates Total Principal (\$)

2015A Intermediate Lien Revenue Bonds (Non-AMT) 57,740,000

2015B Intermediate Lien Revenue Refunding Bonds (Non-AMT) 129,535,000

2013 Intermediate Lien Revenue Refunding Bonds (AMT) 85,065,000

272,340,000

Resolution No. 3826 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: \$850,000,000

Maximum interest rate on Tax-Exempt bonds: 6.0%

Maximum interest rate on Taxable bonds (if needed): 7.0%

Expiration of Delegation of Authority: June 25, 2025

Upon adoption, Resolution No. 3826 will authorize the Designated Port Representative (the Port's Executive Director, the Deputy Executive Director or the Port's Chief Financial Officer or their respective delegates) to approve the Bond Purchase Contract, escrow agreement, if any, pay the costs of issuance, execute all documents including the preparation and dissemination of 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 Bonds.

The Bonds will be sold through negotiated sale to BofA Securities, Barclays Capital, Goldman Sachs & Co. LLC, Jefferies LLC, Morgan Stanley, Siebert Williams Shank & Co., LLC (2), Academy Securities, Inc. (1), and Stern Brothers & Company (2). 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.

(1) Disabled veteran owned firm

(2) Women or Minority owned firm

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ATTACHMENTS TO THIS REQUEST

(1) Draft Resolution No. 3826

(2) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 24, 2023 – The Commission was briefed on the draft plan of finance.

EXHIBIT A

North Main Terminal Redevelopment (SEA Gateway Project)
C Concourse Expansion
S Concourse Evolution
Checked Baggage Optimization
Post IAF Airline Realignment
Main Terminal Low Voltage System Upgrade
A Concourse Expansion
Taxiway A Circuit Replacement
Upgrade Satellite Train System (STS) Control
Concourse Low Voltage System Upgrades
Passenger Loading Bridge Renewal and Replacement (2022)
N14WB and N15NB Common Use
Checkpoint 1 Relocation
Port Shared-Lounge Concourse A

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