



Legislation Text

File #: Res 31756, **Version:** 1

RESOLUTION 31756

A RESOLUTION relating to contracting indebtedness; confirming, ratifying and approving certain terms of the issuance and sale of The City of Seattle, Washington, Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2017, for the purposes set forth in Ordinance 125297 and in Ordinance 124338, as amended by Ordinance 124914; confirming, ratifying and approving actions taken and to be taken to provide for the refunding of certain outstanding bonds of the Drainage and Wastewater System of the City; confirming, ratifying and approving the notice of bond sale and other actions taken and to be taken in connection with the issuance of the bonds and their sale to the purchaser; and ratifying and confirming the actions of the Director of Finance and other City officials relating to the issuance and sale of the bonds.

WHEREAS, pursuant to Ordinance 125297 (the “New Money Ordinance”), the City authorized the issuance and sale of not to exceed \$205 million of its Drainage and Wastewater System revenue bonds in one or more series: (a) to pay part of the cost of carrying out the Plan of Additions (as defined in the New Money Ordinance); (b) to provide for a deposit to the Reserve Subaccount; (c) to capitalize interest on, if necessary, and pay the costs of issuance of the bonds; and (d) for other Drainage and Wastewater System purposes approved by ordinance; and

WHEREAS, pursuant to Ordinance 124338, as amended by Ordinance 124914 (the “Omnibus Refunding Bond Ordinance”), the City authorized the issuance of Drainage and Wastewater System revenue bonds for the purpose, among other things, of paying all or a part of the costs of refunding certain of the City’s outstanding Drainage and Wastewater System revenue bonds; and

WHEREAS, pursuant to Ordinance 122209 and Ordinance 121938 (as amended by Ordinance 122209) and Resolution 30927 (together, the “Refunded Bond Legislation”), the City previously issued its Drainage and Wastewater Revenue and Refunding Bonds, 2006, and reserved the right to call, pay and redeem those bonds maturing on and after February 1, 2018 prior to maturity at any time on or after February 1, 2017, at a price equal to the stated principal amount to be redeemed, plus accrued interest; and

WHEREAS, the New Money Ordinance and the Omnibus Refunding Bond Ordinance (together, the “Bond Ordinances”) authorize the Director of Finance to conduct a public or negotiated sale of bonds and to recommend to the City Council for its approval by resolution the interest rates and certain Bond Sale Terms (as defined in the Bond Ordinances), within certain parameters set forth in the Bond Ordinances; and

WHEREAS, pursuant to the Bond Ordinances, a preliminary official statement dated May 25, 2017, for the public sale of the Bonds, including an official notice of that sale, was prepared and distributed, bids were received today in accordance with the notice of bond sale, and the proposed sale of the Bonds to PNC Capital Markets LLC has been recommended to the City Council for its approval with the interest rates and other Bond Sale Terms; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THAT:

Section 1. Definitions. The meanings of capitalized terms used and not otherwise defined in this resolution shall be as set forth in the Bond Ordinances. In addition, the following terms as used in this resolution shall have the following meanings:

“Acquired Obligations” means those Government Obligations (if any) purchased pursuant to the Refunding Trust Agreement to accomplish the refunding of the Refunded Bonds.

“Bond Legislation” means, collectively, the Bond Ordinances and this resolution.

“Bond Ordinances” means, together, the New Money Ordinance and the Omnibus Refunding Bond Ordinance.

“Bonds” means the \$234,125,000 aggregate principal amount of Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2017, issued pursuant to the Bond Legislation.

“Government Obligations,” when referring to eligible investments in a refunding escrow established to refund or defease the Bonds, shall be limited to the following types of securities, provided that such securities are then included in the state law definition of “government obligations” under RCW 39.53.010 (or any successor statute): (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

“New Money Ordinance” means Ordinance 125297 passed by the City Council on April 17, 2017.

“New Money Portion” means that portion of the Bonds identified in the allocation attached to the Tax

Certificate to be executed by the Director of Finance as of the Issue Date.

“Omnibus Refunding Bond Ordinance” (also referred to as the “Refunding Bond Ordinance” in certain disclosure documents) means Ordinance 124338, passed by the City Council on November 25, 2013, as amended by Section 26 of Ordinance 124914 (passed by the City Council on November 23, 2015). In accordance with Section 39 of Ordinance 124338 (which amended and restated Ordinance 121938, originally passed by the City Council on September 26, 2005 and subsequently amended by Ordinance 122209 (passed by the City Council on September 5, 2006), and Ordinance 122637 (passed by the City Council on March 3, 2008)), all section references to the Omnibus Refunding Bond Ordinance herein refer to the “clean” version of that legislation attached to Ordinance 124338 as Exhibit C.

“Purchaser” means PNC Capital Markets LLC, of Philadelphia, Pennsylvania.

“Refunded Bonds” means those portions of the City’s outstanding Drainage and Wastewater Revenue and Refunding Bonds, 2006, identified in Exhibit A, which is attached and incorporated by this reference.

“Refunded Bond Legislation” means collectively the legislation authorizing the issuance and sale of the City’s Drainage and Wastewater Revenue and Refunding Bonds, 2006 (the “Refunded Bond Legislation”) allocated to new money, current and advance refundable purposes as follows:

| Refunded Bond Legislation | |
|--|--|
| Ordinance 122209, passed by the City Council on September 5, 2006 | Authorizing the portion of the Refunded Bonds allocated to new money purposes. |
| Ordinance 121938, originally passed by the City Council on September 26, 2005 as amended by Ordinance 122209 | Authorizing the portion of the Refunded Bonds allocated to a current refunding of the new money portion of City’s Drainage and Wastewater Revenue and Refunding Bonds 1995 and an advance refunding of the City’s Drainage and Wastewater Revenue Bonds, 1999. |
| Resolution 30927, adopted by the City Council on October 18, 2006 | Approving the issuance and sale of \$121,765,000 Drainage and Wastewater Revenue and Refunding Bonds, 2006 (including \$48,000,000 new money and \$73,765,000 refunding portions). |

“Refunding Plan” means the refunding plan for the Refunded Bonds, as set forth in Section 5(d).

“Refunding Portion” means that portion of the Bonds identified as such in the allocation attached to the Tax Certificate to be executed by the Director of Finance as of the Issue Date.

“Refunding Trust Agreement” means the agreement between the City and a Refunding Trustee and such other parties as may be necessary, providing for the carrying out of the Refunding Plan, in a form acceptable to the Director of Finance.

“Refunding Trustee” means the financial institution selected by the Director of Finance to serve as refunding trustee or escrow agent under the Refunding Trust Agreement, or its successors.

Section 2. Sale and Delivery of Bonds. The City Council finds that the sale of the Bonds to the Purchaser at the interest rates and pursuant to the Bond Sale Terms set forth in the Bond Legislation, the Official Notice of Bond Sale, attached as Exhibit B, and the bid information attached as Exhibit C (which includes a summary of the true interest cost associated with each bid and a printed version of all the electronic bids for the Bonds, including the electronic bid of the Purchaser), is in the City’s best interest and therefore confirms, ratifies and approves the award of the Bonds to the Purchaser.

Section 3. Approval of Bond Sale Terms. In accordance with Section 5 of the New Money Ordinance and Section 4 of the Omnibus Refunding Bond Ordinance, the following Bond Sale Terms are approved:

(a) Principal Amount. The Bonds shall be issued in the aggregate principal amount of \$234,125,000. The allocation of the Bonds to the New Money Portion and the Refunding Portion shall be as set forth in the allocation attached to the Tax Certificate executed by the Director of Finance as of the Issue Date.

(b) Date or Dates. Each Bond shall be dated its Issue Date, which date shall be any date selected by the Director of Finance that is not later than December 31, 2019.

(c) Denominations. The Bonds shall be issued in Authorized Denominations, as set forth in the Bond Ordinances.

(d) Interest Rates; Payment Dates. Each Bond shall bear interest at fixed rates per annum, as shown below, computed on the basis of a 360-day year of twelve 30-day months, from the Issue Date or from the most

recent date with respect to which interest has been paid or duly provided for, whichever is later. Interest shall be payable on the first day of each January and July, commencing January 1, 2018. Principal shall be payable at maturity (and on mandatory redemption dates in the amounts set forth in subsection (f)) in principal amounts on July 1 in the years and amounts as follows:

| Maturity Date (July 1) | Principal Amount | Interest Rate | Maturity Date (July 1) | Principal Amount | Interest Rate |
|---------------------------|---------------------|---------------|---------------------------|---------------------|------------------|
| 2018 | \$7,920,000 | 5.00% | 2032 | \$ 7,275,000 | 4.00% |
| 2019 | 8,395,000 | 4.00 | 2033 | 7,570,000 | 4.00 |
| 2020 | 5,195,000 | 4.00 | 2034 | 7,865,000 | 4.00 |
| 2021 | 5,395,000 | 5.00 | 2035 | 8,180,000 | 4.00 |
| 2022 | 5,670,000 | 5.00 | 2036 | 8,510,000 | 4.00 |
| 2023 | 5,950,000 | 5.00 | 2037 | 8,850,000 | 4.00 |
| 2024 | 6,250,000 | 5.00 | 2038 | 6,995,000 | 4.00 |
| 2025 | 6,565,000 | 5.00 | 2039 | 7,270,000 | 4.00 |
| 2026 | 8,565,000 | 5.00 | 2040 | 7,565,000 | 4.00 |
| 2027 | 9,000,000 | 5.00 | 2041 | 7,865,000 | 4.00 |
| 2028 | 9,455,000 | 4.00 | 2042 | 8,180,000 | 4.00 |
| 2029 | 9,840,000 | 4.00 | *** | *** | *** |
| 2030 | 6,730,000 | 4.00 | 2047 | 46,075,000 | 4.00 |
| 2031 | 6,995,000 | 4.00 | | | |

(e) **Final Maturity.** The final maturity of the Bonds is July 1, 2047.

(f) **Redemption Rights.**

(i) Optional Redemption. The Bonds maturing on and before July 1, 2027, are not subject to redemption prior to maturity. The City reserves the right and option to redeem Bonds maturing on and after July 1, 2028, prior to their stated maturity dates at any time on or after July 1, 2027, as a whole or in part, at a price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

(ii) Mandatory Redemption. Bonds maturing in the year 2047 are designated as Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth in the Bond Ordinances, shall be called for redemption in accordance with the Bond Ordinances at a price equal to the principal amount to be redeemed plus accrued interest on July 1 in the years and

amounts as follows:

| 2047 Term Bonds | |
|---------------------------|-----------------------------|
| Mandatory Redemption Year | Mandatory Redemption Amount |
| 2043 | \$8,505,000 |
| 2044 | 8,850,000 |
| 2045 | 9,200,000 |
| 2046 | 9,570,000 |
| 2047* | 9,950,000 |

*Maturity

If a Term Bond is redeemed under the optional redemption provisions or defeased or purchased by the City and surrendered for cancellation, the principal amount of that Term Bond so redeemed, purchased, or defeased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond in accordance with the Bond Ordinances.

(g) Price. The purchase price for the Bonds is \$261,140,045.10 representing the aggregate principal amount of the Bonds, plus an original issue premium and less underwriter's discount.

(h) Other Terms and Conditions. The following terms and conditions, along with those additional Bond Sale Terms set forth in the Official Notice of Bond Sale, are ratified, confirmed and approved in all respects:

(1) The average expected life of the capital facilities to be financed with the proceeds of the New Money Portion exceeds the weighted average maturity of the New Money Portion allocated to financing those capital facilities.

(2) The Parity Conditions have been met or satisfied to allow the Bonds to be issued as Parity Bonds.

(3) The City Council has had due regard for the cost of maintenance and operation of the Drainage and Wastewater System in creating the Parity Bond Account and in fixing the amounts to be paid into it, and is not setting aside into the Parity Bond Account a greater amount than in its judgment, based on rates

established from time to time, will be available over and above such cost of maintenance and operation.

(4) The Bond Sale Terms do not provide for any bond insurance or other credit enhancement, or for interest rate swaps, caps, floors or other similar hedging devices, at the expense or direction of the City.

(5) A portion of the proceeds of the New Money Portion will be deposited into the Reserve Subaccount to satisfy the Reserve Requirement in accordance with Section 4(a). Upon the redemption or defeasance of all Outstanding Parity Bonds, the Bonds shall cease to be “Covered Parity Bonds” for purposes of the Bond Legislation.

(6) Terms and covenants relating to federal tax matters are as set forth in Section 6.

Section 4. Use of Bond Proceeds. The principal proceeds of the Bonds received by the City shall be allocated as set forth in the Tax Certificate to be executed by the Director of Finance as of the Issue Date and shall be deposited immediately upon receipt, as set forth below. The amounts necessary to pay the costs of issuance of the Bonds shall be allocated among the various purposes in accordance with the allocation set forth in the Tax Certificate executed by the Director of Finance as of the Issue Date.

(a) New Money Portion. The principal proceeds of the sale of the New Money Portion shall be deposited (i) in the funds, accounts or subaccounts as determined by the Director of Finance as necessary to pay costs of the Plan of Additions, the costs of issuing the New Money Portion of the Bonds and for such other purposes as may be approved by ordinance; and (ii) into the Reserve Subaccount an amount sufficient to provide for the Reserve Requirement until the redemption or defeasance of the Outstanding Parity Bonds, at which time the Bonds shall no longer be deemed to be Covered Parity Bonds secured by the Reserve Subaccount, and the proceeds of the Bonds then on deposit in the Reserve Subaccount shall be used as directed by the Director of Finance, upon consultation with Bond Counsel regarding any uses to which such proceeds may be put and any actions that may be required to preserve the tax-exemption of interest on the Bonds.

(b) Refunding Portion. The principal proceeds of the sale of the Refunding Portion shall be deposited immediately upon the receipt thereof with the Refunding Trustee and shall be used to carry out the Refunding Plan,

including discharging the obligations of the City relating to the Refunded Bonds under the Refunded Bond Legislation. The Refunding Plan shall be as set forth in the Refunding Trust Agreement and Section 5(d). The Director of Finance shall determine, in his sole discretion, whether the portion of the sale proceeds of the Refunding Portion necessary for payment of costs of issuance and administrative costs of the refunding shall be (i) deposited into a fund, account or subaccount to be paid directly by the City, or (ii) deposited with the Refunding Trustee, who shall be directed to pay such costs as part of the Refunding Plan.

Section 5. Provisions for Refunding.

(a) Findings With Respect to Refunding. The City Council finds that the issuance of the Refunding Portion at this time will effect a savings to the City and is in the best interest of the City and its Drainage and Wastewater System ratepayers and in the public interest. In making such finding, the City Council has given consideration to the fixed maturities allocated to the Refunding Portion and the Refunded Bonds, the costs of issuance of the Refunding Portion and the known earned income (if any) from the investment of the amounts deposited with the Refunding Trustee pending payment and redemption of the Refunded Bonds. The City Council further finds that the money to be deposited with the Refunding Trustee will discharge and satisfy the obligations, pledges, charges, trusts, covenants, and agreements of the City under the Refunded Bond Legislation, and that the Refunded Bonds shall no longer be deemed to be outstanding under the Refunded Bond Legislation immediately upon the deposit of such money with the Refunding Trustee.

(b) Call for Redemption of the Refunded Bonds. The City authorizes the Director of Finance to call for redemption on July 28, 2017, all of the Refunded Bonds at a price of 100% of the principal amount to be redeemed, plus accrued interest to the date set for redemption. Such call for redemption shall be irrevocable after the Issue Date. The date on which the Refunded Bonds are called for redemption is the first date on which the Refunded Bonds may be called. The City authorizes and directs the Director of Finance to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the Refunded Bond Legislation in order to effect the redemption prior to the maturity of the Refunded Bonds.

(c) Refunding Trust Agreement. The Director of Finance is authorized and directed to appoint the Refunding Trustee and to execute a Refunding Trust Agreement, in form and substance acceptable to him, consistent with Section 12 of the Omnibus Refunding Bond Ordinance.

(d) Refunding Plan. The Refunding Plan is approved substantially as follows, with such alterations as may be set forth in the Refunding Trust Agreement, all as the Director of Finance deems necessary or appropriate:

(1) On the Issue Date, certain proceeds of the Refunding Portion shall be deposited with the Refunding Trustee in an amount sufficient (together with interest earned on the Acquired Obligations, if any) to pay the principal of and accrued interest on the Refunded Bonds on the redemption date, and to pay such costs of issuance or administrative costs of carrying out the Refunding Plan as are included as part of the Refunding Plan.

(2) The Refunding Trustee shall hold the amounts so deposited in a refunding trust account, and shall apply such money, together with other money held in that account, as set forth in the Refunding Trust Agreement. If so directed in the Refunding Trust Agreement, the Refunding Trustee shall apply the amounts so held to acquire the Acquired Obligations (if any) and shall hold the maturing principal of and interest thereon in the refunding trust account. All maturing principal of and interest on the Acquired Obligations (if any), together with all other money held in that account, shall be applied to the payment of the principal of and interest on the Refunded Bonds when due up to and including the date set for redemption.

(3) On the date set for redemption of the Refunded Bonds, the Refunding Trustee shall call, pay, and redeem all of the Refunded Bonds at a price equal to the principal amount to be redeemed, plus accrued interest to that date.

(4) The costs of carrying out the Refunding Plan and the costs of issuance of the Refunding Portion of the Bonds may be paid either by the City directly or from the amounts held by the Refunding Trustee, as directed by the Director of Finance in his discretion.

Section 6. Federal Tax Matters. The Bonds shall be issued as Tax-Exempt Bonds, in accordance with Section 22(a) of the New Money Ordinance and Section 23(a) of the Omnibus Refunding Bond Ordinance.

Section 7. General Authorization. The Mayor and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, the Bond Ordinances and this resolution.

Section 8. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 9. Ratification of Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are ratified, approved and confirmed.

Section 10. Section Headings. Section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

ADOPTED by the City Council this 6th day of June, 2017, and signed by me in open session in authentication of its adoption this 6th day of June, 2017.

President of the City Council

The Mayor concurred this _____ day of June, 2017.

Edward B. Murray, Mayor

Filed by me this _____ day of June, 2017.

Monica Martinez Simmons, City Clerk

(SEAL)

LIST OF EXHIBITS

| | |
|-----------|--|
| Exhibit A | Identification of Refunded Bonds |
| Exhibit B | Official Notice of Bond Sale |
| Exhibit C | Printed Version of All Electronic Bids |