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Title: A MOTION of the county council accepting a bid for the purchase of the county's Sewer Improvement and Refunding Revenue Bonds, 2015, Series B, in the aggregate principal amount of \$93,345,000 and establishing certain terms of such bonds, and approving a plan of refunding from proceeds of such bonds, all in accordance with Ordinance 18111 and Ordinance 18116.

Sponsors: Joe McDermott

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Attachments: 1. Motion 14442.pdf, 2. A. Official Notice of Sale, 3. B. Winning Bid, 4. C. All Remaining Bids, 5. D. Description of the 2015B Bonds, 6. A. Official Notice of Sale, 7. B. Winning Bid, 8. C. All Remaining Bids, 9. D. Description of the 2015B Bonds, 10. B. Winning Bid

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A MOTION of the county council accepting a bid for the purchase of the county's Sewer Improvement and Refunding Revenue Bonds, 2015, Series B, in the aggregate principal amount of \$93,345,000 and establishing certain terms of such bonds, and approving a plan of refunding from proceeds of such bonds, all in accordance with Ordinance 18111 and Ordinance 18116.

PREAMBLE

Pursuant to Ordinance 15385 and Motion 12278, the county council authorized the issuance of its Sewer Revenue and Refunding Bonds, Series 2006 ("the 2006 Bonds") to finance the construction of improvements to the Sewer System, to refund certain outstanding obligations of the Sewer System for debt service savings, and to pay the costs of issuing the 2006 Bonds.

The county reserved the right to redeem the 2006 Bonds maturing on and after January 1, 2017,

in whole or in part at any time on or after January 1, 2016, at par plus accrued interest, if any, to the date of redemption.

Pursuant to Ordinance 18116, passed on September 21, 2015 ("the Refunding Ordinance"), the county council authorized, among other things, the issuance of one or more series of its sewer revenue bonds to refund certain outstanding sewer revenue bonds of the county, including the 2006 Bonds.

There are presently outstanding \$24,070,000 aggregate principal amount of 2006 Bonds maturing on January 1 of each of the years 2017 through 2023, inclusive, all bearing interest at the rate of 5.00%.

The county has determined it is in the best interest of the county and the ratepayers of the Sewer System to modify the debt service or reserve requirements, sources of payment, covenants or other terms of the 2006 Bonds.

Pursuant to Ordinance 18111, passed on September 21, 2015 ("the Improvement Ordinance"), the county council authorized the issuance of one or more series of its sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) in an aggregate principal amount of not to exceed \$350,000,000 to provide funds for acquiring and constructing improvements to the sewer system.

The Refunding Ordinance and the Improvement Ordinance (together, "the Ordinances") provide that such bonds may be publicly sold in one or more series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Bonds or otherwise, and by negotiated sale or by competitive bid, as determined by the Finance Director in consultation with the county's financial advisor.

The Finance Director has determined that a series of bonds authorized pursuant to the Ordinances, designated as the county's Sewer Improvement and Refunding Revenue Bonds, 2015, Series B, in the aggregate principal amount of \$93,345,000 ("the 2015B Bonds"), be sold

as provided herein.

The 2015B Bonds are the first series of bonds issued pursuant to the Improvement Ordinance; the aggregate principal amount of the 2015B Bonds to be issued pursuant to the Improvement Ordinance is \$71,900,000; and that amount does not exceed \$350,000,000.

To effect the refunding in the manner that will be most advantageous to the county, it is found necessary and advisable that a portion of the proceeds of the 2015B Bonds be deposited with the Escrow Agent (as defined in the Refunding Ordinance) and held in an irrevocable trust account for the benefit of the holders of the refunded bonds.

Pursuant to the Ordinances, a preliminary official statement dated October 16, 2015, has been prepared for the public sale of the 2015B Bonds, the official notice of such sale dated October 16, 2015 and attached as Attachment A ("the Notice"), has been duly published, and bids have been received in accordance with the Notice.

The bid of Merrill Lynch, Pierce, Fenner & Smith Incorporated (dba Bank of America Merrill Lynch) to purchase the 2015B Bonds (attached as Attachment B) is the best bid received for the 2015B Bonds, and it is in the best interest of the county that the 2015B Bonds be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated (dba Bank of America Merrill Lynch) on the terms set forth in the Notice, the attached bid, the Ordinances and this motion.

BE IT MOVED BY THE COUNCIL OF KING COUNTY:

A. **Definitions.** Capitalized words that are used in this motion but not defined in this motion have the meanings set forth in the Ordinances for all purposes of this motion, unless some other meaning is plainly intended. The words and terms defined in the preamble to this motion, as used in this motion, have the meanings assigned such terms in the preamble to this motion, for all purposes of this motion, unless some other meaning is plainly intended. The following words and terms as used in this motion have the following meanings for all purposes of this motion, unless some other meaning is plainly intended.

"2006 Refunded Bonds" means the outstanding 2006 Bonds maturing in the years 2017 through 2023, inclusive.

"Refunding Escrow Agreement" means a Refunding Escrow Agreement between the county and the Escrow Agent substantially in the form of that which is on file with the clerk of the county council and by this reference incorporated herein.

"2006 Refunding Plan" means:

1. the placement with the Escrow Agent of sufficient proceeds of the 2015B Bonds, together with other money of the county, if necessary;
2. the application by the Escrow Agent of all amounts held by it to the payment of interest on the 2006 Refunded Bonds when due up to and including January 1, 2016;
3. the call, payment and redemption on January 1, 2016, of all of the 2006 Refunded Bonds at a price of par; and
4. the payment of the costs of issuing the 2015B Bonds allocated to the 2006 Refunding Plan and the costs of carrying out the foregoing elements of the 2006 Refunding Plan.

B. Ratification of Notice of Sale, Acceptance of Bids, and Authorization of 2015B Bonds. The issuance of the 2015B Bonds, designated as the county's Sewer Improvement and Refunding Revenue Bonds, 2015, Series B, in the aggregate principal amount of \$93,345,000, to provide the funds (1) to finance certain capital improvements to the county's sewer system, (2) to carry out the 2006 Refunding Plan, and (3) to pay the costs of issuing the 2015B Bonds and refunding the 2006 Refunded Bonds, and the other terms and conditions thereof set forth in the Notice, are hereby ratified and confirmed.

The offer to purchase the 2015B Bonds, as set forth in the bid of Merrill Lynch, Pierce, Fenner & Smith Incorporated (dba Bank of America Merrill Lynch) attached as Attachment B, is hereby accepted. All other bids that have been received are attached as Attachment C. The 2015B Bonds will be dated their date of issue and delivery, will be subject to optional and mandatory redemption, will mature on the dates and in the

amounts, and will bear interest at the rates, all as specified in Attachment D. The 2015B Bonds will be issued as Parity Bonds and as Tax-Exempt Bonds under the Ordinances. The 2015B Bonds will conform in all respects to the terms and conditions specified in the Notice and the Ordinances.

C. **Satisfaction of Parity Conditions.** In accordance with the Ordinances and the provisions of the Ordinances authorizing the issuance of the outstanding Parity Bonds, which permit the issuance of Future Parity Bonds upon compliance with the conditions set forth therein, the county council hereby finds and determines, as follows:

1. There is not now, and when the 2015B Bonds are issued there will not then be, any deficiency in the Parity Bond Fund or any account therein.
2. All money held in the Refunding Account allocable to refunding the 2006 Refunded Bonds will be used to pay the principal of and interest on the 2006 Refunded Bonds.
3. The Ordinances provide for payment of the principal of and interest on the 2015B Bonds out of the Parity Bond Fund.
4. The amount that will be on deposit in the Parity Bond Reserve Account at the Closing of the 2015B Bonds will satisfy the Reserve Requirement, without the need for any additional deposit.
5. The county will have on file at the Closing of the 2015B Bonds a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that the 2015B Bonds will be outstanding, the Annual Parity Debt Service for such year.
6. The Finance Director will provide to the registered owner of the county's Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, a certificate showing that Net Revenue in any 12 consecutive months out of the most recent 18 months preceding the issuance of the 2015B Bonds, based on financial statements of the System prepared by the county, is at least equal to 1.0 times the Annual Debt Service for the 2015B Bonds and all then outstanding obligations of the System secured by a lien on Revenue of the

System, in each year during the life of the 2015B Bonds.

The applicable conditions for Future Parity Bonds having been complied with in connection with the issuance of the 2015B Bonds, the pledge contained in the Ordinances of Revenue of the System to pay and secure the payment of the 2015B Bonds will constitute a lien and charge on Revenue of the System equal in rank with the lien and charge on the Revenue of the System to pay and secure the payment of the outstanding Parity Bonds.

D. Refunding and Redemption of 2006 Refunded Bonds.

1. **2006 Refunding Plan.** In accordance with Sections 16 and 28 of the Refunding Ordinance, the Finance Director has determined, in consultation with the county's financial advisor, that a portion of the proceeds of the 2015B Bonds will be used to refund the 2006 Refunded Bonds pursuant to the 2006 Refunding Plan, which is ratified and confirmed hereby.

As provided in Section 16 of the Refunding Ordinance, the King County 2015 Series B Sewer Revenue Bonds Refunding Account ("the Refunding Account") will be established and maintained with the Escrow Agent. Proceeds of the 2015B Bonds (exclusive of accrued interest, if any, which will be deposited into the Debt Service Account in the Parity Bond Fund) will be irrevocably deposited with the Escrow Agent in the Refunding Account and used, together with other funds of the county, if necessary, to carry out the 2006 Refunding Plan.

The appointment of U.S. Bank as Escrow Agent is hereby ratified and confirmed. In accordance with Section 16.B. of the Refunding Ordinance, the Finance Director is authorized and directed to enter into the Refunding Escrow Agreement in a form approved by the county's bond counsel.

The proceeds of the 2015B Bonds and other money of the county remaining in the Refunding Account after providing for the necessary beginning cash balance will be utilized to pay expenses of the Escrow Agent and other costs of issuing the 2015B Bonds. Payment of the costs of issuing the 2015B Bonds may be provided for in the Refunding Escrow Agreement or in a separate agreement, as the Finance Director may determine.

The county may, from time to time, transfer, or cause to be transferred, from the Refunding Account any money not thereafter required to carry out the 2006 Refunding Plan, subject to the provisions of the Refunding Escrow Agreement, or if not therein provided, then subject to verification in writing by an independent certified public accountant that the transfer will not result in inadequate funds being available to make the required payments therefrom.

2. **Redemption of 2006 Refunded Bonds.** The county hereby irrevocably sets aside sufficient money to carry out the 2006 Refunding Plan.

The county hereby defeases and calls the 2006 Refunded Bonds for redemption on January 1, 2016. Said defeasance and call for redemption of the 2006 Refunded Bonds will be irrevocable after the final establishment of the Refunding Account and delivery of the requisite money to the Escrow Agent. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish that defeasance and redemption.

The Escrow Agent is hereby authorized and directed to notify the fiscal agent of the state of Washington to give notice of the defeasance and redemption of the 2006 Refunded Bonds in accordance with the applicable provisions of the ordinance authorizing their issuance. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish the defeasance and redemption and the giving of notices therefor. The costs of publication of the notices will be an expense of the county.

The Escrow Agent is hereby authorized and directed to pay to the fiscal agent of the state of Washington money sufficient to carry out the 2006 Refunding Plan. All such money will be paid from the money deposited with the Escrow Agent in the Refunding Account. All money so paid will be credited to the Refunding Account. All money deposited with the Escrow Agent and any income therefrom will be held and applied in accordance with the provisions of the Refunding Ordinance, the Refunding Escrow Agreement and the laws of the state of Washington for the benefit of the county and the registered owners of the 2006 Refunded Bonds.

3. **Findings.** The county council hereby finds and determines that the issuance and sale of

the 2015B Bonds at this time is in the best interest of the county and the ratepayers of the Sewer System by modifying the debt service or reserve requirements, sources of payment, covenants or other terms of the 2006 Refunded Bonds. In making this finding and determination, the county council has given consideration to the interest on and the fixed maturities of the 2015B Bonds and the 2006 Refunded Bonds and the costs of issuance of the 2015B Bonds and the known earned income from the investment of the proceeds of sale of the 2015B Bonds pending redemption and payment of the 2006 Refunded Bonds.

The county council hereby further finds and determines that the money to be deposited with the Escrow Agent will be sufficient to defease and redeem the 2006 Refunded Bonds and will discharge and satisfy the obligations of the county with respect to the 2006 Refunded Bonds under the ordinance authorizing their issuance and the pledges of the county therein. Immediately upon the deposit of such money with the Escrow Agent, the 2006 Refunded Bonds will be deemed not to be outstanding under the ordinance authorizing their issuance and will cease to be entitled to any lien, benefit or security under that ordinance except the right to receive payment from the cash deposit so set aside and pledged.

E. **Designation as Refunding Candidates.** The 2015B Bonds are hereby designated as "Refunding Candidates" for purposes of the Refunding Ordinance.

F. **Continuing Disclosure Undertaking.** In accordance with Section 30 of the Improvement Ordinance and Section 31 of the Refunding Ordinance, the county will enter into an undertaking for continuing disclosure for the 2015B Bonds in substantially the form described in the Official Statement for the 2015B Bonds.

G. **Further Authority.** The county officials and their agents, attorneys and representatives are hereby authorized and directed to do everything necessary for the prompt issuance and delivery of the 2015B Bonds and for the proper use and application of the proceeds of sale of the 2015B Bonds.

H. **Severability.** If any provision in this motion is declared by any court of competent jurisdiction to be contrary to law, then that provision will be null and void and

will be deemed separable from the remaining provisions of this motion and will in no way affect the validity of the other provisions of this motion or of the 2015B Bonds.