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Title: A MOTION of the county council approving a purchase contract for the county's Sewer Revenue Refunding Bonds, 2011 Series C, in the aggregate principal amount of \$32,445,000 and establishing certain terms of such bonds and a plan of refunding, all in accordance with Ordinance 17111.

Sponsors: Julia Patterson

Indexes:

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Attachments: 1. Motion 13573.pdf, 2. A. Execution Version King County, Washington \$32,445,000 Sewer Revenue Refunding Bonds, 2011 Series C Bond Purchase Contract, 3. B. Escrow Deposit Agreement, 4. A. Execution Version King County, Washington \$32,445,000 Sewer Revenue Refunding Bonds, 2011 Series C Bond Purchase Contract, 5. B. Escrow Deposit Agreement King County, Washington Sewer Revenue Refunding Bonds, 2011 Series C

Date	Ver.	Action By	Action	Result
10/3/2011	1	Metropolitan King County Council	Passed	Pass

Clerk 10/03/2011

A MOTION of the county council approving a purchase contract for the county's Sewer Revenue Refunding Bonds, 2011 Series C, in the aggregate principal amount of \$32,445,000 and establishing certain terms of such bonds and a plan of refunding, all in accordance with Ordinance 17111.

WHEREAS, the county council by Ordinance 17111 passed on June 20, 2011 (the "Bond Ordinance"), authorized the issuance and sale of bonds of the county payable from sewer revenues, as follows: (i) \$300,000,000 aggregate principal amount of bonds to pay costs of certain capital improvements to the county's sewer system (the "System") in accordance with the county's comprehensive water pollution abatement plan (the "Project Bonds"), and (ii) not to exceed \$1,200,000,000 aggregate principal amount of bonds to refund certain outstanding bonds payable from sewer revenues (the "Refunding Bonds"), and

WHEREAS, the Bond Ordinance authorizes such bonds to be sold in one or more series, as Parity

Bonds or Parity Lien Obligations (as such terms are defined in the Bond Ordinance), as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and by negotiated sale or competitive bid, as determined by the county's director of finance and business operations division (the "Finance Director") in consultation with the county's financial advisors, and

WHEREAS, a first series of Project Bonds and Refunding Bonds authorized by the Bond Ordinance have been sold pursuant to Motion 13535 of the council passed on August 22, 2011; and

WHEREAS, the Finance Director has determined to sell by negotiated sale \$32,445,000 principal amount of additional Refunding Bonds as a series of Parity Bonds in the aggregate principal amount of \$32,445,000 to be designated as the county's Sewer Revenue Refunding Bonds, 2011 Series C (the "Bonds"), structured as Tax-Exempt Bonds, and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated September 27, 2011, has been prepared for the sale of the Bonds, and the Finance Director has negotiated the sale of the Bonds to J.P. Morgan Securities LLC as underwriter named in the attached bond purchase contract (the "Underwriter"), and

WHEREAS, it is in the best interest of the county that the Bonds be sold to the Underwriter on the terms set forth in the attached bond purchase contract, the Bond Ordinance, and this motion, and

WHEREAS, in accordance with the Bond Ordinance, the council wishes to ratify and confirm certain terms of the Bonds and approve a plan of refunding certain outstanding sewer revenue bonds of the county from proceeds of the Bonds, as set forth herein;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

A. Definitions. Except as expressly authorized herein, capitalized terms used in this motion have the meanings set forth in the Bond Ordinance.

B. Approval of the Bond Purchase Contract and Authorization of Bonds. The issuance of the Bonds, designated as set forth in the recitals of this motion, and the terms and conditions thereof as set forth in

the bond purchase contract, attached hereto as Attachment A (the "Purchase Contract"), are hereby ratified and confirmed, and the Purchase Contract is hereby approved. The Bonds shall bear interest at the rates set forth in the Purchase Contract and shall conform in all other respects to the terms and conditions specified in the Purchase Contract and Bond Ordinance. The Bonds shall be subject to redemption as set forth in the Purchase Contract.

C. Satisfaction of Parity Conditions. In accordance with the provisions of the ordinances authorizing the issuance of the currently outstanding Parity Bonds, which permit the issuance of additional Parity Bonds upon compliance with the conditions set forth therein (the "Parity Conditions"), the county council hereby finds and determines, as follows:

(i) The Bonds are to be issued for the purpose of refunding and retiring prior to their maturity certain outstanding obligations of the county payable from Revenue of the System.

(ii) There is not now, and when the Bonds are issued there will not then be, any deficiency in the Parity Bond Fund or any account therein.

(iii) The Bond Ordinance provides for payment out of the Parity Bond Fund of the principal of and interest on the Bonds and this motion provides for satisfaction of the Reserve Requirement, as required by the Parity Conditions.

(iv) The county will have on file at the Closing of the Bonds a certificate of the Finance Director to satisfy the revenue test for issuance of Future Parity Bonds required by the Parity Conditions.

The applicable Parity Conditions having been complied with in connection with the issuance of the Bonds, the pledge contained in the Bond Ordinance of Revenue of the System to pay and secure the payment of the Bonds shall constitute a lien and charge upon such revenue equal in rank with the lien and charge upon the Revenue of the System to pay and secure the payment of the outstanding Parity Bonds.

D. Refunding and Redemption of Refunded Bonds.

1. Plan of Refunding. In accordance with Sections 16 and 28 of the Bond Ordinance, the

Finance Director has determined, in consultation with the county's financial advisors, that proceeds of the Bonds shall be used to refund certain outstanding bonds of the county payable from sewer revenues (as set forth below, the "Refunded Bonds") pursuant to the plan of refunding set forth below and ratified and confirmed hereby:

Refunded Bonds:

Refunded 2001 Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Sewer Revenue & Refunding Bonds, 2001,:					
TERM2035	1/1/2035*	5.000%	5,915,000.00	1/1/2012	100.000

*Partial Refunding

Refunded 2002A Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Sewer Revenue Bonds, Series 2002A:					
TERM35A	1/1/2035*	5.000%	19,655,000.00	1/1/2012	100.000

*Partial Refunding

Refunded 2004A Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Sewer Revenue Bonds, Series 2004A:					
SERIALSA	1/1/2022	4.500%	7,965,000.00	1/1/2014	100.000

As provided in Section 16 of the Bond Ordinance, the King County 2011 Series C Sewer System Bonds Refunding Account (the "Refunding Account") shall be established and maintained with the Escrow Agent (as identified below). Proceeds of the Bonds (exclusive of accrued interest, if any, which shall be deposited into the Debt Service Account in the Bond Fund) shall be deposited in the Refunding Account and used, together with other funds of the county, if necessary, to purchase certain "Government Obligations" (which obligations so purchased are herein called "Escrow Securities"), bearing such interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of:

- (a) the interest on the Refunded 2001 Bonds and Refunded 2002A Bonds due and payable on and prior to January 1, 2012;
- (b) the redemption price (100% of the principal amount) payable on January 1, 2012,

of the Refunded 2001 Bonds and Refunded 2002A Bonds;

(c) the interest on the Refunded 2004A Bonds due and payable on and prior to January 1, 2014; and,

(d) the redemption price (100% of the principal amount) payable on January 1, 2014, of the Refunded 2004A Bonds..

The selection of The Bank of New York Mellon as Escrow Trustee is hereby ratified and confirmed. The Escrow Agreement shall be in substantially the form set forth as Attachment B hereto.

Any beginning cash balance and the Escrow Securities shall be irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds in accordance with the ordinances authorizing the Refunded Bonds. Any amounts described above that are not provided for in full by such beginning cash balance and the purchase and deposit with the Escrow Agent of the Escrow Securities shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or any other money of the county legally available therefor. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Escrow Securities and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Escrow Securities and the costs of issuing the Bonds. The county may, from time to time, transfer, or cause to be transferred, from the Refunding Account any money not thereafter required for the purposes set forth in subparagraphs (a) -- (d) above, subject to verification in writing by an independent certified public accountant that such transfer will not result in inadequate funds being available to make the required payments therefrom. The county reserves the right to substitute other securities for the Escrow Securities in the event it may do so pursuant to Section 148 of the Code and applicable regulations thereunder, upon compliance with the conditions set forth in the Escrow Agreement.

2. Redemption of Refunded Bonds. The county hereby irrevocably sets aside sufficient funds through the purchase of the Escrow Securities and an initial cash deposit to make the payments, as specified in subparagraphs (a) -- (d) above.

In accordance with the provisions of the ordinances authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities, the county hereby irrevocably defeases and calls for redemption on January 1, 2012, the Refunded 2001 Bonds and the Refunded 2002A Bonds, and irrevocably defeases and calls for redemption on January 1, 2014, the Refunded 2004A Bonds.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the Escrow Securities and the requisite cash deposit, if any, to the Escrow Agent, except as provided herein relating to the substitution of securities. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such defeasance and redemption.

The Escrow Agent is hereby authorized and directed to notify the fiscal agency of the State of Washington to give notice of the redemption of the Refunded Bonds in accordance with the applicable provisions of the ordinances authorizing their issuance. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor. The costs of publication of such notice shall be an expense of the county.

The Escrow Agent is hereby authorized and directed to pay to the fiscal agency or agencies of the State of Washington sums sufficient to make, when due, the payments specified in subparagraphs (a) -- (b) above. All such sums shall be paid from the money and the Escrow Securities deposited with the Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the Refunding Account. All money and Escrow Securities deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of the Bond Ordinance and with the laws of the State of Washington for the benefit of the county and the owners of the Refunded Bonds.

3. Findings of Saving and Defeasance. This council hereby finds and determines that the issuance and sale of the Bonds at this time will effect a savings to the county and ratepayers of the System. In making

such finding and determination, the council has given consideration to the interest on and the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of sale of the Bonds pending redemption and payment of the Refunded Bonds.

This council hereby further finds and determines that the Escrow Securities to be deposited with the Escrow Agent and the income therefrom, together with any necessary beginning cash balance, are sufficient to defease and redeem the above-referenced Refunded Bonds and will discharge and satisfy the obligations of the county with respect to the Refunded Bonds under the ordinances authorizing their issuance and the pledges of the county therein. Immediately upon the delivery of such Escrow Securities to the Escrow Agent and the deposit of any necessary beginning cash balance, the Refunded Bonds shall be deemed not to be outstanding under their authorizing ordinance and shall cease to be entitled to any lien, benefit or security under such ordinances except the right to receive payment from the Escrow Securities and beginning cash balance so set aside and pledged.

F. Undertaking to Provide Ongoing Disclosure.

1. Contract/Undertaking. In accordance with Section 31 of the Bond Ordinance, this Section F constitutes the county's written undertaking for the benefit of the Owners and Beneficial Owners of the Bonds as required by paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

2. Financial Statements/Operating Data. The county agrees to provide or cause to be provided to the MSRB the following annual financial information and operating data for the prior fiscal year (commencing in 2012 for the fiscal year ended December 31, 2011):

(a) Annual financial statements, which may or may not be audited, showing year-end fund balance for the County's Water Quality Enterprise fund prepared in accordance with the Budget Accounting and Reporting System ("BARS") prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and generally of the type included in the official statement for the Bonds under the heading

"Appendix C: King County Water Quality Enterprise 2010 Audited Financial Statements";

(b) Amount of outstanding Parity Bonds; and

(c) Information regarding customers, revenues and expenses of the Sewer System generally

in the form set forth in the Official Statement for the Bonds in the table titled "Historical Customers, Revenues and Expenses."

Items (b) and (c) shall be required only to the extent that such information is not included in the annual financial statement.

The annual information and operating data described above shall be provided on or before the end of seven months after the end of the county's fiscal year. The county's fiscal year currently ends on December 31. The county may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the county may make specific cross reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the County will provide to the MSRB the County's audited annual financial statement prepared in accordance with BARS when and if available.

3. Notification Upon Failure to Provide Financial Data. The county agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information and operating data described in subsection 2 above on or prior to the date set forth in subsection 2 above.

4. Specified Events. The county agrees to provide or cause to be provided, to the MSRB in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;
- (g) Modifications to rights of Bondholders, if material;
- (h) Bond calls, if material, and tender offers for the Bonds;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or similar event of the county or any "obligated person" (as such term is defined in the Rule);
- (m) The consummation of a merger, consolidation or acquisition involving the county or an obligated person or the sale of all or substantially all of the assets of the county or the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and,
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure, and not intending to modify this undertaking, the county advises with reference to items (c) and (j) above that the Parity Bond Reserve Account is the debt service reserve for the Bonds and no property secures repayment of the Bonds.

5. EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the

Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org <<http://www.emma.msrb.org>>. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

6. Termination/Modification. The county's obligations to provide annual financial information and notices of specified events shall terminate upon the legal defeasance or payment in full of all of the Bonds. These obligations, or any provision of this section, shall be null and void if the county (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require these obligations, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the cancellation of these obligations.

Notwithstanding any other provision of the Bond Ordinance or this motion, the county may amend this Section F, and any provision of this Section F may be waived, with an approving opinion of nationally recognized bond counsel and in accordance with the Rule.

In the event of any amendment or waiver of a provision of this Section F, the county shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the county. In addition, if an amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection 3, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

7. Bond Owner's Remedies Under This Section. The right of any Bond owner or Beneficial Owner of Bonds to enforce the provisions of this Section F shall be limited to a right to obtain specific enforcement of the county's obligations hereunder, and any failure by the county to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including persons holding Bonds through nominees or depositories.

8. Prior Compliance. The county has entered into written undertakings under the Rule with respect to all of its obligations subject thereto and is in compliance with all such undertakings.

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

H. Severability. If any provision in this motion is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this motion and shall in no way affect the validity of the other provisions of this motion or of the Bonds.