



## Legislation Text

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**File #:** 2014-0262, **Version:** 1

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Clerk 06/30/2014

A MOTION of the county council approving a tender and purchase contract for the county's Sewer Revenue Refunding Bond, 2014 Series A, to be issued in the aggregate principal amount of \$75,000,000, to refund on a current basis a portion of the county's Sewer Revenue Bonds, 2007, establishing certain terms of the bond, and providing for the application of the proceeds of the bond, all in accordance with Ordinance 17599.

WHEREAS, pursuant to Ordinance 17599 ("the Ordinance"), the county council authorized the issuance of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county in an aggregate principal amount not to exceed \$300,000,000 to provide funds for acquiring and constructing improvements to the sewer system and an aggregate principal amount not to exceed \$950,000,000 for refunding outstanding bonds of the county payable from sewer revenues, and

WHEREAS, the Ordinance identified the Sewer Revenue Bonds, 2007 ("the 2007 Bonds") issued in the aggregate principal amount of \$250,000,000 pursuant to Ordinance 15758 adopted on May 7, 2007 ("the 2007 Ordinance") and sold pursuant to Motion 12528 adopted on June 11, 2007 ("the 2007 Motion" and, together with the 2007 Ordinance, "the 2007 Bond Authorization") as a "Refunding Candidate" authorized to be refunded pursuant to the Ordinance, and

WHEREAS, pursuant to the 2007 Bond Authorization, the 2007 Bonds maturing on or after January 1, 2018, are subject to redemption in whole or in part at any time on or after July 1, 2017, at the price of par plus accrued interest, if any, to the date of redemption, and

WHEREAS, \$75,000,000 of the 2007 Bonds maturing on January 1, 2047 ("the 2007 Citi Bonds"), currently are owned by Citibank, N.A., a national banking association ("the Bank"), and

WHEREAS, the Bank has offered to tender to the county the 2007 Citi Bonds for purchase in exchange for a Sewer Revenue and Refunding Bond, 2014 Series A ("the 2014 Bond"), in the principal amount of \$75,000,000, for a purchase price for such 2014 Bond of \$85,305,000, and

WHEREAS, the Bank will expressly waive the redemption notice and date requirements to facilitate a current refunding of the 2007 Citi Bonds in connection with such tender and exchange, and

WHEREAS, the Ordinance authorized the county's director of finance and business operations division ("the Finance Director") to determine, in consultation with the county's financial advisors, which of the Refunding Candidates, if any, to refund, and directed that the Finance Director determine, in consultation with the county's financial advisor, a plan of refunding and the sale of the 2014 Bond, as a Parity Bond or Parity Lien Obligation, as a Tax-Exempt Bond, Tax Benefited Bond or otherwise, by competitive bid or negotiated sale, for current or future delivery, and

WHEREAS, the Finance Director has determined that the 2014 Bond should be sold by negotiated sale, as a Parity Bond and Tax-Exempt Bond for current delivery, to the Bank, and

WHEREAS, the Bank has offered to tender its 2007 Citi Bonds in exchange for the 2014 Bond, and has offered to purchase the 2014 Bond on the terms and conditions set forth in the Tender and Purchase Agreement in the form of Attachment A to this motion, and the Finance Director has determined that the 2014 Bond may be sold by negotiated sale to the Bank, pursuant to such terms and conditions and this motion, and

WHEREAS, in accordance with the Ordinance, the council wishes to ratify and confirm certain terms of the 2014 Bond and approve a plan of refunding the 2007 Citi Bonds with a portion of the proceeds of the 2014 Bond, and the application of a portion of the proceeds of the 2014 Bond to pay costs of acquiring and constructing improvements to the System, all as set forth herein;

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

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

B. Approval of Tender and Purchase Agreement and Authorization of Bonds. The issuance of the 2014 Bond, designated as set forth in the recitals of this motion, and the terms and conditions thereof as set forth in the tender and purchase agreement attached hereto as Attachment A to this motion ("the Tender and Purchase Agreement"), are hereby ratified and confirmed, and the Tender and Purchase Agreement in substantially the form set forth in Attachment A to this motion, is hereby approved. The 2014 Bond shall bear interest at the rates set forth in the Tender and Purchase Agreement and shall conform in all other respects to the terms and conditions specified in the Tender and Purchase Agreement and the Ordinance. The 2014 Bond shall be subject to redemption as set forth in the Tender and Purchase Agreement.

C. Refunding and Redemption of Refunded Bonds; Application of Proceeds.

1. Application of 2014 Bond Proceeds. The proceeds of the 2014 Bond are to be applied as follows:

a. \$5,274,351.33 is to be deposited to the Construction Subaccount to pay costs of acquiring and constructing improvements to the System, and

b. The balance of the proceeds are to be deposited to the Refunding Account and Costs of Issuance Account, as set forth in subsection C.2.

2. Plan of Refunding. In accordance with Sections 16 and 28 of the Ordinance, the Finance Director has determined, in consultation with the county's financial advisor, that net proceeds of the 2014 Bond will be used to refund the 2007 Citi Bonds (as set forth below, "the Refunded Bonds") pursuant to the plan of refunding set forth below and ratified and confirmed hereby:

**King County**

**Sewer Revenue Bonds, 2007**

**The Refunded Bonds (which consist of the 2007 Citi Bonds shown below)**

Maturity Date (January 1)	Outstanding Principal	2007 Citi Amount	Interest Rate	Original CUSIP Number
2047	\$103,120,000*	\$75,000,000*	5.0%	495289RB8

\* Term Bonds.

The selection of U.S. Bank National Association as Escrow Agent is hereby ratified and confirmed. In accordance with Section 16 of the Ordinance, the Finance Director is authorized and directed to enter into an Escrow Agreement with the Escrow Agent in a form approved by the county's bond counsel. As provided in Section 16 of the Ordinance, the King County 2014 Sewer Revenue Bonds Refunding Account ("the Refunding Account") and the King County 2014 Sewer Revenue Bonds Refunding Costs of Issuance Account ("the Costs of Issuance Account") will be established and maintained with the Escrow Agent.

A portion of the proceeds of the 2014 Bond will be deposited with the Escrow Agent pursuant to subsection C.1.b. as follows:

a. \$157,732.00 is to be deposited in the Costs of Issuance Account to pay the costs and expenses incurred in the issuance of the 2014 Bond as set forth in the Escrow Agreement. The county may, from time to time, transfer, or cause to be transferred, from the Costs of Issuance Account any money not thereafter required for the purposes set forth in this subsection C.2.b. of this motion.

b. \$79,872,916.67 is to be deposited in the Refunding Account to pay the interest, if any, on the Refunded Bonds payable on and prior to the Settlement Date as provided in the Tender and Purchase Agreement and the redemption price (100% of the principal amount) of the Refunded Bonds payable on such Settlement Date. The amount deposited to the Refunding Account will be irrevocably deposited with the Escrow Agent to defease and redeem the Refunded Bonds in accordance with the 2007 Bond Authorization. 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 this subsection C.2.b. of this motion.

3. Redemption of Refunded Bonds. The county hereby irrevocably sets aside sufficient funds in the Refunding Account to make the payments specified in subsection C.2.b. of this motion. The county

hereby directs that the Refunded Bonds be defeased and called for redemption on the Settlement Date, in accordance with the provisions of 2007 Bond Authorization; provided that certain redemption notice and date requirements have been expressly waived by the Bank as set forth in the Tender and Purchase Agreement. 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 requisite deposit to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to give notice of the defeasance and redemption of the Refunded Bonds in accordance with the applicable provisions of the 2007 Bond Authorization. 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 shall be an expense of the county.

The Escrow Agent is hereby authorized and directed to pay to the paying agent for the Refunded Bonds sums sufficient to make, when due, the payments specified in subsection C.2.b. of this motion. All such sums shall be paid from the money deposited with the Escrow Agent in accordance with this section. All sums so paid shall be credited to the Refunding Account. All money deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of the Ordinance, the Escrow Agreement, and the laws of the State of Washington for the benefit of the county and the owners of the Refunded Bonds.

D. Findings of Saving and Defeasance. This council hereby finds and determines that the issuance and sale of the 2014 Bond at this time will effect a savings to the county and its ratepayers. The savings, based on a net present value calculation, equals \$5,347,268.00 (or 7.129691% of the principal amount of the 2007 Citi Bonds).

E. Parity Bond Findings. The county has previously expressly reserved the right to issue the 2014 Bond as a Parity Bond in accordance with the ordinances authorizing its outstanding Parity Bonds for the purpose of acquiring, constructing and installing any portion of the Comprehensive Plan, or the purpose of

acquiring, constructing and installing any necessary renewals or replacements of the System, or the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding obligations of the county payable from Revenue of the System. The county hereby finds that the parity conditions have been or will be met for issuance of the 2014 Bond as a Parity Bond as follows:

1. The 2014 Bond will be issued to refund (or purchase and retire) the 2007 Citi Bonds, and to provide funds to construct and install a portion of the Comprehensive Plan or acquire, construct and install any necessary renewals or replacements of the System.
2. At the time of the issuance of the 2014 Bond there is no deficiency in the Parity Bond Fund or any account therein.
3. The Ordinance requires that all money held in any fund or account of the county created for the purpose of paying the principal of and interest on the 2007 Citi Bonds either be used to pay the principal of and interest on such bonds or be transferred or paid into the Parity Bond Fund.
4. The Ordinance provides for the payment of the principal of and interest on the 2014 Bond out of the Parity Bond Fund.
5. The county has determined that the amount that will be on deposit in the Parity Bond Reserve Account as of the Settlement Date will satisfy the Reserve Requirement, without the need for any additional deposit thereto.
6. The county will have on file 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 2014 Bond will be outstanding, the Annual Parity Debt Service for such year.
7. The Finance Director is directed to provide to the owner of the Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, a debt service coverage certificate as required by Section 5.4(a) of Ordinance 17495 authorizing the issuance of that bond.

F. Continuing Disclosure Undertaking. The county will enter into an undertaking for continuing disclosure for the 2014 Bonds in substantially the form attached as Attachment B to this motion.

G. Further Authority. The county officials and their agents, attorneys and representatives are hereby authorized and directed to do everything necessary for the prompt tender and exchange of the 2007 Citi Bonds, the issuance and delivery of the 2014 Bond, for the proper use and application of the proceeds from the sale of the 2014 Bond, and for the defeasance and refunding of the 2007 Citi 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 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 2014 Bond.