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Title: A MOTION of the county council approving a purchase contract for the county's Sewer Revenue Refunding Bonds, 2015, Series A, in the aggregate principal amount of \$474,025,000 and Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2015, Series A, in the aggregate principal amount of \$247,825,000 and establishing certain terms of such bonds, and approving a plan of refunding from proceeds of such bonds, all in accordance with Ordinance 17599, as amended.

Sponsors: Joe McDermott

Indexes:

Code sections:

Attachments: 1. Motion 14281.pdf, 2. A. Bond Purchase Contract

Date	Ver.	Action By	Action	Result
1/12/2015	1	Metropolitan King County Council	Passed	Pass

Clerk 01/12/2015

A MOTION of the county council approving a purchase contract for the county's Sewer Revenue Refunding Bonds, 2015, Series A, in the aggregate principal amount of \$474,025,000 and Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2015, Series A, in the aggregate principal amount of \$247,825,000 and establishing certain terms of such bonds, and approving a plan of refunding from proceeds of such bonds, all in accordance with Ordinance 17599, as amended.

WHEREAS, the county council by Ordinance 17599 passed on June 3, 2013, as amended on January 12, 2015 ("the Bond Ordinance"), authorized the issuance and sale of not to exceed \$1,300,000,000 aggregate principal amount of bonds of the county payable from sewer revenues to refund certain outstanding bonds of the county payable from sewer revenues ("the Refunding Bonds"), and

WHEREAS, the Bond Ordinance authorizes the sale of the Refunding Bonds 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 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 advisor, and

WHEREAS, the county has heretofore issued the following Refunding Bonds: Sewer Revenue and Refunding Bonds, 2013, Series B, in the aggregate principal amount of \$25,470,000; Sewer Revenue and Refunding Bond, 2014, Series A, in the aggregate principal amount of \$70,355,000; and Sewer Revenue Refunding Bonds, 2014, Series B, in the aggregate principal amount of \$192,460,000; and

WHEREAS, the Finance Director has determined that \$474,025,000 principal amount of Refunding Bonds be sold by negotiated sale in a series of Parity Bonds, to be designated as the county's Sewer Revenue Refunding Bonds, 2015, Series A ("the Sewer Revenue Bonds"), structured as Tax-Exempt Bonds, and

WHEREAS, the Finance Director has determined that \$247,825,000 principal amount of Refunding Bonds be sold by negotiated sale in a series of Parity Lien Obligations, to be designated as the county's Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2015, Series A ("the LTGO Sewer Bonds," and together with the Sewer Revenue Bonds, "the Bonds"), structured as Tax-Exempt Bonds, and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated January 6, 2015, was prepared and distributed for the sale of the Bonds, and the Finance Director has negotiated the sale of the Bonds to J.P. Morgan Securities LLC on behalf of itself and as representative of the other underwriters ("the Underwriters") named in the bond purchase contract attached hereto as Attachment A to this motion ("the Purchase Contract"), and

WHEREAS, it is in the best interest of the county that the Bonds be sold to the Underwriters on the terms set forth in the 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 and outstanding limited tax general obligation bonds payable from sewer revenues 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 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 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 county reserves the right to redeem outstanding Bonds maturing on or after July 1, 2025, in whole or in part, at any time on or after January 1, 2025, at the price of par plus accrued interest, if any, to the date fixed for redemption.

If not previously redeemed as described above or purchased as provided in the Bond Ordinance, the Sewer Revenue Bonds bearing interest at 5.00% and maturing on July 1, 2040, will be called for mandatory sinking fund redemption (in such manner as the Bond Registrar may determine) at a price of par, plus accrued interest to the date fixed for redemption, on July 1 in the years and amounts as follows:

Years	Amounts
2039	\$25,855,000
2040*	27,520,000

* Maturity.

If not previously redeemed as described above or purchased as provided in the Bond Ordinance, the Sewer Revenue Bonds bearing interest at 3.50% and maturing on July 1, 2040, will be called for mandatory sinking fund redemption (in such manner as the Bond Registrar may determine) at a price of par, plus accrued

interest to the date fixed for redemption, on July 1 in the years and amounts as follows:

Years	Amounts
2039	\$10,100,000
2040*	10,100,000

* Maturity.

If not previously redeemed as described above or purchased as provided in the Bond Ordinance, the Sewer Revenue Bonds bearing interest at 4.00% maturing on July 1, 2045, will be called for mandatory sinking fund redemption (in such manner as the Bond Registrar may determine) at a price of par, plus accrued interest to the date fixed for redemption, on July 1 in the years and amounts as follows:

Years	Amounts
2041	\$39,125,000
2042	28,035,000
2043	29,015,000
2044	30,140,000
2045*	31,310,000

* Maturity.

If not previously redeemed as described above or purchased as provided in the Bond Ordinance, the Sewer Revenue Bonds bearing interest at 5.00% maturing on July 1, 2047, will be called for mandatory sinking fund redemption (in such manner as the Bond Registrar may determine) at a price of par, plus accrued interest to the date fixed for redemption, on July 1 in the years and amounts as follows:

Years	Amounts
2046	\$32,690,000
2047*	28,275,000

* Maturity.

C. **Satisfaction of Parity Conditions.**

1. **The Sewer Revenue Bonds.** In accordance with the Bond Ordinance and the provisions of the ordinances authorizing the issuance of the currently 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:

- a. The Sewer Revenue Bonds are issued for the purpose of refunding and retiring prior to their maturity certain outstanding obligations of the county payable from Revenue of the System.
- b. There is not now, and when the Sewer Revenue Bonds are issued there will not then be, any deficiency in the Parity Bond Fund or any account therein.
- c. All money held in the Refunding Account (as identified below) allocable to refunding the Sewer Revenue Refunded Bonds (as identified below) will be used to pay the principal of and interest on the Sewer Revenue Refunded Bonds.
- d. The Bond Ordinance provides for payment out of the Parity Bond Fund of the principal of and interest on the Sewer Revenue Bonds.
- e. The amount that will be on deposit in the Parity Bond Reserve Account at the Closing of the Sewer Revenue Bonds will satisfy the Reserve Requirement, without the need for any additional deposit.
- f. The county will have on file at the Closing of the Sewer Revenue Bonds a certificate of the Finance Director demonstrating that (i) total debt service required for all Parity Bonds (including the Sewer Revenue Bonds and not including the Sewer Revenue Refunded Bonds) will decrease and (ii) the Annual Parity Debt Service for each year that any Parity Bonds (including the Sewer Revenue Bonds and not including the Sewer Revenue Refunded Bonds) are then outstanding will not be increased by more than \$5,000 by reason of the issuance of the Sewer Revenue Bonds.

The applicable conditions for Future Parity Bonds having been complied with in connection with the

issuance of the Sewer Revenue Bonds, the pledge contained in the Bond Ordinance of Revenue of the System to pay and secure the payment of the Sewer Revenue 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.

2. **The LTGO Sewer Bonds.** In accordance with the Bond Ordinance and the provisions of the ordinances authorizing the issuance of the currently outstanding Parity Lien Obligations, which permit the issuance of additional Parity Lien Obligations upon compliance with the conditions set forth therein ("the Parity Conditions for Additional Parity Lien Obligations"), the county council hereby finds and determines, as follows:

- a. The LTGO Sewer Bonds are to be issued to refund outstanding Parity Lien Obligations, which is a lawful purpose of the county related to the System.
- b. There is not now, and when the LTGO Sewer Bonds are issued there will not then be, any deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund, or any other bond fund or account securing Parity Lien Obligations.
- c. The county will file with the clerk of the county council, at or prior to the Closing of the LTGO Sewer Bonds, a certificate of the Finance Director stating that upon the issuance of the LTGO Sewer Bonds (i) total debt service on all Parity Bonds and Parity Lien Obligations (including the LTGO Sewer Bonds and not including the LTGO Sewer Refunded Bonds) will decrease, and (ii) the Annual Debt Service for each year that any Parity Bonds and any Parity Lien Obligations (including the LTGO Sewer Bonds and not including the LTGO Sewer Refunded Bonds) are then outstanding will not be increased by more than \$5,000 by reason of the issuance of the LTGO Sewer Bonds.

The applicable Parity Conditions for Additional Parity Lien Obligations having been complied with in connection with the issuance of the LTGO Sewer Bonds, the pledge contained in the Bond Ordinance of Revenue of the System to pay and secure the payment of the LTGO Sewer 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 Lien Obligations.

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 advisor, that proceeds of the Bonds will be used to refund certain outstanding bonds of the county payable from sewer revenues (as set forth below, "the 2007 Sewer Revenue Refunded Bonds," "the 2008 Sewer Revenue Refunded Bonds," and "the 2009 Sewer Revenue Refunded Bonds," (collectively, "the Sewer Revenue Refunded Bonds") and "the LTGO Sewer Refunded Bonds" (together with the Sewer Revenue Refunded Bonds, "the Refunded Bonds")) pursuant to the plan of refunding set forth below and ratified and confirmed hereby:

King County, Washington

Sewer Revenue Bonds, 2007

("the 2007 Sewer Revenue Refunded Bonds")

Maturities (January 1)	Principal Amounts	Interest Rate	Redemption Price	Redemption Date
2031	\$1,225,000	5.00%	100%	July 1, 2017
2032	1,230,000	5.00	100	July 1, 2017
2033	3,585,000	5.00	100	July 1, 2017
2037	25,785,000	5.00	100	July 1, 2017
2039	29,980,000	5.00	100	July 1, 2017
2042	50,825,000	5.00	100	July 1, 2017
2047	28,120,000	5.00	100	July 1, 2017

King County, Washington

Sewer Revenue Bonds, 2008

("the 2008 Sewer Revenue Refunded Bonds")

Maturities (January 1)	Principal Amounts	Interest Rate	Redemption Price	Redemption Date
2038	\$50,520,000	5.00%	100%	January 1, 2018
2040	41,345,000	5.125	100	January 1, 2018
2043	70,095,000	5.75	100	January 1, 2018
2048	142,240,000	5.25	100	January 1, 2018

King County, Washington

Sewer Revenue Bonds, 2009

("the 2009 Sewer Revenue Refunded Bonds")

Maturities (January 1)	Principal Amounts	Interest Rate	Redemption Price	Redemption Date
2021	\$1,840,000	5.00%	100%	January 1, 2019
2023	2,010,000	5.00	100	January 1, 2019
2024	2,110,000	5.00	100	January 1, 2019
2025	2,215,000	5.00	100	January 1, 2019
2026	2,325,000	5.00	100	January 1, 2019
2027	2,440,000	5.00	100	January 1, 2019
2028	2,565,000	5.00	100	January 1, 2019
2029	2,690,000	5.00	100	January 1, 2019
2030	2,825,000	5.00	100	January 1, 2019
2031	2,970,000	5.00	100	January 1, 2019
2032	3,115,000	5.00	100	January 1, 2019
2033	3,270,000	5.00	100	January 1, 2019

King County, Washington

Limited Tax General Obligation Bonds (Payable from Sewer Revenues), 2009

("the LTGO Sewer Refunded Bonds")

Maturities (January 1)	Principal Amounts	Interest Rate	Redemption Price	Redemption Date
2021	\$8,145,000	5.00%	100%	January 1, 2019
2022	8,560,000	5.00	100	January 1, 2019
2023	9,000,000	5.00	100	January 1, 2019
2024	9,460,000	5.00	100	January 1, 2019
2025	9,950,000	5.00	100	January 1, 2019
2026	10,460,000	5.00	100	January 1, 2019
2027	10,995,000	5.00	100	January 1, 2019
2028	11,560,000	5.00	100	January 1, 2019
2029	12,150,000	5.00	100	January 1, 2019
2030	12,775,000	5.00	100	January 1, 2019
2033	42,470,000	5.125	100	January 1, 2019
2036	49,530,000	5.125	100	January 1, 2019
2039	57,880,000	5.25	100	January 1, 2019

As provided in Section 16 of the Bond Ordinance, the King County 2015 Series A Sewer Revenue Bonds Refunding Account ("the Refunding Account") will be established and maintained with the Escrow Agent (as identified below). Proceeds of the Bonds (exclusive of accrued interest, if any, which will be deposited into the Debt Service Account in the Parity Bond Fund or the Parity Lien Obligation 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 defease and discharge the Refunded Bonds in accordance with the ordinances

authorizing their issuance by purchasing 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 payable on or prior to July 1, 2017, and the redemption price (100% of the principal amount) of the 2007 Sewer Revenue Refunded Bonds payable on July 1, 2017;
- b. the interest payable on or prior to January 1, 2018, and the redemption price (100% of the principal amount) of the 2008 Sewer Revenue Refunded Bonds payable on January 1, 2018;
- c. the interest payable on or prior to January 1, 2019, and the redemption price (100% of the principal amount) of the 2009 Sewer Revenue Refunded Bonds payable on January 1, 2019; and
- d. the interest payable on or prior to January 1, 2019, and the redemption price (100% of the principal amount) of the LTGO Sewer Refunded Bonds payable on January 1, 2019.

The Escrow Securities will be purchased at a yield not greater than the yield permitted by the Code and regulations relating to obligations acquired in connection with refunding bond issues.

The selection of U.S. Bank National Association as Escrow Agent is hereby ratified and confirmed. In accordance with Section 16.B. of the Bond 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.

The proceeds of the Bonds and other money of the county remaining in the Refunding Account after providing for the necessary beginning cash balance and the acquisition of the Escrow Securities shall be utilized to pay expenses of the Escrow Agent and other costs of issuing the Bonds. Payment of the costs of issuing the Bonds may be provided for in the 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 for the purposes set forth in subsection D.1.a. through d. of this section, subject to the provisions of the 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. 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 to provide for the necessary beginning cash balance and the acquisition of the Escrow Securities to make the payments specified in subsection D.1.a. through d. of this section.

The county hereby defeases and calls the 2007 Sewer Revenue Refunded Bonds for redemption on July 1, 2017; the 2008 Sewer Revenue Refunded Bonds for redemption on January 1, 2018; the 2009 Sewer Revenue Refunded Bonds for redemption on January 1, 2019; and the LTGO Sewer Refunded Bonds for redemption on January 1, 2019.

Said defeasance and calls for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the Refunding Account and delivery of the requisite cash deposit, if any, 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 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 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 fiscal agent of the State of Washington sums sufficient to make, when due, the payments specified in subsection D.1.a. through d. of this section. 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 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, the escrow agreement, and 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 this finding and determination, the council has given consideration to the interest on and the fixed maturities of the Bonds and the Refunded Bonds and 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, will be sufficient to defease and redeem the 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 the Escrow Securities to the Escrow Agent and the deposit of any necessary beginning cash deposit, the Refunded Bonds shall be deemed not to be outstanding under their authorizing ordinances and shall cease to be entitled to any lien, benefit or security under those ordinances except the right to receive payment from the cash deposit so set aside and pledged.

E. **Continuing Disclosure Undertakings.** In accordance with Section 31 of the Bond Ordinance, the county will enter into undertakings for continuing disclosure for the Sewer Revenue Bonds and the LTGO Sewer Bonds in substantially the forms described in the Official Statement for the Bonds.

F. **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 Bonds and for the proper use and application of the proceeds of sale of the Bonds.

G. **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 Bonds.