

## Legislation Text

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**File #:** 2013-0421, **Version:** 2

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Clerk 09/30/2013

A MOTION of the county council approving a purchase contract for the county's Sewer Revenue and Refunding Bonds, 2013 Series B, in the aggregate principal amount of \$74,930,000 and establishing certain terms of the bonds, and approving a plan of refunding from proceeds of the bonds, all in accordance with Ordinance 17599.

WHEREAS, the county council by Ordinance 17599 passed on June 3, 2013 (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 capital improvements to the county's Sewer System in accordance with the county's comprehensive water pollution abatement plan (the "Project Bonds"), and (ii) not to exceed \$950,000,000 aggregate principal amount of bonds to refund certain outstanding bonds of the county payable from sewer revenues (the "Refunding Bonds"), and

WHEREAS, the Bond Ordinance authorizes the sale of these 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 Finance Director has determined that \$49,460,000 principal amount of Project Bonds (the "2013B Project Bonds") and \$25,470,000 principal amount of Refunding Bonds (the "2013B Refunding Bonds") be sold by negotiated sale in a series of Parity Bonds, to be designated as the county's Sewer Revenue and Refunding Bonds, 2013 Series B (the "Bonds"), structured as Tax-Exempt Bonds, and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated September 23, 2013, was prepared and distributed for the sale of the Bonds, and the Finance Director has negotiated the sale of the Bonds to Citigroup Global Markets Inc. as representative of itself and other underwriters named in the attached bond purchase contract (the "Underwriters"), 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 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 2013B Refunding 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 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 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:

1. The 2013B Project Bonds are issued for the purpose of acquiring, constructing and

installing portions of the Comprehensive Plan and necessary renewals or replacements of the System.

2. The 2013B Refunding 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.

3. 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.

4. 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.

5. The county will have on file at the Closing of the 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 Bonds will be outstanding, the Annual Parity Debt Service for that year.

The applicable conditions for Future Parity Bonds 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 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. Application of 2013B Project Bond Proceeds; Satisfaction of Reserve Requirement. In accordance with Section 15.A of the Bond Ordinance, there is hereby established a special subaccount within the Construction Account to be designated as the 2013B Construction Subaccount (the "Construction Subaccount"). Proceeds of the 2013B Project Bonds (exclusive of accrued interest, if any, which will be deposited into the Debt Service Account in the Parity Bond Fund) will be deposited into the Construction Subaccount and applied to pay costs of improvements to the System and costs of issuance of the 2013B Project Bonds, in accordance with Section 15.A of the Bond Ordinance.

In accordance with Section 9.C of the Bond Ordinance, proceeds of the 2013B Project Bonds will be

deposited into the Parity Bond Reserve Account in an amount sufficient to satisfy the Reserve Requirement with respect to the Bonds.

E. 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 2013B Refunding Bonds will 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:

**King County, Washington**

**Sewer Revenue Refunding Bonds, Series 2004B**

<b>Maturities (January 1)</b>	<b>Principal Amounts</b>	<b>Interest Rates</b>
2015	\$ 5,385,000	5.00%
2016	4,290,000	5.00
2017	1,310,000	3.80
2018	1,355,000	3.90
2019	1,405,000	4.00
2020	1,460,000	4.00
2021	1,515,000	4.125
2022	1,575,000	4.20
2023	1,635,000	4.30
2024	1,705,000	4.375
2025	1,775,000	4.40
2026	1,845,000	4.40
2030	1,925,000*	4.50

\* Partial Maturity, 2027 sinking fund installment.

As provided in Section 16 of the Bond Ordinance, the King County 2013 Series B Sewer Revenue Bonds Refunding Account (the "Refunding Account") will be established and maintained with the Escrow Agent (as identified below). Proceeds of the 2013B Refunding Bonds (exclusive of accrued interest, if any, which will be deposited into the Debt Service Account in the Bond Fund) will be deposited in the Refunding

Account and used, together with other funds of the county, if necessary, in an amount sufficient to pay:

- a. the interest on the Refunded Bonds payable on and prior to January 1, 2014; and
- b. the redemption price (100% of the principal amount) of the Refunded Bonds

payable on January 1, 2014.

The selection of U.S. Bank National Association as Escrow Agent is hereby ratified and confirmed. In accordance with Section 16.C 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 beginning cash balance will be irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded Bonds in accordance with the ordinance authorizing their issuance. Any amounts described above that are not provided for in full by the beginning cash balance shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the 2013B Refunding Bonds or any other money of the county legally available therefor. The proceeds of the 2013B Refunding Bonds remaining in the Refunding Account after providing for the necessary beginning cash balance shall be utilized to pay expenses of the Escrow Agent and other costs of issuing the 2013B Refunding Bonds. Payment of the costs of issuing the 2013B Refunding 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 subsections E.1.a. and b. of this motion, 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 Refunded Bonds. The county hereby irrevocably sets aside sufficient funds in an initial cash deposit to make the payments specified in subsections E.1.a. and b. of this motion.

The county hereby defeases and calls the Refunded Bonds for redemption on January 1, 2014, in accordance with the provisions of the ordinance authorizing the redemption and retirement of the Refunded

Bonds prior to their fixed maturities.

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 cash deposit 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 agency 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 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 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 subsection E.1.a. and 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 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 2013B Refunding 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 2013B Refunding Bonds and the Refunded Bonds and the costs of issuance of the 2013B Refunding Bonds.

This council hereby further finds and determines that the funds to be deposited with the Escrow Agent 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 ordinance authorizing their issuance and the pledges of the county therein. Immediately upon the delivery of the necessary cash deposit, 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 that ordinance except the right to receive payment from the cash deposit so set aside and pledged.

F.     Continuing Disclosure Undertaking. In accordance with Section 31 of the Bond Ordinance, the county will enter into an undertaking for continuing disclosure for the Bonds in substantially the form described in the Official Statement for the Bonds.

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 sale of the 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 Bonds.