



Resolution No. R2021-12

Meeting:	Date:	Type of action:	Staff contact:
Board Meeting	09/23/2021	Final Action	Tracy Butler, Chief Financial Officer Jeff Clark, Deputy ED Financial Operations

Proposed action

Authorizes the defeasance of all or a portion of Series 2012S-1 and Series 2015S-1 of the Authority's outstanding parity bonds using available authority funds, delegates authority to effect the defeasance of the identified outstanding parity bonds, and provides for other essential matters properly relating thereto.

Key features summary

- This action responds to the Board's direction to seek opportunities to reduce costs and expand financial capacity.
- This resolution authorizes the use of available cash to retire eligible bonds to optimize the agency's financial position. Paying off eligible high interest rate debt enables the agency to minimize borrowing costs. The retirement is referred to as "defeasance."
- The resolution calls for defeasance of all or a portion of the 2012S-1 and 2015S-1 Bonds using available agency funds. It would authorize the defeasance of 2012S-1 Parity Bonds in an aggregate principal amount of up to \$70,330,000 and 2015S-1 Parity Bonds in an aggregate principal amount of up to \$792,840,000. Interest rates on these bonds are approximately 2-4% higher than current market rate.
- Authority would be delegated to the chief financial officer and/or the chief executive officer to serve as the designated authority representative authority to:
 - Negotiate and approve the final terms of such defeasance.
 - Negotiate and approve the documents relating to the authority to effect the defeasance of the outstanding parity bonds.
 - Authorize the establishment of certain accounts and provide an effective date.

Background

Sound Transit's Long Range Financial Plan requires the use of various sources of funding in order to execute the agency's voter approved high capacity rapid transit initiatives. The use of debt is a key component of the plan. As market conditions warrant, the agency reviews the debt portfolio and seeks to optimize financial leverage and minimize expense. The defeasance and early redemption of the 2012S-1 and 2015S-1 Bonds allows the agency to use of available cash to retire eligible bonds to optimize the agency's financial position and therefore create additional capacity in the financial plan.

Consistent with Sound Transit's Debt Management Policy and practice, staff thoroughly evaluates all options before any financing transaction to ensure the financing instrument used can meet the Sound Transit's Asset Liability Management goals.

Fiscal Information

The 2021 Budget did not assume the defeasance of bonds in 2021. If Sound Transit were to proceed with a defeasance, the 2021 budget may need to be amended to reflect associated budget changes in debt service and related costs.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Not applicable to this action.

Time constraints

The early redemption of the 2012S-1 and 2015S-1 bonds capitalizes on current favorable market conditions and enables savings on interest costs. Delay on the implementation of this defeasance would potentially result in missed cost saving opportunities.

Prior Board/Committee actions

Resolution No. R2018-11: Amended and restated Resolution No. R2015-17 to add a new interest rate mode for the 2015 Parity Bonds, to consolidate certain terms relating to the conversion and remarketing of the 2015 Parity Bonds in Appendix A, to make certain other changes related thereto, effective subject to the conditions of the Parity Bond Master Resolution, and authorized related Budget amendments and payment of expenses in an amount not to exceed \$1.875 million for each conversion.

Resolution No. R2016-34: Restated as a Parity Bond Master Resolution, Resolution No. R2015-16, as amended by Resolution No. R2016-32; provided for the issuance from time to time pursuant to series resolutions of future parity bonds of the Authority to finance or refinance portions of the Authority's regional transit system; provided for the payment of such parity bonds; and provided an effective date.

Resolution No. R2016-32: Authorized the issuance of up to \$400,000,000 of sales tax and motor vehicle excise tax bonds as 2016 Parity Bonds; appointed the Executive Director of Finance and Information Technology, the Chief Executive Officer or the Treasurer as the Designated Authority Representative and delegates to the Designated Authority Representative the authority to approve the final terms of the 2016 Parity Bonds in accordance with the parameters set forth in the resolution; authorized the amendment of the adopted 2017 Budget by the amount necessary to pay debt service and the costs of issuing the 2016 Parity Bonds after the conclusion of the bond sale; and amended the existing Parity Bond Master Resolution to pledge the existing MVET, the ST3 Sales Tax and ST3 MVET to the payment of all Parity Bonds and Junior Obligations.

Resolution No. R2015-17: Authorized the issuance of 2015 Parity Bonds and appointed the Executive Director of Finance and Information Technology or the Chief Executive Officer as the Designated Authority Representative and delegated to the Designated Authority Representative the authority to approve the final terms of the 2015 Parity Bonds of each series in accordance with the parameters set forth in the resolution; and amended the Adopted 2015 Budget by the amount necessary to pay debt service and the cost of issuance for the 2015 Parity Bonds after the conclusion of the bond sale.

Resolution No. R2015-16: Restated as a Parity Bond Master Resolution, Resolution No. R2012-16, as amended by Resolution No. R2015-13; provided for the issuance from time to time pursuant to series resolutions of future parity bonds of the authority to finance or refinance portions of the authority's regional transit system; provided for the payment of such parity bonds; and provided an effective date.

Resolution No. R2012-16: Authorized the issuance of Sales Tax Refunding Bonds, Series 2012S-1 to refund a portion of the Authority's outstanding Sales Tax Bonds, Series 2005A; approved parameters for the terms of the bonds; and delegated authority to the designated authority representative to approve the final terms of and bond purchase contract for the bonds.

Resolution No. R2012-15: Authorized issuance of Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 to refund a portion of the Authority's outstanding Sales Tax Bonds, Series 2005A; approved parameters for the terms of the Bonds; and delegated authority to the designated authority representative to approve the final terms of and bond purchase contract for the bonds.

Environmental review

Not applicable to this action. KH 09/17/21

Legal review

The Sound Transit Legal Department, Sound Transit's Bond Counsel (Orrick, Herrington & Sutcliffe LLP), Sound Transit's Disclosure Counsel (Pacifica Law Group) and counsel to the Underwriters (Foster Pepper PLLC) will have authored and/or reviewed all bond-related documents.



RESOLUTION NO. R2021-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE DEFEASANCE OF ALL OR A PORTION OF SERIES 2012S-1 AND SERIES 2015S-1 OF THE AUTHORITY'S OUTSTANDING PARITY BONDS USING AVAILABLE AUTHORITY FUNDS; DELEGATING AUTHORITY TO EFFECT THE DEFEASANCE OF THE IDENTIFIED OUTSTANDING PARITY BONDS; AND PROVIDING FOR OTHER ESSENTIAL MATTERS PROPERLY RELATING THERETO.

ADOPTED SEPTEMBER 23, 2021

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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AUTHORIZING THE DEFEASANCE OF ALL OR A PORTION OF SERIES 2012S-1 AND SERIES 2015S-1 OF THE AUTHORITY'S OUTSTANDING PARITY BONDS USING AVAILABLE AUTHORITY FUNDS; DELEGATING AUTHORITY TO EFFECT THE DEFEASANCE OF THE IDENTIFIED OUTSTANDING PARITY BONDS; AND PROVIDING FOR OTHER ESSENTIAL MATTERS PROPERLY RELATING THERETO.

ADOPTED SEPTEMBER 23, 2021

WHEREAS, The Central Puget Sound Regional Transit Authority (the "Authority") has authorized the issuance of sales tax and motor vehicle excise tax bonds (the "Parity Bonds") in one or more series pursuant to Resolution No. R2015-16, adopted on July 23, 2015, as amended by Resolution No. R2016-32, adopted on November 29, 2016, and as amended and restated by Resolution No. R2016-34, adopted on November 29, 2016 (the "Parity Bond Master Resolution") to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the Authority previously issued its Sales Tax Refunding Bonds, Series 2012S-1 on August 22, 2012, in the aggregate principal amount of \$97,545,000 (the "2012S-1 Parity Bonds"), and its Sales Tax Improvement and Refunding Bonds, Series 2015S-1 on September 10, 2015, in the aggregate principal amount of \$792,840,000 (the "2015S-1 Parity Bonds"), as Parity Bonds under the Parity Bond Master Resolution and respective Series Resolution; and

WHEREAS, pursuant to Section 14 of the Parity Bond Master Resolution and Section 26 of the 2012 Series Resolution (as defined herein), the Authority has the authority to defease all or a portion of the 2012S-1 Parity Bonds, the 2015S-1 Parity Bonds and any additional Outstanding Parity Bonds that the Designated Authority Representative determines to be advantageous to the Authority (collectively, the "Defeasance Candidates"), using available funds of the Authority; and

WHEREAS, the Authority desires to defease and provide for the early redemption of the Defeasance Candidates, which are higher costing bonds of the Authority, to lower debt service requirements of the Authority;

BE IT RESOLVED by the Board of Directors of the Central Puget Sound Regional Transit Authority:

Section 1. Definitions. Unless the context otherwise requires, the meanings of all capitalized terms used and not otherwise defined in this Resolution (including the recitals) shall be as set forth in the Parity Bond Master Resolution.

“Defeasance Candidates” means all or any portion of the following outstanding bonds:

(1) \$70,330,000 aggregate principal amount of the Outstanding 2012S-1 Parity Bonds; and

(2) \$792,840,000 aggregate principal amount of the Outstanding 2015S-1 Parity Bonds; and

“Defeasance Plan” means:

(1) The defeasance of all or any portion of the Defeasance Candidates and the deposit of available funds with the Escrow Agent appointed by the Designated Authority Representative on the date of defeasance of the Defeasance Candidates, together with other money of the Authority allocated to the Defeasance Plan, which amounts may be used to acquire the Defeasance Obligations;

(2) The application of such money and/or Defeasance Obligations as set forth in the Escrow Agreement and/or as further specified by the Designated Authority Representative consistent with purposes and intents of this Resolution.

“Designated Authority Representative,” for purposes of this Resolution and the Defeased Bonds, includes the Chief Financial Officer of the Authority.

“Escrow Agent” means the trustee or escrow agent or any successor trustee or escrow agent service as refunding trustee to carry out the Defeasance Plan.

“Escrow Agreement” means one or more escrow agreements between the Authority and the Escrow Agent.

“2012 Series Resolution” means Resolution No. R2012-16, adopted on June 28, 2012 by the Board of Directors of the Authority, with respect to the 2012S-1 Parity Bonds.

“2012S-1 Parity Bonds” means the Authority’s Sales Tax Refunding Bonds, Series 2012S-1, issued in the original principal amount of \$97,545,000 on August 22, 2012.

“2015 Series Resolution” means Resolution No. R2018-11, adopted on May 24, 2018 by the Board of Directors of the Authority, which amended and restated Resolution No. R2015-17, adopted on July 23, 2015, with respect to the 2015S-1 Parity Bonds.

“2015S-1 Parity Bonds” means the Authority’s Sales Tax Improvement and Refunding Bonds, Series 2015S-1, issued in the original principal amount of \$792,840,000 on September 10, 2015.

Section 2. Findings and Determinations. The Board finds and determines as follows.

(a) The Authority has previously issued the 2012S-1 Parity Bonds and the 2015S-1 Parity Bonds under the Parity Bond Master Resolution and the related Series Resolution for such Defeasance Candidates to finance and refinance improvements for the purpose of providing high capacity transportation facilities.

(b) The Authority currently has available funds in an amount sufficient to accomplish the Defeasance Plan that have not been dedicated to any specific purpose.

(c) The Authority desires to defease and provide for the early redemption of all or any portion of the Defeasance Candidates to lower the debt service requirements of the Authority.

Section 3. Defeasance of the Defeasance Candidates.

(a) **Appointment of Escrow Agent.** The Designated Authority Representative is authorized to appoint an Escrow Agent in connection with the defeasance and early redemption of the Defeasance Candidates, as further set forth in Section 14(b) of the Parity Bond Master Resolution.

(b) **Use of Available Funds.** A sufficient amount of Available Funds shall be deposited with the Escrow Agent and used to discharge the obligations of the Authority relating to the Defeasance Candidates under the Parity Bond Master Resolution and under the related Series Resolution for such Defeasance Candidates, by providing for the payment of the amounts required to be paid by the Defeasance Plan. Any Available Funds deposited with the Escrow Agent not needed to carry out the Defeasance Plan or other costs of the Defeasance Plan shall be returned to the Authority.

(c) **Administration of Defeasance Plan.** The Escrow Agent is authorized and directed to make the payments required to be made by the Defeasance Plan from the money deposited with the Escrow Agent pursuant to this Resolution. All money deposited with the Escrow Agent and any income therefrom shall be held irrevocably, invested in Defeasance Obligations and applied in accordance with the provisions of the Parity Bond Master Resolution, the related Series Resolution for such Defeasance Candidates, chapter 39.53 RCW and other applicable statutes of the State, and the Escrow Agreement. All necessary and proper fees, compensation and expenses of the Escrow Agent and all other costs incidental to the setting up of the escrow to accomplish the defeasance and early redemption of the Defeasance Candidates shall be paid out of the Available Funds.

(d) **Authorization for Escrow Agreement.** To carry out the Defeasance Plan provided for by this Resolution, the Chief Financial Officer of the Authority is authorized and directed to execute and deliver to the Escrow Agent the Escrow Agreement setting forth the duties, obligations and responsibilities of the Escrow Agent in connection with the payment and redemption of the Defeasance Candidates as provided herein.

(e) **Authorization for Replacement Bonds.** If necessary, the Authority may issue replacement bonds in principal amounts reflecting the defeased and nondefeased portions of the Defeasance Candidates. The replacement bonds shall be printed, executed and authenticated in the same manner as the 2012S-1 Parity Bonds and the 2015S-1 Parity Bonds, as applicable.

Section 4. Authority Findings with Respect to Defeasance. The Board authorizes the Designated Authority Representative to provide for the defeasance and early redemption of the Defeasance Candidates if it is in the best long-term financial interest of the Authority and in the public interest. In making such finding and determination, the Designated Authority Representative will give consideration to the fixed maturities of the Defeasance Candidates and the costs related to such defeasance.

The Designated Authority Representative also may purchase Defeasance Obligations to be deposited with the Escrow Agent, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Defeasance Candidates on the earliest date on which the Defeasance Candidates may be called and will discharge and satisfy the obligations of the Authority under the Parity Bond Master Resolution and under the related Series Resolution for such Defeasance Candidates. Immediately upon the delivery of such Defeasance Obligations to the Escrow Agent and the deposit of any necessary beginning cash balance, the Defeasance Candidates shall be deemed not to be Outstanding and shall cease to be entitled to any lien, benefit or security under the Parity Bond Master Resolution except the right to receive payment from the Defeasance Obligations and beginning cash balance so set aside and pledged.

Section 5. Redemption of the Defeasance Candidates. The Board authorizes the Designated Authority Representative to call for redemption and to give or cause to be given any and all notices necessary, at the times and in the manner required, pursuant to the applicable Series Resolutions for the Defeasance Candidates to effect the redemption of the Defeasance Candidates at the earliest dates and times permitted under the applicable Series Resolutions pursuant to which the Defeasance Candidates were issued.

Section 6. Authorized Budget Amendments. The Designated Authority Representative is authorized and directed to determine the amount of debt service on the Defeasance Candidates that will be payable in connection with the Defeasance Plan and to amend or cause to be amended the Authority's adopted budgets to include such amounts.

Section 7. Resolution a Contract. This Resolution, together with the Parity Bond Master Resolution, shall constitute a contract with the respective Owners of the Defeasance Candidates.

Section 8. Severability. If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such

provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Resolution.

Section 9. Ratification of Prior Acts. Any action taken by or on behalf of the Authority and consistent with the intent of this Resolution but prior to the effective date of this Resolution, including executing contracts or other documents, is hereby ratified, approved, and confirmed.

Section 10. Effective Date. Except as otherwise expressly provided herein, this Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of Directors of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

ATTEST:

Kathryn Flores
Board Administrator

Kent Keel
Board Chair



CERTIFICATE

I, the undersigned, Administrator of the Board of Directors (the “Board”) of The Central Puget Sound Regional Transit Authority (the “Authority”), HEREBY CERTIFY:

1. That the attached resolution numbered R2021-12 (the “Resolution”) is a true and correct copy of a resolution of the Authority, as finally adopted at a regular meeting of the Board held on the 23rd day of September 2021, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law (including Proclamation 20-28 made by the Governor of the State of Washington on March 24, 2020, as extended, and acts of the legislative leadership of the State of Washington), and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out, and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 23rd day of September 2021.

Kathryn Flores
Board Administrator