

## Resolution No. R2023-21

### Authorizes the redemption prior to maturity of the Authority's outstanding Series 2015S-2B Bonds

Meeting:	Date:	Type of action:	Staff contact:
Finance and Audit Committee	07/20/2023	Recommend to Board	John Henry, Chief Financial Officer
Board of Directors	07/27/2023	Final action	<b>Jeff Clark, Deputy Executive Director, Financial Operations</b>

### Proposed action

Authorizes the redemption prior to maturity of the Authority's outstanding Series 2015S-2B Bonds using available funds; delegating authority to affect the redemption; and providing for other matters properly relating thereto, contingent upon Board approval of a budget amendment through Resolution No. R2023-22.

### Key features summary

- Pursuant to Resolution No. R2015-17, the Series 2015S 2B Bonds are subject to redemption at the option of the Authority on any day on or after November 1, 2022, in whole or in part, at a redemption price equal to 100 percent of the principal amount plus any accrued interest, on the date fixed for redemption, without premium.
- The Series 2015S 2B Bonds bear interest at a variable rate, and interest rates have risen since their remarketing date of July 19, 2018. The bonds must be remarketed every three to five years pursuant to their original terms. The Series 2015S-2B next mandatory remarketing must occur on or before the Mandatory Purchase Date of November 1, 2023.
- Each mandatory remarketing requires the agency to expend ~\$250,000 on related expenses associated with the remarketing. The agency currently has available funds in an amount sufficient to redeem the Series 2015S 2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023.
- It is in the best interests of the agency and its taxpayers to redeem the Series 2015S 2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023 to lower the debt service requirements of the Authority.
- No new bonds or additional debt will be issued as part of this action.
- A separate action, Resolution No. R2023-22 is being brought to the Board to increase the total 2023 debt budget by \$84.3 million, bringing the total authorized annual debt budget to \$229.4 million. Of the debt service budget increase, \$75 million is needed to complete this redemption.

### Background

As a part of its funding of the capital program, Sound Transit's financial plan requires the issuance of long-term bonds. The Agency issues both fixed and variable rate bonds within a consolidated borrowing program with the goal of minimizing net interest payments over time. Within this program the Agency

maintains a series of bond indentures (prior lien, parity lien, junior liens) to minimize borrowing costs and most effectively access the capital markets.

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.

The combined effect of the above is to reduce interest cost and maximize net interest earnings

## **Fiscal information**

This action authorizes the redemption prior to maturity of the Authority's outstanding Series 2015S-2B Bonds. Please refer to Resolution No. R2023-22 for the fiscal impact of this action.

## **Disadvantaged and small business participation**

### **Participation by small businesses and disadvantaged business enterprises (DBEs)**

Not applicable to this action.

## **Public involvement**

Not applicable to this action.

## **Time constraints**

The targeted redemption date for the 2015S-2B Bonds is prior to their Mandatory Purchase Date of November 1, 2023. If the Board delays voting on this action at the July Board meeting, the Agency will potentially be unable to effect the redemption and become subject to the Delayed Remarketing Rate of 9%.

## **Prior Board/Committee actions**

Resolution No. R2023-12: Amended Resolution No. R2021-03 and Resolution No. R2021-04, which authorized the outstanding TIFIA bonds; and authorizes the amendment of the existing TIFIA loan agreements to conform their provisions to the TIFIA loan agreements authorized by Resolution No. R2023-09 and Resolution No. R2023-10.

Resolution No. R2023-11: Authorized the issuance of the not to exceed \$154,152,530 (plus capitalized interest thereon) sales tax and motor vehicle excise tax bond, series 2023T-1 (South Sounder Station Parking and Access Improvements Project: RRIF – 2023 – 0048), to evidence the payment obligations of the Authority pursuant to a RRIF loan agreement between the Authority and the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau; and providing for other matters properly relating thereto.

Resolution No. R2023-10: Authorized the issuance of the not to exceed \$79,250,877 (plus capitalized interest thereon) sales tax and motor vehicle excise tax bond, series 2023T-1 (NE 130th Street Infill Station Project: TIFIA – 2023 – 1007A), to evidence the payment obligations of the Authority pursuant to a TIFIA loan agreement between the Authority and the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau; and providing for other matters properly relating thereto.

Resolution No. R2023-09: Authorized the issuance of the not to exceed \$93,306,180 (plus capitalized interest thereon) sales tax and motor vehicle excise tax bond, series 2023T-1 (Hilltop Tacoma Link Extension Project: TIFIA – 2023 – 1006A), to evidence the payment obligations of the Authority pursuant to a TIFIA loan agreement between the Authority and the United States Department of Transportation,

acting by and through the Executive Director of the Build America Bureau; and providing for other matters properly relating thereto.

Resolution No. R2015-17: Authorized the issuance of sales tax refunding bonds of one or more series to refund all or a portion of the authority's outstanding sales tax bonds, series 2007a; authorizing the issuance, separately or together with the refunding sales tax bonds, of sales tax bonds in one or more series to pay, or to reimburse the authority for the payment of, costs of improvements to the authority's high capacity transportation facilities; approving parameters for the terms of the bonds of each series; delegating to the designated authority representative authority to negotiate and approve the final terms of the bonds and the amount of any debt service reserve requirement; approving, and delegating to the designated authority representative authority to negotiate and approve the final terms of, one or more bond purchase agreements, disclosure documents and other documents relating to the authority and to the issuance and sale of the bonds; amending the authority's 2015 budget approved in Resolution No. R2014-36; amending section 1a of Resolution No. R2014-36, to provide for payment of debt service on the bonds; and providing an effective date.

Resolution No. R2015-16: Restated as a parity bond master resolution, Resolution No. R2012-16, as amended by Resolution no. R2015-13; providing 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; providing for the payment of such parity bonds; and providing an effective date.

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**Environmental review – KH 7/11/23**

**Legal review –** The Sound Transit Legal Department and Sound Transit's Bond Counsel (Foster Garvey) will have authored and/or reviewed all related documents.

## **Resolution No. R2023-21**

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority authorizing the redemption prior to maturity of the Authority's outstanding Series 2015S-2B bonds using available funds; delegating authority to affect the redemption; and providing for other matters properly relating thereto, contingent upon Board approval of a budget amendment through Resolution No. R2023-22.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1. Definitions. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings assigned such terms in Resolution No. R2015-17.

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

(a) Pursuant to Resolution No. R2015-16 (as amended by Resolution No. R2016-32 and as amended and restated by Resolution No. R2016-34) and Resolution No. R2015-17, the Authority authorized the issuance of its Sales Tax and Motor Vehicle Excise Tax Improvement Bonds, Series 2015S-2B (Green Bonds), in the aggregate principal amount of \$75,000,000 (the "Series 2015S-2B Bonds").

(b) Pursuant to Resolution No. R2015-17, the Series 2015S-2B Bonds were issued as a Series on September 15, 2015, initially as Index Floating Rate Bonds with a Mandatory Purchase Date of November 1, 2018, and a Par Call Date of May 1, 2018.

(c) Pursuant to Resolution No. R201517, the Series 2015S-2B Bonds were remarketed as a Series on the Conversion Date of July 19, 2018, as Index Floating Rate Bonds with a Mandatory

(d) Pursuant to Resolution No. R2015-17, the Series 2015S-2B Bonds are subject to redemption at the option of the Authority on any day on or after the first Par Call Date after Conversion (November 1, 2022), in whole or in part, at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption, without premium.

(e) The Series 2015S-2B Bonds bear interest at a variable rate, and interest rates have risen since their remarketing date of July 19, 2018.

(f) Remarketing the Series 2015S-2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023, would result in a significant cost of Authority time and resources.

(g) The Authority currently has available funds in an amount sufficient to redeem the Series 2015S-2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023, that have not been dedicated to any specific purpose.

(h) It is in the best interests of the Authority and its taxpayers to redeem the Series 2015S-2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023, to lower the debt service requirements of the Authority.

Section 3. Authorization for Redemption. The Designated Authority Representative is authorized to affect the optional redemption of the Series 2015S-2B Bonds on or prior to their Mandatory Purchase Date of November 1, 2023, with available funds of the Authority, in accordance with the provisions of Resolution No. R2015-16 (as amended by Resolution No. R2016-32 and as amended and restated by Resolution No. R2016-34) and Resolution No. R2015-17. The Designated Authority Representative is authorized 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, to affect the redemption of the Series 2015S-2B Bonds on any day on or prior to their Mandatory Purchase Date of November 1, 2023, as determined by the Designated Authority Representative.

Section 4. Severability. If any one or more of the provisions of this Resolution shall be declared by any court of competent jurisdiction and final appeal (if any appeal be taken) to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions of this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of the Series 2015S-2B- Bonds.

Section 5. General Authorization. The Designated Authority Representative is authorized to take such actions and to execute such documents as in the judgment of the Designated Authority Representative may be necessary or desirable to carry out the transactions contemplated in connection with this Resolution and comply in all respects with the provisions of the Series 2015S-2B- Bonds.

Section 6. 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, is hereby ratified, approved, and confirmed.

Section 7. Effective Date. This Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 27, 2023.



Dow Constantine  
Board Chair

Attest:



Adam Montee, on behalf of  
Kathryn Flores  
Board Administrator