

RESOLUTION NOS. R2015-13, R2015-14, R2015-15, R2015-16 and R2015-17  
**Amend Existing Parity Bond Resolution Nos. R2007-22, R2009-16 and R2012-16**  
**Amend Resolution No. R2014-30 and Approve a First Supplement to the TIFIA Loan Agreement**  
**Amend the Master Prior Bond Resolution No. R2012-14**  
**Restate Resolution No. R2012-16**  
**Issue One or More Series of 2015 Parity Improvement Bonds and/or Refunding Bonds**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	07/23/2015	Final Action	Brian McCartan, Executive Director of Finance and IT <b>Tracy Butler, Treasurer</b>

PROPOSED ACTIONS

**Resolution No. R2015-13:** Amends Resolution Nos. R2007-22, R2009-16 and R2012-16 (collectively, the “Existing Parity Bond Resolutions”).

**Resolution No. R2015-14:** Amends Resolution No. R2014-30 (the “TIFIA Resolution”) and authorizes the Designated Authority Representative to execute and deliver a First Supplement to the TIFIA Loan Agreement.

**Resolution No. R2015-15:** Amends Resolution No. R2012-14 (the “Master Prior Bond Resolution”) to make conforming amendments to the Master Prior Bond Resolution.

**Resolution No. R2015-16:** Restates Resolution No. R2012-16, as amended, as a Master Parity Bond Resolution.

**Resolution No. R2015-17:** Authorizes the issuance of 2015 Parity Bonds and appoints the Executive Director of Finance and Information Technology or the Chief Executive Officer as the Designated Authority Representative and delegates 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 amends 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.

KEY FEATURES SUMMARY

- Sound Transit currently expects to issue approximately \$600 million in 2015 Parity Bonds to fund capital expenditures in 2015 and part of 2016 and to issue up to \$400 refunding bonds to refund all or a portion of its outstanding Series 2007 Parity Bonds if interest rates remain favorable.
- Approximately \$800 million of the aggregate principal amount of the 2015 Parity Bonds is expected to be issued as fixed rate bonds and approximately \$200 million of the aggregate principal amount of the 2015 Parity Bonds is expected to be issued as variable-rate bonds.
- The actions pledge Sound Transit’s collection of voter-approved sales, use, and rental car taxes toward repayment of parity bonds, including the 2015 Parity Bonds.
- Resolution No. R2015-17 authorizes the issuance of 2015 Parity Bonds, establishes the basic terms and provisions of the 2015 Parity Bonds and authorizes the Designated Authority Representative to approve the final terms of the 2015 Parity Bonds in accordance with the parameters set forth in the resolution and as required by RCW 39.46.040, including:
  - The aggregate principal amount of the 2015 Parity Bonds will not exceed \$1,000,000,000;

- One or more rates of interest may be fixed for the 2015 Parity Bonds of each Series, the maximum rate for 2015 Variable Rate Parity Bonds shall not exceed the Maximum Rate and no rate of interest for any maturity of the other 2015 Parity Bonds may exceed 5.50 percent;
  - The combined true interest cost to Sound Transit as of the Closing Date for all 2015 Parity Bonds issued under the Resolution shall not exceed 5 percent;
  - The purchase price for the 2015 Parity Bonds may not be less than 98 percent of the aggregate principal amount;
  - The 2015 Parity Bonds shall be subject to optional and mandatory redemption provisions (or not), including designation of 2015 Term Parity Bonds, if any, as determined by the Designated Authority Representative;
  - There is a minimum net present value savings of 3 percent of the Refunded Bonds calculated by taking into account the overall savings achieved by refunding the Refunded Bonds;
- Under Resolution No. R2015-13, the Existing Parity Bond Resolutions will be amended to clarify and update certain provisions, and to accommodate the issuance of variable-rate bonds, including:
    - clarifying that “acceleration” does not include indirect acceleration of variable-rate bonds and direct loans that may be subject to tenders for purchase or other events that trigger increased interest rates or revised amortization;
    - clarifying in the flow of funds that (as with bond insurers that insure bonds) banks that provide direct-pay letters of credit to secure payment of bonds would be reimbursed on a parity basis;
    - incorporating a springing amendment already authorized in the 2009 and 2012 Parity Bond Resolutions eliminating the event of default if Sound Transit were to miss a monthly deposit to the Parity Bond Account or Parity Reserve Account (this amendment would not take effect until all of the 2007A Parity Bonds are refunded);
    - clarifying that Future Parity Bonds may be secured on a series by series basis by subaccounts within the Parity Reserve Account or by alternate reserve accounts and clarifying the manner of establishing reserve requirements for such Future Parity Bonds;
    - adding certain defined terms relating to variable-rate bonds; and
    - adding to the list of events constituting a Default under the Parity Bond Resolutions a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement) with respect to the Authority while the TIFIA Bond is outstanding, unless waived.
  - Under Resolution Nos. R2015-14 and R2015-15, the TIFIA Resolution, the TIFIA Loan Agreement and the Master Prior Bond Resolution will also be amended to make certain of the same clarifying amendments as in the Parity Bond amending resolutions.
  - Lastly, under Resolution No. R2015-16, a restated Master Parity Bond Resolution is proposed to provide in one place the basic covenants for all of the Authority’s Outstanding and Future Parity Bonds and to provide for the issuance from time to time as provided in Series Resolutions of Future Parity Bonds.

## BACKGROUND

As a part of its funding of the ST2 capital program, Sound Transit’s financial plan requires the issuance of long-term bonds. Sound Transit’s cash balances are now reaching levels that require bond proceeds for continued funding of the capital program in 2015 and 2016.

## FISCAL INFORMATION

The 2015 Budget did not assume the issuance of bonds in 2015. If Sound Transit were to proceed with a bond sale, debt service could be higher than what was included in the 2015 Budget. The 2015 budget may need to be amended to reflect this change. Resolution No. R2015-17 amends the budget to include debt service and the cost of issuance for the 2015 Parity Bonds after the conclusion of the bond sale. The 2015 debt service for the 2015 series bonds is estimated to be approximately \$3.7 million (subject to changes in the market rate). Sound Transit's costs for issuing the bonds will be withheld from bond proceeds and are estimated to be around \$2,500,000.

## SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Not applicable to this action.

## PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

The proceeds of the 2015 Parity Improvement Bonds are needed to pay, or to reimburse Sound Transit for the payment of, capital expenditures. Also, the long term borrowing rates are at record lows and the rates can move higher at any time. If the Board does not approve the resolutions at this time, Sound Transit may need to postpone certain capital projects until Sound Transit finds an alternative way to finance these projects. Sound Transit could also potentially lose the window of opportunity to capitalize on the currently attractive interest rate environment.

## PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2014-30: Authorized the issuance of the TIFIA Bond and the execution and delivery of the TIFIA Loan Agreement providing for a loan to Sound Transit of not exceeding \$1,330,000,000 (excluding capitalized interest) to finance costs of Sound Transit's East Link Project.

Resolution No. R2012-14: Amended and restated Resolution No. R2009-15 as the Master Prior Bond Resolution.

Resolution No. R2012-15: Authorized the issuance of sales tax and motor vehicle excise tax bonds of Sound Transit to refund (refinance) and to provide for the redemption on May 1, 2015 of a portion of the 2005A Bonds; fixing certain provisions and covenants of the 2012 Prior Bonds, including provisions safeguarding the payment of the principal of and interest thereon; and authorizing and directing the sale of such bonds.

Resolution No. R2012-16: Authorized the issuance of sales tax bonds to refund and to provide for the redemption on May 1, 2015 of a portion of the 2005A Bonds; fixing certain provisions and covenants of the 2012 Parity Bonds, including provisions safeguarding the payment of the principal of and interest thereon; and authorizing and directing the sale of such bonds.

Resolution Nos. R2009-15 and R2009-17: Amended and restated Master Resolution No. R98-47 authorizing sales tax and motor vehicle excise tax bonds of Sound Transit to finance a portion of Sound Transit's regional transit system plan; fixing certain provisions and covenants of the bonds,

including provisions safeguarding the payment of the principal of and interest thereon; and authorizing and directing the sale of such bonds.

Resolution Nos. R2007-22 and R2007-27: Authorized the issuance of Sound Transit's 2007A sales tax bonds to finance a portion of Sound Transit's regional transit system plan; fixing certain provisions and covenants of the bonds, including provisions safeguarding the payment of the principal of and interest thereon; and authorizing and directing the sale of such bonds.

Resolution No. R99-4: Amended Resolution Nos. R98-47 and R98-48, which authorized the issuance of sales tax and motor vehicle excise tax bonds, to clarify certain provisions of such resolutions and to assure the highest available ratings on the bonds.

## ENVIRONMENTAL REVIEW

JI 7/2/2015

## LEGAL REVIEW

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

Desmond L. Brown  
Sound Transit General Counsel  
July 17, 2015

**SOUND TRANSIT**

**RESOLUTION NO. R2015-15**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING AND CLARIFYING CERTAIN PROVISIONS CONTAINED IN RESOLUTION NO. R2012-14, THE MASTER PRIOR BOND RESOLUTION THAT AUTHORIZES AND PROVIDES FOR THE PAYMENT OF THE AUTHORITY'S SALES TAX AND MOTOR VEHICLE EXCISE TAX BONDS; PROVIDING FOR NOTICES AND OTHER MATTERS PROPERLY RELATING TO SUCH AMENDMENTS; AND PROVIDING EFFECTIVE DATES FOR THE AMENDMENTS AND FOR THIS RESOLUTION.

ADOPTED July 23, 2015

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## **SOUND TRANSIT**

### **RESOLUTION NO. R2015-15**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY AMENDING AND CLARIFYING CERTAIN PROVISIONS CONTAINED IN RESOLUTION NO. R2012-14, THE MASTER PRIOR BOND RESOLUTION THAT AUTHORIZES AND PROVIDES FOR THE PAYMENT OF THE AUTHORITY'S SALES TAX AND MOTOR VEHICLE TAX BONDS; PROVIDING FOR NOTICES AND OTHER MATTERS PROPERLY RELATING TO SUCH AMENDMENTS; AND PROVIDING EFFECTIVE DATES FOR THE AMENDMENTS AND FOR THIS RESOLUTION.

WHEREAS, the Board of Directors (the "Board") of The Central Puget Sound Regional Transit Authority (the "Authority"), by Resolution No. 73, authorized a regional transit system plan to provide high capacity transportation services in the central Puget Sound region (as defined herein, the "Sound Move Plan"); and

WHEREAS, on November 5, 1996, at an election held within the boundaries of the Authority, the requisite number of voters approved the imposition, up to three-tenths of one percent, of the special motor vehicle excise tax authorized by RCW 81.104.160 and the imposition, up to four-tenths of one percent, of the sales and use tax authorized by RCW 81.104.170 to implement the Sound Move Plan; and

WHEREAS, by Resolution No. 82, the Board authorized the imposition of the foregoing taxes and the rental car sales and use tax authorized by RCW 81.104.160 and contracted with the State of Washington Department of Revenue and Department of Licensing to collect and transfer such taxes to the Authority, beginning on April 1, 1997; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution No. R98-47 (as amended, and as amended and restated by Resolution No. R2009-15 and by Resolution No. R2012-14, the "Master Prior Bond Resolution") and Resolution No. R98-48, the Authority on January 6, 1999, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 1999 (the "1999 Prior Bonds"), secured by a pledge of the Local Option Taxes (defined in the

Master Prior Bond Resolution), to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, the Board, by Resolution No. R2008-10, authorized and adopted Sound Transit 2, A Mass Transit Guide, The Regional Transit System Plan for Central Puget Sound (the "Sound Transit 2 Plan") as a regional transit system plan to provide additional high capacity transportation services in the central Puget Sound region; and

WHEREAS, on November 4, 2008, at an election held within the boundaries of the Authority, the requisite number of voters approved additional sales and use taxes of up to five-tenths of one percent as authorized by RCW 81.104.170, to fund the Plan (defined herein); and

WHEREAS, by Resolution No. R2008-15, the Board levied, fixed and imposed an additional sales and use tax of five-tenths of one percent effective January 1, 2009, confirmed that all then-existing Local Option Taxes remain in full force and effect and authorized a contract with the State of Washington Department of Revenue and Department of Licensing to collect and transfer all such taxes to the Authority; and

WHEREAS, pursuant to RCW 81.112.130, 81.112.140 and 81.104.180 and Resolution Nos. R2009-15 and R2009-17, the Authority on September 29, 2009, issued its Sales Tax and Motor Vehicle Excise Tax Bonds, Series 2009P-1 and 2009P-2T (Taxable Build America Bonds – Direct Payment) (together, the "2009 Prior Bonds"), secured by a pledge of the Local Option Taxes, on a parity with the pledge that secures payment of the 1999 Prior Bonds, to finance improvements for the purpose of providing high capacity transportation service; and

WHEREAS, on August 22, 2012, pursuant to the Master Prior Bond Resolution and Resolution No. R2012-15, the Authority issued Sales Tax and Motor Vehicle Excise Tax Refunding Bonds, Series 2012P-1 (the "2012 Prior Bonds"); and

WHEREAS, on January 16, 2015, pursuant to Resolution No. R2014-30 (the "2014 TIFIA Resolution"), the Authority entered into a Loan Agreement, dated as of January 16, 2015 (the "TIFIA Loan Agreement") with the United States Department of Transportation, acting by



and through the Federal Highway Administrator (the "TIFIA Lender"), and issued to the TIFIA Lender the Authority's Sales Tax Bond, Series 2015T-1 (East Link Light Rail Project: TIFIA 2014-1007A), referred to in the TIFIA Loan Agreement as the "TIFIA Bond," to evidence the Authority's obligation under the TIFIA Loan Agreement to pay the lesser of (i) \$1,330,000,000 (excluding capitalized interest) and (ii) the Outstanding Principal Sum as defined in the TIFIA Bond, together with accrued and unpaid interest on the Outstanding Principal Sum, and all fees, costs and other amounts payable in connection therewith, all as described in the TIFIA Loan Agreement; and

WHEREAS, the Board has determined and does hereby determine to clarify certain provisions of Master Prior Bond Resolution; and

WHEREAS, capitalized terms not defined in this Resolution shall have the meanings assigned to such terms in the Master Prior Bond Resolution;

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

### **Section 1. New Definitions.**

Section 1 of the Master Prior Bond Resolution shall be amended by adding the following new definitions.

"Credit Facility' means a direct-pay letter of credit (including a confirming letter of credit, if applicable) issued by a bank or a bond insurance policy issued by a monoline insurance company, in each case that by its terms secures the payment when due of the principal or Accreted Value or and the interest on Prior Bonds or Subordinate Obligations of one or more Series and maturities."

"TIFIA Bond' means the Sales Tax Bond, Series 2015T-1 (East Link Light Rail Project: TIFIA 2014-1007A) delivered by the Authority to the TIFIA Lender pursuant to the TIFIA Loan Agreement to evidence the Authority's obligation under the TIFIA Loan Agreement to pay the

lesser of (i) \$1,330,000,000 (excluding capitalized interest) and (ii) the Outstanding Principal Sum as defined in the TIFIA Bond, together with accrued and unpaid interest on the Outstanding Principal Sum and all fees, costs and other amounts payable in connection therewith, all as described in the TIFIA Loan Agreement.”

“TIFIA Lender’ means the United States Department of Transportation acting by and through the Federal Highway Administrator.”

“TIFIA Loan Agreement’ means the TIFIA Loan Agreement, dated as of January 16, 2015, between the Authority and the TIFIA Lender, as amended from time to time.”

## **Section 2. Clarifying Amendments Relating to Acceleration.**

(a) Section 6 of the Master Prior Bond Resolution, entitled “Subordinate Obligations; Obligations Payable from Revenues,” is amended to read as follows (additions are underscored, and deletions are shown by ~~strike through~~ text):

“The Authority may issue Subordinate Obligations for any purpose of the Authority. The resolution authorizing a series of Subordinate Obligations shall provide that the maturity date of Subordinate Obligations may not be accelerated (not including any indirect acceleration of the maturity thereof (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of a mandatory tender for purchase of Subordinate Obligations or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof) and shall further provide that following the occurrence of a Default, Local Option Taxes may not be used to pay the principal of or interest on Subordinate Obligations unless all payments required to be made with respect to principal of and interest on Prior Bonds required to be paid into the Prior Bond Account have been fully paid. In addition, the Authority reserves the right to issue obligations payable from revenues of the Authority other than Local Option Taxes.”

(b) The first paragraph of Subsection 15(b) of the Master Prior Bond Resolution, entitled "Suits at Law or in Equity," is amended to read as follows additions are underscored, and deletions are shown by ~~striketrough~~ text):

"b. *Suits at Law or in Equity.* The Prior Bondowners' Trustee may upon the happening of a Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing the Authority and pledged to the Prior Bonds, or to obtain other appropriate relief, and may enforce the specific performance of any covenant agreement or condition contained in this Resolution; provided, that upon the occurrence of a Default, payment of the Prior Bonds shall be subject to acceleration (not including any indirect acceleration of the maturity thereof (i) through reimbursement obligations to the provider of a Credit Facility occurring as a result of a mandatory tender for purchase of Subordinate Obligations or (ii) as a result of revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase thereof).

### **Section 3. Amendment Relating to Defaults.**

Section 14 of the Master Prior Bond Resolution, entitled "Defaults," is amended by adding at the end thereof the following new paragraph:

"(f) If during any period in which the TIFIA Bond is outstanding, a Bankruptcy Related Event (as defined in the TIFIA Loan Agreement, including any amendment thereto) occurs with respect to the Authority."

### **Section 4. Severability.**

If any one or more of the provisions of this Resolution is declared by any court of competent jurisdiction to be contrary to law, such provision or provisions shall be deemed separable from, and in no way shall affect the validity of, any of the other provisions of this Resolution or of any Parity Bond Resolution or Series Resolution or of any of the Parity Bonds.

**Section 5. General Authorization.**

Each of the Chief Executive Officer and the Executive Director, Finance and Information Technology, or his or her designee or designees, is individually authorized to take such actions and to execute such documents and give such notices as in his or her judgment may be necessary or desirable to carry out the amendments and clarifications authorized or contemplated in connection with this Resolution.

**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 before the effective date of this Resolution, is ratified, approved and confirmed.

**Section 7. Effective Dates.**

This Resolution shall take effect immediately, and any clarifications and amendments set forth in Sections 1 through 6 shall take effect upon receipt of consents or confirmations of review, if any, the Authority is required to obtain.

ADOPTED by the Board of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held the 23<sup>rd</sup> day of July, 2015.

  
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Dow Constantine  
Board Chair

ATTEST:

  
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Kathryn Flores  
Board Administrator

**CERTIFICATE**

I, the undersigned, Administrator of the Board (the "Board") of The Central Puget Sound Regional Transit Authority (the "Authority"), DO HEREBY CERTIFY:

1. That the attached resolution numbered R2015-15 (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 July, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, 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 July, 2015.



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Kathryn Flores  
Board Administrator