



**COMMISSION
AGENDA MEMORANDUM**

Item No. 10a

ACTION ITEM

Date of Meeting June 23, 2026

DATE: June 4, 2026

TO: Stephen P. Metruck, Executive Director

FROM: Chris Wimsatt, Chief Financial Officer
Scott Bertram, Manager, Corporate Finance
Angie Rose, Principal Financial Analyst, Corporate Finance

SUBJECT: Introduction of Resolution No. 3851 – Issuance and Sale of Subordinate Lien Revenue Bonds in the Aggregate Principal Amount of Not-to-Exceed \$400,000,000.

ACTION REQUESTED

Introduction of Resolution No. 3851: A Resolution of the Port Commission of the Port of Seattle authorizing the issuance and sale of Subordinate Lien Revenue Bonds, Series 2026A and 2026B in the aggregate principal amount of not to exceed \$400,000,000 (the “Bonds”), for the purposes of financing or refinancing capital improvements to aviation facilities; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the Bonds.

EXECUTIVE SUMMARY

Commission authorization is requested to issue the Bonds in an amount not-to-exceed \$400,000,000 to fund the costs of capital improvements at the Airport and to refinance commercial paper (“CP”) issued in 2025 to acquire the International Place facility.

JUSTIFICATION

The 2026-2030 Plan of Finance estimated future revenue bond needs of \$2.4 billion to help pay for the Airport’s ~\$3.8 billion capital improvement plan over the next five years; the Bonds will fund approximately \$225.0 million of those Airport project costs. Some of the major projects that may be funded, in part, with this bond issuance include S Concourse Evolution, Baggage Optimization, Airfield Pavement, SEA Gateway Project, Main Terminal Infrastructure, and Industrial Waste Treatment Plant (IWTP) Program along with various other Airport improvements; a list of projects currently identified for potential Bond funding is provided in Exhibit A. If project spending is delayed or if other funding sources are available, e.g., federal grants, the proceeds from the Bonds may be redirected to other projects within the limits established by the federal tax code. No Bond proceeds or other funds can be spent on any project without the appropriate project authorization.

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In February 2025, the Port issued \$120.0 million of Commercial Paper (CP) to finance the acquisition of the International Place office complex. The \$120.0 million is currently outstanding and staff recommends refinancing that CP with the Bonds, which will free up the CP facility to fund airport projects as needed.

BACKGROUND

The Port's current revenue bond debt structure includes three liens of revenue bonds that have been used to fund a significant portion of the organization's capital needs over the past 30 years. These liens include the First Lien, Intermediate Lien, and Subordinate Lien. Recent debt issuances have occurred on the First and Intermediate Liens, issued pursuant to their respective lien Master Resolutions; until recently, there was no Master Resolution of the Subordinate Lien and the Port had not issued on the Subordinate Lien since 2008.

On April 14, 2026, the Commission adopted Resolution No. 3845, the Subordinate Lien Master Resolution, to modernize its Subordinate Lien debt structure by creating a Master Resolution and to update certain security provisions to current market standards. The resolution also provided the Port with some added flexibility in managing current and future Subordinate Lien debt and included a new aggregate debt service coverage calculation.

The Subordinate Lien, established in 1992, has been used primarily for the issuance of variable rate debt. Unlike most of the Port's debt, which has fixed interest rates, variable debt has interest rates that are set (or reset) at predetermined dates based on prevailing market conditions. Variable rate debt is typically backed by bank-provided letters of credit, which means investors are, in effect, buying the banks' credit rather than the Port's and have the banks' guarantee of payment.

The Port's debt management policy limits the total amount of variable rate debt to no more than 25% of total Port debt. Currently, less than 5% of the Port's total debt portfolio has variable interest rates and as such, Port staff recommends adding variable rate debt exposure at this time.

Variable rate obligations provide certain benefits compared to fixed rate bonds:

Benefits

- **Lower rates.** Variable interest rates tend to be lower on average than long-term fixed interest rates. During the Great Recession and Pandemic, long-term interest rates were historically low and the Port used the opportunity to lock-in low fixed rates. Now that long-term interest rates have risen, the Port can achieve lower cost of debt by increasing its utilization of variable rate bonds and notes.
- **Flexible repayment terms.** An additional benefit of the variable rate bonds are the flexible repayment terms. The Port has typically chosen to amortize its variable rate debt to avoid a large principal payment(s) in the final years, but the Port has also paused principal

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payments during times of stress. For example, during the pandemic, the Port paused principal payments temporarily, which reduced the debt service charged to the airlines.

Variable rate obligations do carry certain risks. The Port has safeguards to manage these risks and expects to continue to issue primarily fixed rate bonds while increasing its exposure to variable rate debt.

Risks

- **Interest rate risk.** Increases in rates can add to the Port's variable rate debt service (interest) costs. However, those increases in rates would also apply to the Port's investment portfolio, which would result in higher interest earnings.
- **Remarketing risk.** There are different types of variable rate debt but the Port has typically issued variable rate demand bonds (VRDBs) backed by a letter of credit from a bank. The interest rate on VRDBs resets regularly (for example, daily or weekly) through a remarketing process where the remarketing agent sets the interest rate at the lowest level needed to successfully remarket the bonds (i.e. the level where there is sufficient investor demand). There is a risk of remarketing failure when there is not sufficient investor demand for all the bonds. Such a failure last occurred during the Great Recession.

In the event of a failed remarketing, the letter of credit bank purchases the bonds and the Port pays the bank a predetermined rate of interest until the bonds can be successfully remarketed. The Port has carefully negotiated agreements with its letter of credit banks to provide time to cure the problem before the Port needs to repay the bonds.

Note: Direct bank loans, as opposed to VRDBs, are executed through a private placement and not the public markets. This means potentially faster execution, as well as less regulatory and compliance requirements. Bank loans typically result in a moderately higher variable interest cost than can be achieved in the public market but have lower issuance and ongoing costs. Bank loans also do not create remarketing risks to the Port that otherwise exist with public market variable rate products.

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DETAILS

The Bonds are being issued pursuant to the Subordinate Lien Master Resolution No. 3845 and this Resolution No. 3851. Port staff expects to issue the Bonds with variable interest rates, in the following manner:

- ***Variable rate demand bonds (VRDBs) - \$225.0 million***

Proceeds will be used to fund approximately \$225.0 million of on-going Airport capital project costs. As noted above, some of the major projects to be funded, in part, with this bond issuance include S Concourse Evolution, Baggage Optimization, Airfield Pavement, SEA Gateway Project, Main Terminal Infrastructure, and Industrial Waste Treatment Plant (IWTP) Program along with various other Airport improvements; a list of projects currently identified for potential Bond funding is provided in Exhibit A.

The Port has secured a \$225.0 standby letter of credit from Bank of America, who was selected as part of a competitive RFP process. Interest rates on the VRDBs will be reset daily or weekly based on a market clearing rate.

The VRDBs are expected to be issued as private activity bonds, interest earnings upon which are exempt from regular income tax but subject to the Alternative Minimum Tax (AMT) to investors. This is the most common type of tax-exempt bond that the Port issues because it allows the Port to lease facilities to airport and seaport tenants.

- ***Direct bank loan - \$120.0 million***

Proceeds of the \$120.0 direct bank loan (also known as bank placement or direct purchase) come from Wells Fargo, who was also selected as part of a competitive RFP process. Proceeds of the loan will be used to pay down the \$120.0 million of outstanding CP that was issued to finance the acquisition of the International Place office complex. This will, in turn, free up the CP facility to fund other Port (primarily airport) project spending, as needed, in advance of a potentially larger bond issuance in 2027. The Port's CP facility is meant to serve primarily as an interim financing source only and the Port will use this bank loan as the longer-term funding source.

The loan is expected to have an initial term of 5 years, and interest on the loan will be calculated based on the Secured Overnight Financing Rate ("SOFR") plus a spread. The loan is expected to be treated as taxable debt, subject to federal income tax.

Resolution No. 3851 delegates to the Port's Executive Director the authority to approve final interest rates (or in this case the method of establishing interest rates since they are variable in nature), maturity dates, aggregate principal amounts, principal maturities and redemption rights. Commission parameters that limit the delegation include a maximum principal amount for the

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Bonds, final maturity, and expiration date for the delegated authority. If the Bonds cannot be sold within these parameters, further Commission action would be required.

Recommended delegation parameters include:

Maximum size:	\$400,000,000
Final Maturity:	not later than 40 years after issuance
Expiration of Delegation of Authority:	July 14, 2027

Upon adoption, Resolution No. 3851 will authorize the Designated Port Representative (the Executive Director, the Deputy Executive Director, the Chief Financial Officer or their designees) to execute various agreements required for the sale and issuance of the Bonds, including: (1) the bond purchase agreement for the VRDBs; (2) the direct purchase agreement for the direct bank loan; (3) the remarketing agent agreement for the VRDBs; (4) the mode agreements setting forth the manner of determining the interest rates on the Bonds; and (5) the letter of credit and bank reimbursement agreement for the VRDBs.

The VRDBs will be sold through negotiated sale to Goldman Sachs & Co. LLC, who will serve as the remarketing agent. Piper Sandler & Co. is serving as Municipal Advisor and Pacifica Law Group LLP is serving as bond and disclosure counsel on both the VRDBs and the direct bank loan.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3851
- (2) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 28, 2025 – The Commission was briefed on the 2026-2030 draft plan of finance.
- April 14, 2026 – The Commission adopted Resolution No. 3845 – Subordinate Lien Master Resolution

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Exhibit A - Project List

South Concourse Evolution (SCE)
Checked Baggage Optimization
International Place office complex (STOC)
2021-2025 Airfield Pavement
2026-2030 Airfield Pavement
Industrial Wastewater Treatment Plant (IWTP) Program
Post IAF Airline Realignment
Concourse A Expansion
North Main Terminal Redevelopment (SEA Gateway Project)
Utility Meter Networking
Upgrade Satellite Train System (STS) Control
400Hz Replacement at Concourse C & D
1947 Water Main Improvement - DBB
Concourse A Duty Free
Concourse Modernization (*previously Concourse HVAC Infrastructure Renewal Replacement*)
Ramp Tower Visibility Restoration
Public Access Distributed Antenna System (DAS) Upgrade
Perimeter Intrusion Detect System
Parking Garage Low Voltage System
Main Terminal Infrastructure
Building 161E Retro Commission (*previously Building 161E Renovation and Systems Retrofit*)
Snow Storage Expansion
Apartment Sound Insulation
Deaerator (DA) and Condensate System Upgrades
STS Replacement
Widen Arrivals Roadway
Fast Fleet EV Charging
North Employee Parking Lot Improvements (NEPL) Improvements
Preconditioned Air-Handling Unit (PC AHU) Replacement
Concourse Low Voltage Upgrades