

Subordinate Lien Revenue Bonds Series 2026A and 2026B

June 23, 2026

Introduction of Resolution No. 3851

- Sale & Issuance of Subordinate Lien Revenue Bonds, Series 2026A&B
- Bonds to be issued in two forms, both utilizing variable interest rates:
 1. Variable Rate Demand Bonds: \$225 million
 - Tax-exempt (AMT); Interest rates reset daily
 2. Direct Bank Loan \$120 million
 - Taxable; Interest rates reset weekly
- Commission recently approved a refresh of the Port's Subordinate Lien
 - Refresh in April was done to facilitate the expected addition of new variable rate debt
 - Variable rate debt provides certain benefits reviewed in April

Background Information - Variable Rate Debt

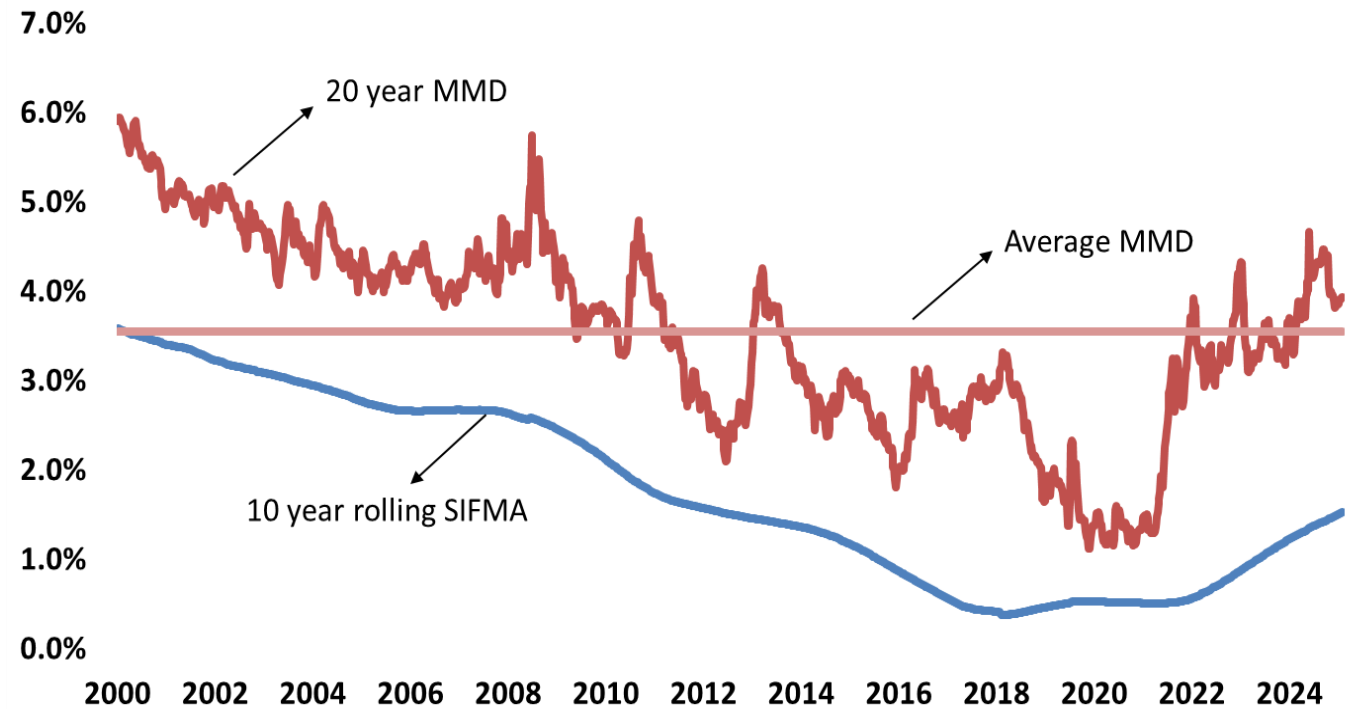
- The Port's primary funding source of capital projects is revenue bonds
- Over 95% of the Port's current revenue bond debt has fixed interest rates
- Port staff has been looking for opportunities to increase variable rate debt exposure, but with historically low fixed interest rates over the past decade, it made sense to lock those in
- As long-term fixed interest rates have started to increase it provides a potential opportunity to increase variable rate debt

Variable Rate Debt Can Lower the Port's Cost of Capital

- Variable interest rates reset frequently (i.e. daily or weekly)
 - Target short end of yield curve
- Variable rate debt priced to SIFMA + spread
- Short-term municipal rates on average are lower than long-term rates

Average Historical Rates 2000-2025	
SIFMA	MMD
1.48%	3.54%

2000-2024 Variable Rates vs. Fixed Rates



- SIFMA: Securities Industry and Financial Market Association Index of municipal short-term rates
- MMD: Municipal Market Data index of long-term rates

Other Benefits

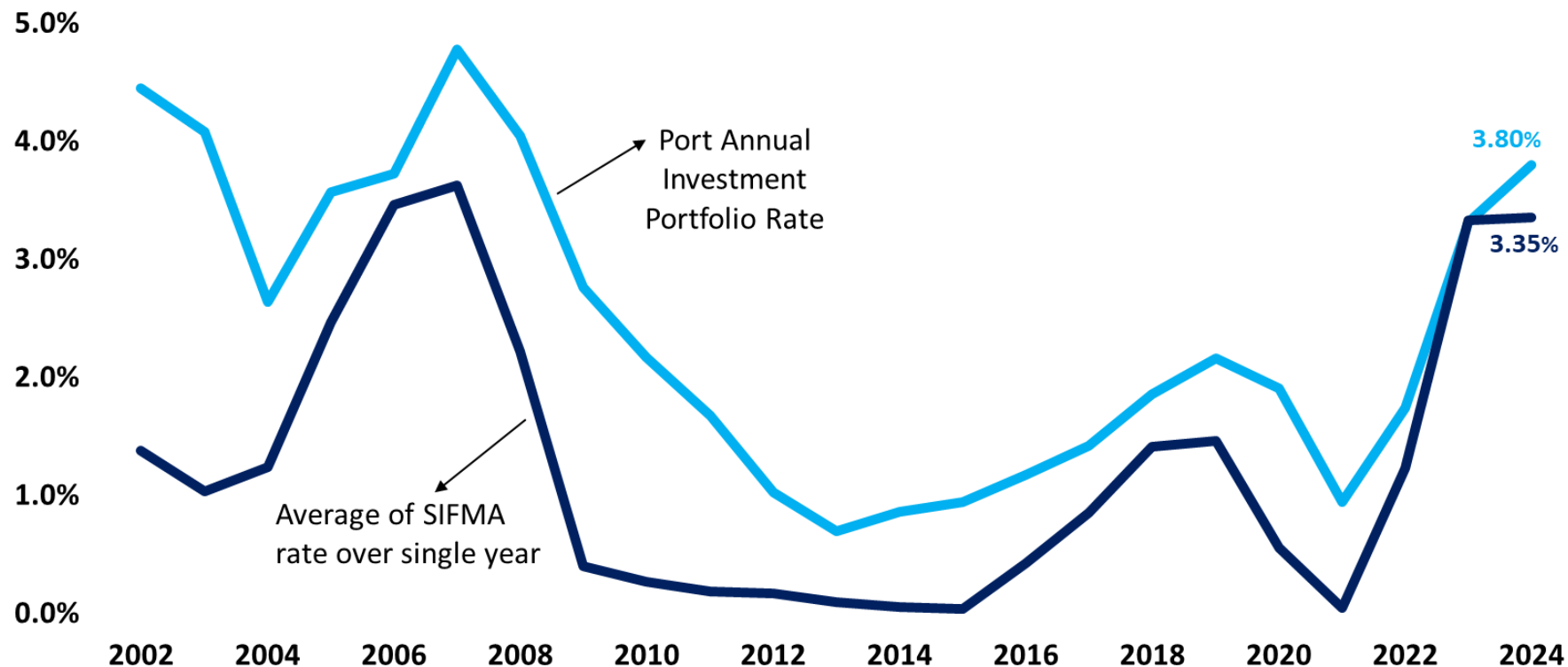
Asset-Liability Management

- Reduce interest rate risk by hedging interest expense and interest earnings

Flexible Structure

- Some variable rate products provide for flexible principal payments

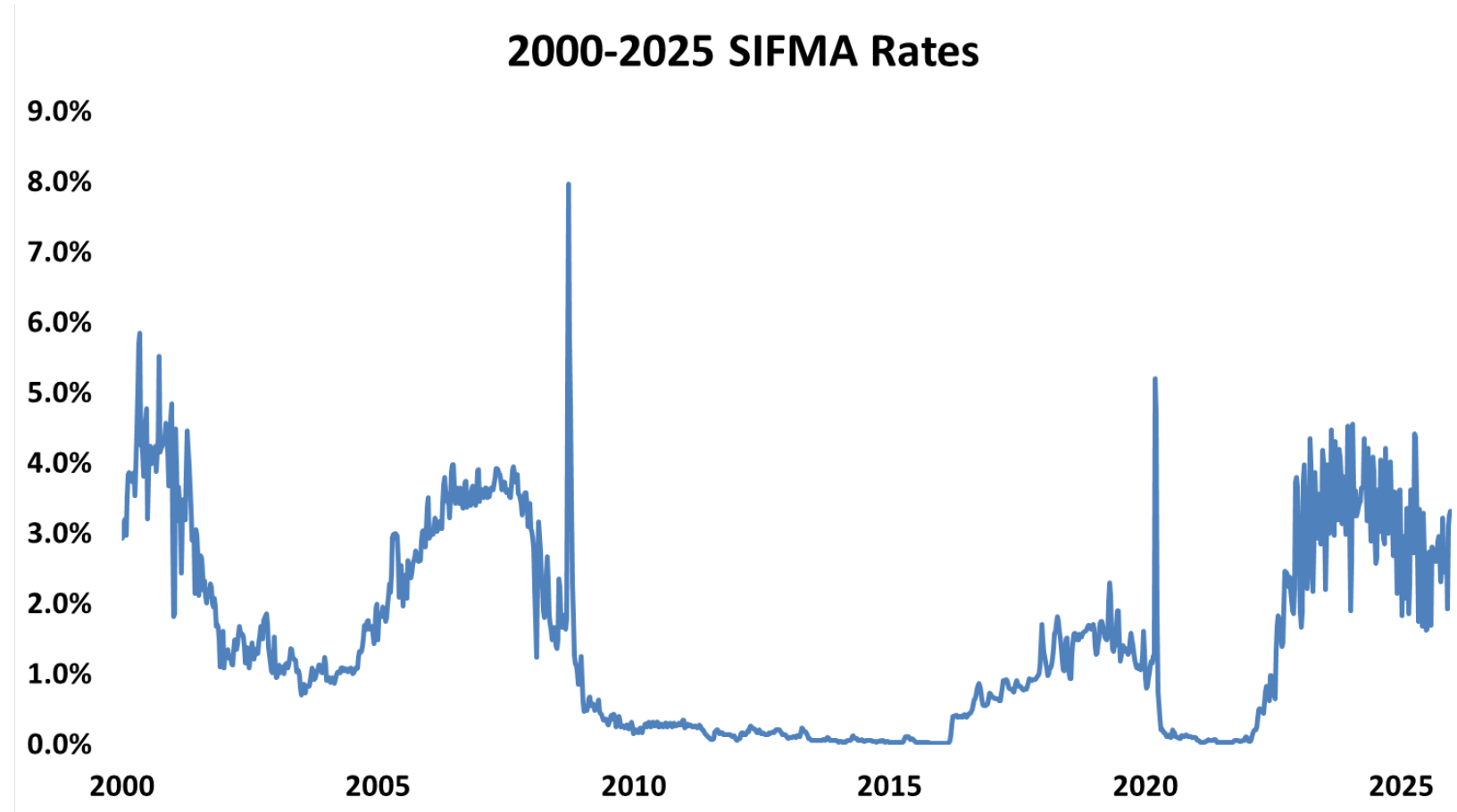
2002-2024 Port Investment Portfolio Rate vs. Variable Rate Index



Rates in the Port's investment portfolio move similarly to rates on variable rate debt

Rate Volatility is a Risk

- The Port retains interest rate risk, but manages that by off-setting variable rates on its investment portfolio



2026A Subordinate Lien Bonds: VRDBs

Product: Variable rate demand bonds (VRDBs)

Tax Status: Tax-Exempt, subject to AMT

Amount: \$225 million

Purpose: Funding for airport capital projects

Additional Details:

- Provide partial funding of Airport CIP, as outlined in the Draft Plan of Finance
- VRDBs supported by a direct pay letter of credit from Bank of America
 - Competitively bid
- VRDBs are a common variable rate product; the Port has utilized them previously
- Investors of bonds are effectively purchasing the banks' credit rather than the Port's
 - They have banks' guarantee of payment
- Interest rates are set based on market supply and demand
 - Minimum rate necessary to remarket the Bonds in the public market (market clearing)
 - Initially contain a *daily* interest rate reset

VRDBs: Benefits and Risks

Benefits:

- Historically lower rates
 - On average lower compared to fixed rate
- Flexible repayment terms
 - Port can adjust principal payments in times of need
 - Port paused principal payments during the pandemic to preserve cash and reduce charges to airlines
- Asset-Liability Management
 - Reduce organizational interest rate risk
 - Hedge interest expense and interest earnings

Risks & Mitigation:

- Remarketing Risks
 - Problems with capital markets or with the bank's credit can reduce investor demand
 - This can result in higher rates
 - The Port experienced this during the 2008 credit crisis
 - Failed remarketing requires letter of credit bank to pay investors; Port must repay bank following a 6-month liquidity period
- Port downgrade risk – increases cost of LOC

Mitigation:

- Negotiated agreements with the banks to minimize the increase in rates and to provide time to cure the underlying problem
- Diversify bank and variable rate product exposure

2026B Subordinate Lien Bonds: Direct Bank Loan

Product: Bank Loan

Tax Status: Taxable

Amount: \$120 million

Purpose: Refinance outstanding commercial paper

Additional Details:

- Competitively bid bank loan from Wells Fargo
- Commercial paper was used to fund acquisition of SeaTac Office Center in February 2025
- Bank loan proceeds used to pay off outstanding commercial paper
 - After refinancing, the \$250M active commercial paper facility will be available for CIP funding
- Interest rates reset weekly based on a standard market index plus a spread
- Bank loan term of 5 years
 - Can be renewed with Wells Fargo, replaced with a new variable rate product or refinanced with fixed rate bonds at the end of this term

Direct Bank Loan: Benefits and Risks

Benefits: consistent with VRDBs:

- Low rates
- Flexible repayment terms
- Asset-Liability Management

Additional Benefits of Bank Loan:

- Bank loan executed in private market - results in faster loan execution and lower costs compared to public markets
- Fewer regulatory/compliance requirements
- No remarketing risk, unlike VRDBs
- Further diversifies Port's debt portfolio

Risks & Mitigation

- Refinancing/Renewal risk
- Port downgrade/default risk

Mitigation:

- Manage loan and letter of credit expiry
- Prudent financial management
- Diversify bank and variable rate product exposure

Resolution No. 3851

- Pursuant to new Subordinate Lien Master Resolution adopted in April 2026
- Resolution No. 3851:
 - Provides the details for this specific series of bonds
 - Delegates to Executive Director the authority to approve the sale of Bonds, within parameters in Resolution
- Variable Rate Demand Bonds will be underwritten by Goldman Sachs
- Loan directly placed with Wells Fargo does not require an underwriter
- Delegation Limits:
 - Maximum Par Amount: \$400 million
 - Bond sale must occur by July 14, 2027
 - Exceeding limits requires further authorization
- Provides funding for
 - Bond issuance costs

Next Steps

- Adoption of Resolution 3851: July 14
- Bond closing tentatively scheduled for:
 - Bank Loan with Wells Fargo: Week of August 10th
 - Variable Rate Demand Bonds: Week of August 17th or 24th

Appendix - Fund Airport Capital Investments

Anticipated project funding includes:

- S Concourse Evolution
- Continuation of Baggage Handling System Optimization and Airfield Pavement Replacement
- Industrial Waste Treatment Plant Program
- North Main Terminal SEA Gateway Project & Other airport projects

Flexibility to redirect bond proceeds to other Airport capital projects, subject to meeting project eligibility requirements (federal tax)

Actual spending on projects is subject to appropriate authorization

