

August 21, 1996

Introduced By:

Rob McKenna
Louise Miller

Proposed No.:

96-663

MOTION NO. **9930**

1
2
3 A MOTION authorizing the execution of one or more
4 Sale/leaseback agreements and related documents in
5 connection with the acquisition of up to 360 transit
6 buses

7 WHEREAS, the transit division of the King County department of transportation
8 ("King County") provides public transportation services which requires the purchase of
9 buses to support service expansion and ridership increases and replacement of older
10 equipment, and

11 WHEREAS, King County is purchasing 360 new transit buses from the Gillig
12 Corporation with a \$72 million grant from the Federal Transportation Administration
13 ("FTA") and approximately \$18 million from the King County Transit Capital Fund, and

14 WHEREAS, King County has identified a market opportunity to lower the \$18
15 million cost to King County by financing the bus purchase through a sale/leaseback
16 arrangement wherein certain tax depreciation deductions that are of no value to King
17 County are transferred to private foreign investors, and

18 WHEREAS, the FTA encourages local governments to enter into sale/leaseback
19 arrangements to purchase transit buses because such arrangements provide a substantial
20 present value benefit to King County, to bus passengers and to the taxpayer residents who
21 fund public transportation within the King County metropolitan area, and

22 WHEREAS, to implement the plan of financing it may be necessary for King
23 County to execute certain standard and customary financing and collateral implementing
24 agreements in order to effect interest rate exchanges, currency swaps, and the defeasance of

1 the debt and equity obligations, including the following: interest exchange agreements,
2 payments agreements under RCW 39.96.020, custodian agreements, yen deposit
3 agreements, debt funding agreements, lessee yen deposit agreements, security agreements,
4 yen deposit pledge agreements (referred to herein as the "Operative Documents"), and

5 WHEREAS, in compliance with RCW ch. 39.96, the council hereby determines that
6 the agreements evidenced by the Operative Documents (including amounts required
7 thereunder to be paid in yen, the yen deposit agreements, currency swap agreements,
8 payments agreements under RCW 39.96.020, and the interest exchange agreements) will
9 reduce the amount or duration of the county's exposure to changes in interest rates,
10 currency exchange or similar risk, and will result in a lower net cost of borrowing with
11 respect to the related obligations associated with the sale/leaseback financing agreements,
12 and/or will result in a higher net rate of return on investments made in connection with, or
13 incidental to, the issuance, incurring, or carrying of the obligations evidenced by the
14 Operative Documents, and

15 WHEREAS, it is now deemed necessary and advisable and in the financial interest
16 of King County to enter into the sale/leaseback financing agreements and to execute the
17 necessary Operative Documents, and

18 WHEREAS, Council approval is required to dispose of personal property valued in
19 excess of \$250,000;

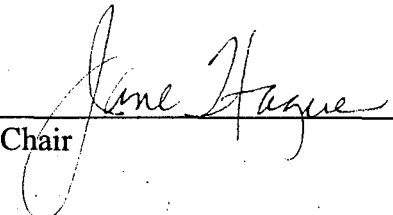
20 NOW, THEREFORE, BE IT MOVED by the Council of King County:

21 The county executive is authorized to negotiate and enter into such contracts and to
22 execute such Operative Documents as are necessary, reasonable and customary to finance
23 the purchase of 360 transit buses from the Gillig Corporation through one or more
24 sale/leaseback financing agreements; provided, that the sale/leaseback financing
25 arrangement must be approved by the Federal Transportation Administration, and further
26 provided that the financial advisor to King County must certify in writing that (a) the terms
27 and conditions set forth in payment agreements, Operative Documents and any ancillary


1 agreements, including without limitation, the interest rate or rates and any other amounts
2 payable thereunder, are commercially reasonable in light of the then existing market
3 conditions; and (b) the finding and determination contained in this motion required by
4 RCW 36.96.030(2)(a) is reasonable

5 PASSED by a vote of 11 to 0 this 26th day of August,
6 1996.

7 KING COUNTY COUNCIL
8 KING COUNTY, WASHINGTON

9 
10 Chair

11 ATTEST:

12 
13 Clerk of the Council

14 Attachments: NONE