

SUMMARY STATEMENT

ITEM NO.: DRPA-17-001

SUBJECT: Authorization to Reallocate Unspent 1999 PDP Bonds (Series B) and Related Interest Rate Swap Proceeds for Certain Other Capital Projects

COMMITTEE:

Finance

COMMITTEE MEETING DATE:

January 4, 2017

BOARD ACTION DATE:

January 18, 2017

PROPOSAL: That the Board authorizes the reallocation of a portion of unspent Port District Project Bonds, Series B of 1999 (Tax Exempt) proceeds and unspent upfront payments received from an associated interest rate swap agreement executed in connection with such Port District Project Bonds in order to complete certain bridge projects.

PURPOSE: To reallocate a portion of unspent Port District Project Bonds, Series B of 1999 (Tax Exempt) proceeds and unspent upfront payments received from an associated upfront interest rate swap agreement executed in connection with such Port District Project Bonds in order to complete certain bridge projects.

BACKGROUND: In August of 1999, the Authority issued its Port District Project Bonds, Series B of 1999 ("1999B PDP Bonds") for the purpose of financing the costs of certain economic development projects of the Authority including, but not limited to, the Delaware River Main Channel Deepening Project. The 1999B PDP Bonds were authorized to be issued pursuant to and in accordance with the Port District Project Indenture of Trust, dated as of December 1, 1999 ("1999 PDP Indenture"), which 1999 PDP Indenture was authorized by DRPA Bond Resolution 99-051, adopted on August 18, 1999, as the same has been heretofore amended pursuant to DRPA Resolutions 08-020, 09-052 and 09-100, duly adopted by the Board on February 20, 2008, July 15, 2009 and December 28, 2009, respectively.

In connection with the issuance of the 1999B PDP Bonds, the Authority executed an interest rate swap agreement ("PDP Swap") pursuant to which the Authority received an upfront premium payment from the counterparty thereto, a portion of which was used to pay for the costs of certain economic development projects of the Authority. The PDP Swap has subsequently been terminated by the Authority.

In December of 2012, the Authority issued its Port District Project Refunding Bonds, Series 2012 ("2012 PDP Bonds"), the proceeds of which were used to refund all of the outstanding principal amount of the 1999B PDP Bonds. The 2012 PDP Bonds were authorized to be issued pursuant to and in accordance with the Indenture of Trust, dated as of December 1, 2001 ("2012 PDP Indenture" and, together with the 1999 PDP Indenture, the "PDP Bond Indentures"), which 2012 PDP Indenture was authorized by DRPA Bond Resolutions 99-065 and 12-021, adopted by the Board on September 16, 1999 and February 1, 2012, respectively.

As a result of the issuance of the 2012 PDP Bonds, any unspent proceeds of the 1999 PDP Bonds were then considered "Transferred Proceeds" of the 2012 PDP Bonds and were, thereafter, to be applied in accordance with the provisions of the Compact, the laws of the Commonwealth of Pennsylvania and the State of New Jersey, the applicable prior resolutions of the Authority, the 2012 PDP Indenture and the Tax Compliance Certificate executed at the time of issuance of the 2012 PDP Bonds.

Pursuant to Resolution DRPA-10-062, duly adopted on August 18, 2010, as amended by resolution of the Authority duly adopted on December 5, 2012 (together, the "Economic Development Resolution"), the Board resolved to prohibit the use of any funds derived from or related to economic development projects, including the proceeds of the 1999B PDP Bonds, the transferred proceeds of the 2012 PDP Bonds and the PDP Swap, to be used for anything other than projects directly connected to the bridge and crossing assets of the Authority under the Board's direct control. However, pursuant to the Economic Development Resolution, any economic development projects explicitly authorized by a resolution passed by the Board on or before December 31, 2011 were permitted to be completed in order to allow the Authority and PATCO to discharge any lawful contractual obligations related to economic development projects.

With such direction, the Authority has since endeavored to complete those economic development projects that had been authorized prior to December 31, 2011 and to fund the costs of same with funds that have been derived from, among other sources, the proceeds of the 1999B PDP

Bonds (including transferred proceeds of the 2012 PDP Bonds) and the upfront payment received by the Authority in connection with the PDP Swap.

The Authority has either completed, nearly completed, or determined not to undertake, certain previously approved economic development that were expected to be funded with a portion of the proceeds of the 1999B PDP Bonds (including the transferred proceeds of the 2012 PDP Bonds and the upfront PDP Swap payment and, as result, excess funds remain or will become available to the Authority (such funds being hereafter referred to as the "Excess Funds"). In particular, the Authority has identified Excess Funds deriving from the now completed Rapaupo Creek Improvement Project.

The Board, together with staff, has identified the Authority's Ben Franklin Bridge Bike and Pedestrian Ramp Project ("BFB Bike and Pedestrian Ramp Project") as a capital project in need of additional funding, which is a project directly associated with the bridge and crossing assets of the Authority controlled by the Board and is, therefore, not considered an economic development project.

The Authority has now determined to reallocate a portion of the Excess Funds derived from the Rapaupo Creek Improvement Project in the amount of \$666,819.75 to fund a portion of the costs the BFB Bike and Pedestrian Ramp Project, a qualifying bridge and crossing project, in accordance with the directive of the Economic Development Resolution.

In furtherance of such determination, and after careful investigation and analysis, the Board, together with staff and the Authority's professional advisors, have determined that the utilization of the Excess Funds to fund a portion of the BFB Bike and Pedestrian Ramp Project is permitted by and in conformity with the Compact, the Authority's Bylaws, the PDP Bond Indentures, the Economic Development Resolution and, where applicable, federal income tax rules and regulations.

SUMMARY STATEMENT
Finance – 1/4/2017

**Authorization to Reallocate Unspent 1999
PDP Bonds (Series B) and Related Interest
Rate Swap Proceeds for Certain Other
Capital Projects**

SUMMARY:	Amount:	\$666,819.75
	Source of Funds:	1999 PDP Bonds (Series B) and associated PDP Swap
	Capital Project #:	BF 1302
	Operating Budget:	N/A
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	N/A
	Other Parties Involved:	N/A

DRPA-17-001
Finance Committee: January 4, 2017
Board Date: January 18, 2017
Authorization to Reallocate Unspent 1999 PDP
Bonds (Series B) Proceeds and Unspent Upfront
Payments from PDP Swap for Certain Capital Projects

RESOLUTION

RESOLVED: That the Board of Commissioners ("Board") hereby authorize the Chief Executive Officer and the Chief Financial Officer (each acting with the prior approval and consent of the other) to reallocate \$666,819.75 of unspent proceeds derived from (i) the issuance of the Authority's Port District Project Bonds, Series B of 1999 ("1999B PDP Bonds"), as such 1999B PDP Bonds have been heretofore refunded with a portion of the proceeds of the Authority's Port District Project Bonds, Series of 2012 ("2012 PDP Bonds"), and (ii) an upfront premium payment received by the Authority in connection with execution interest rate swap agreement associated with such 1999B PDP Bonds ("PDP Swap"), for the purpose of paying for a portion of the costs of the Authority's Ben Franklin Bridge Bike and Pedestrian Ramp Project ("BFB Bike and Pedestrian Ramp Project"), which BFB Bike and Pedestrian Ramp Project constitutes a qualifying bridge and crossing project pursuant to Resolution DRPA-10-062, as amended ("Economic Development Resolution"), and in each case in accordance with the Compact, the Authority's Bylaws, the Bond Indentures authorizing the 1999B PDP Bonds and the 2012 PDP Bonds (collectively, the "PDP Bond Indentures"), and, where applicable, federal income tax rules and regulations; and

RESOLVED: That the Board hereby authorize the Chief Executive Officer memorialize the reallocated project authorized by this Resolution by causing this Resolution to be deposited in the records of the Corporate Secretary with the minutes of the Board meeting authorizing this Resolution; and

RESOLVED: That staff be and are hereby authorized and directed to undertake all necessary and convenient actions including, but not limited to, the negotiation of forms of agreement, contracts or other similar documents, subject in each case to review and advice of Counsel, in order to provide funding to qualified entities or persons for purposes of assisting, undertaking and/or completing the portion of the BFB Bike and Pedestrian Ramp Project authorized by this Resolution, all in accordance and consistent with this Resolution, the Compact, the

Authority's Bylaws, the PDP Bond Indentures, the Economic Development Resolution, and, where applicable, in accordance with the applicable federal income tax rules and regulations; and

RESOLVED: That any agreements, contracts or other documents executed or delivered in connection with the BFB Bridge and Pedestrian Ramp Project shall include appropriate protections for the Authority, as issuer of the 2012 PDP Bonds, and to ensure the protection of the tax-exempt status of the interest on the 2012 PDP Bonds for federal income tax purposes, where applicable.

SUMMARY:	Amount:	\$666,819.75
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	Capital Project #:	BF 1302
	Operating Budget:	N/A
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	N/A
	Other Parties Involved:	N/A