SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE MEETING DATE: April 4, 2018

BOARD ACTION DATE: April 18, 2018

PROPOSAL: That the Board authorizes the Authority's staff to relocate remaining unspent monies derived from certain of the Authority's previously issued Port District Project Bonds: (i) to the Authority's General Fund for the purpose of providing dedicated funding for the Authority's continuing obligation to comply with existing contractual and legal obligations related to the resolution of an environmental insurance claim in connection with the "Victor Lofts" redevelopment project and, in connection therewith, establish a separate unrestricted account or subaccount in the General Fund for such purpose; and (ii) to the payment of debt service for certain outstanding Port District Project Bonds of the Authority.

PURPOSE: Allocate certain remaining unspent Port District Project Bond proceeds: (i) to provide dedicated funding for potential future costs associated with the Authority's continuing contractual and legal obligations associated with environmental insurance claim obligations related to the Victor Lofts project and, in connection therewith, establish a separate unrestricted account or subaccount within the Authority's General Fund; and (ii) pay debt service for certain outstanding Port District Project Bonds.

BACKGROUND: In February 2001, the Board of Commissioners ("Board") of the Delaware River Port Authority ("Authority") approved the expenditure of funds to be utilized in connection with the completion of the environmental remediation of the Victor Lofts site (formerly the Historic Nipper Building) necessary to support the conversion of the building into 300 market rate residential apartments. As part of the Authority's participation in (and obligations related to) the Victor Lofts redevelopment project, the Authority purchased insurance through an AIG Company, Commerce and Industry Insurance Company (now
known as Chartis Insurance Company ("CIC"), to cover certain costs. CIC initially approved claims submitted under the policy purchased by the Authority. However, in March of 2008, CIC began to deny coverage. As a result, the Authority pursued a claim against CIC for coverage.

Recognizing the continuing monetary obligations related to the Victor Lofts project, the Authority, through its environmental consultant and other professional advisors, estimated that additional expenses for remediation activities to be performed at the site would be incurred, with such possible expenses to be incurred prior to the time the insurance claim was expected to be resolved.

In order to fund such future costs, pursuant to DRPA-09-092 duly adopted by the Board on December 9, 2009, the Authority allocated $500,000 of the proceeds held in the Project Fund held and maintained by TD Bank, National Association, as trustee ("Trustee") pursuant to the Trust Indenture, dated December 1, 2001 ("2001 PDP Trust Indenture"), which 2001 PDP Trust Indenture authorized the issuance and sale of the Authority's Port District Project Bonds Series 2001A ("2001A PDP Bonds"). The 2001A PDP Bonds have subsequently been defeased and redeemed, are, therefore, no longer outstanding. As a result, monies originally held and maintained by the Trustee pursuant to the 2001 PDP Trust Indenture are permitted to be released from the lien of the 2001 PDP Trust Indenture and transferred to the Authority's General Fund.

In particular, approximately $563,000 of unexpended proceeds allocable to the Victor Lofts environmental remediation obligations remain with the Trustee, which, based upon the recommendation of the Finance Committee, the Authority has determined to release and deposit in the General Fund to be utilized for the specific purpose of paying remaining environmental obligations of the Authority related to the Victor Lofts project. In furtherance thereof, the Board is now desirous of creating and establishing within the General Fund a specific unrestricted custodial account or subaccount to be held and maintained, initially, by TD Bank, National Association to ensure the availability of funds for such purpose, it being acknowledged that all monies deposited in any such account or subaccount would be available to the Authority for any other lawful purpose of the Authority if and when required.
In addition to the foregoing, pursuant to: (i) an Indenture of Trust, dated as of August 15, 1998, between the Authority and the Trustee ("1998 PDP Trust Indenture"), the Authority issued its Port District Project Bonds, Series B of 1998 ("1998B PDP Bonds"); (ii) an Indenture of Trust, dated as of December 1, 1999, between the Authority and the Trustee ("1999 PDP Indenture"), the Authority issued its Port District Project Bonds, Series B of 1999 ("1999B PDP Bonds"); and (iii) the 2001 PDP Trust Indenture, the Authority issued its Port District Bonds, Series 2001B ("2001B PDP Bonds"). As of the date hereof, approximately $5,000 of unspent proceeds of the 1998B PDP Bonds, the 1999B PDP Bonds and the 2001B PDP Bonds remain on deposit with the Trustee ("1998B/1999B/2001B Unexpended Proceeds").

Pursuant to the Indenture of Trust, dated as of December 1, 2012, between the Authority and the Trustee ("2012 PDP Indenture"), the Authority issued its Port District Project Refunding Bonds, Series 2012 ("2012 PDP Bonds"), the proceeds of which were used, in part, to refund the 1998B PDP Bonds, the 1999B PDP Bonds and the 2001B PDP Bonds. As a result thereof, none of the 1998B PDP Bonds, the 1999B PDP Bonds or the 2001B PDP Bonds remain outstanding and any unexpended proceeds thereof are permitted to be released from the liens of the 1998 Trust Indenture, the 1999 Trust Indenture and the 2001 PDP Trust Indenture and utilized for any corporate purpose of the Authority.

Upon recommendation of the Finance Committee, the Board has hereby determined to utilize the 1998B/1999B/2001B Unexpended Proceeds for the purpose of paying debt service on the 2012 PDP Bonds, on the next applicable principal and/or interest payment date thereof.
SUMMARY STATEMENT
Finance 4/4/2018

Authorization for Allocation and Utilization of Remaining PDP Bond Proceeds for Ongoing Victor Lofts Project Environmental Remediation and Debt

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<th>SUMMARY:</th>
<th>Amount:</th>
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<td>Capital Project #:</td>
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<td>Operating Budget:</td>
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<td>Master Plan Status:</td>
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<td>Duration of Contract:</td>
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<td>Other Parties Involved:</td>
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RESOLUTION

RESOLVED: That the Board of Commissioners ("Board") of the Delaware River Port Authority ("Authority") hereby authorizes Authority staff to: (i) allocate to the Authority's General Fund $563,000 of unspent proceeds from the Authority's Port District Project Bonds, Series 2001A ("2001A PDP Bonds") allocable to Authority's existing environmental remediation obligations related to the Victor Lofts to be utilized for the specific purpose of paying ongoing expenses related to the Authority's remaining environmental obligations for which the Authority may have contractual or other legal responsibility; and (ii) allocate to the payment of debt service on the Authority's outstanding Port District Project Refunding Bonds, Series 2012 ("2012 PDP Bonds"), approximately $5,000 of unspent proceeds from the Authority's Port District Project Bonds, Series B of 1998, Port District Project Bonds, Series B of 1999 and Port District Project Bonds, Series 2001B; and be it further

RESOLVED: That the Board authorizes Authority staff to establish the creation of a separate unrestricted custodial account or subaccount within the General Fund (such custodial account or subaccount to be, initially, established with TD Bank, National Association, as custodian) and may, for the purpose of paying ongoing expenses related to the Authority's remaining Victor Lofts environmental obligations for which the Authority may have contractual or other legal responsibility, it being acknowledged that all monies deposited in any such account or subaccount would be available to the Authority for any other lawful purpose of the Authority if and when required; and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer are each hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the Authority to allocate the funds described in this Resolution to the General Fund, to allocate funds for the payment of debt service on the 2012 PDP Bonds and to establish and create the account or subaccount authorized hereby. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or
Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of Authority along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of Authority. If the Chair, Vice Chair and Chief Executive Officer are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Financial Officer/Treasurer shall execute such documents on behalf of Authority.

**SUMMARY:**

- **Amount:** $568,000
- **Source of Funds:** 1998B PDP Bonds; 1999B PDP Bonds; 2001A PDP Bonds; 2001B PDP Bonds; General Fund
- **Capital Project #:** N/A
- **Operating Budget:** N/A
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** N/A
- **Other Parties Involved:** N/A