



PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

CALL TO ORDER

Commission President Thomas Moak called the Regular Commission Meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

The following were present:

Board Members: Thomas Moak, President
Don Barnes, Vice-President
Skip Novakovich, Secretary

Staff Members: Tim Arntzen, Chief Executive Officer
Tana Bader Inglima, Deputy Chief Executive Officer
Nick Kooiker, Chief Financial Officer/Auditor
Larry Peterson, Director of Planning and Development
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Commissioner Novakovich led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: Commissioner Novakovich moved to approve the Agenda as presented; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

PUBLIC COMMENT

No comments were made.

CONSENT AGENDA

- A. Approval of Direct Deposit and E-Payments Dated July 17, 2018***
Direct Deposit and E-Payments totaling \$52,403.91
- B. Approval of Warrant Register Dated July 24, 2018 and E-Payments Dated July 31, 2018***
Expense Fund Voucher Numbers 100281 through 100326; and E-Payments; totaling \$454,062.32
- C. Approval of Regular Commission Business Meeting Minutes July 10, 2018***

MOTION: Commissioner Barnes moved for approval of the Consent Agenda, as presented; Commissioner Novakovich seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

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NEW BUSINESS

A. Vista Field, Approval of LTGO Bond; Resolution 2018-15

Mr. Kooiker stated the Commission appointed myself, Mr. Arntzen, and KeyBanc Capital Markets (loan arranger) to the Vista Field Financing Loan Committee on June 24, 2018, to review the Request for Proposal (RFP) and term sheet for the financing package for Vista Field. The RFP was distributed on June 25, 2018 and the Committee reviewed the term sheets from potential lenders on July 18, 2018. Mr. Kooiker stressed that the Committee is only making a recommendation based on objective factors and the Commission will make the final decision regarding which financial institution will carry the Vista Field loan. Mr. Kooiker stated there are no statutes in the Bid Law for the Port to follow; however, the State Auditor's Office could write the Port up for an accountability audit if the Port used a proposal that cost more money. Mr. Kooiker stated the interest rate spread may not seem significant; however, the difference between the lowest interest rate bid and the second lowest interest rate bid was \$140,000.00 over the term of the loan. The interest rate between the highest and lowest interest rate was \$500,000, about \$40,000 a year in debt service.

Commissioner Barnes inquired if those assumptions are for the outstanding balance of the loan.

Mr. Kooiker stated yes, some assumptions have been made; however, he does not expect loan to go the full 15 year term.

Caitlin Caldwell stated KeyBanc Capital Markets sent out the RFP and term sheet to over two dozen banks and received eight proposals. Ms. Caldwell reviewed the matrix (*EXHIBIT 1*) with the Commission, which outlined terms of each proposal. The Vista Field Finance Committee agreed that the Cashmere Valley Bank proposal fit the Port's objectives the best. The interest rate is the lowest and the prepayment flexibility and lack of other conditions made this the best option for the Port.

Commissioner Novakovich inquired if it is normal that interest rates vary for each proposal.

Ms. Caldwell stated a bank's cost of capital fluctuates which is what determines the interest rate.

Commissioner Novakovich inquired if Ms. Caldwell has had any prior experience working with Cashmere Valley Bank.

Ms. Caldwell has worked with Cashmere Valley Bank previously and stated they work with a lot of municipalities and she has had a good experiences with them.

Commissioner Barnes clarified that the interest rate would be payable on the outstanding balance of the loan, for example, \$5,000,000 is the authorized amount of the bond and the Port pays interest on amount drawn out for Vista Field, not the \$5,000,000.

Ms. Caldwell stated that is correct.

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Commissioner Barnes stated some of the prepayment penalties seem to be more complex than others and inquired what the callable option would mean to the Port.

Ms. Caldwell stated it is called a call option, where the Port retains the call option, but is not required to use it. The call option is different from a put structure, where the bank retains the option to put back on the Port.

Commissioner Moak stated Cashmere Valley Bank has the only variable interest rate and inquired if that was common for them to offer that.

Ms. Caldwell stated the rate is variable, but it is unique in that it is a fixed variable rate that is set for a specific time frame. The committee reviewed the variable rate in detail and the affective cost of capital is by far the lowest and best option.

Commissioner Moak inquired if the interest rates go down over next five years, is it possible for the Port to re-issue the bond and if the Port chooses to re-issue the bond, do we have to go through the same process.

Ms. Caldwell stated re-issuing the bond is an option for the Port.

Mr. Kooiker stated yes, the Port would need to go through a process if the Port utilized the call option. However, there is no requirement to do so, but for the sake of transparency the Port would go through the process and would need a new bond document from Foster Pepper. Mr. Kooiker stated a great tool for the Committee was the Comprehensive Scheme, which outlined the financial forecast and helped us determine the interest rate risk for years 11-16 of the long term plan.

Commissioner Novakovich inquired what the savings to the Port would be if the bond was paid off early.

Mr. Kooiker estimated the last five years interest might be approximately \$200,000 to \$300,000 if the Port paid the bond off early. Mr. Kooiker introduced Bill Tonkin from Foster Pepper, the Port's bond counsel, who is here to answer any Commission questions regarding the bond resolution.

Mr. Tonkin stated before the Commission is Resolution 2018-15, which the Commission received on June 26 for review. Mr. Tonkin stated the only changes that have been incorporated is the addition of the term sheet provided by Cashmere Valley Bank for the bond. By adopting Resolution 2018-15, the Commission authorize the execution of a single bond to Cashmere Valley Bank that will evidence the Port's payment obligations. Mr. Tonkin stated section four specifies the terms in the proposal and section eight outlines the pre-payment terms of the bond. Under the bank's proposal, the Port can prepay the bond without receiving a penalty. Additionally, the bond has various covenants that the Port undertakes to maintain the tax exempt status.

Resolution 2018-15 approves a federal tax compliance policy for complying with the tax exempt bond requirements after the date the bond is issued and directs the CFO to implement the policy.

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Assuming Resolution 2018-15 is approved by the Commission, Foster Pepper will work with Cashmere Valley Bank to prepare the closing documents, which will occur in approximately two weeks. Once bond is in place, the Port can begin to draw from the bond once it has expenditures that need to be paid. Mr. Tonkin reiterated that the Port will only pay interest on what has been drawn and on the outstanding principal.

Commissioner Barnes stated Cashmere Valley Bank requires principal and interest payments on a semi-annual basis and inquired if there are requirements by the bank that the Port pay on the principal payment amounts as well.

Mr. Tonkin stated under the proposal, during draw period, up until June 1, 2020, the Port can draw on bond and incur principal obligations; however, the Port will pay interest on whatever amount is drawn from for the current period until June 1, 2020. From that point forward, the bank will provide an amortization schedule to the Port, based upon the amount of principal that is outstanding at that time. That amount will be calculated as if bond will be outstanding until the final maturity date of 2023. If the Port pre-pays a portion of the bond, the bank is required to reissue an amortization schedule, based on adjusted balance.

Commissioner Barnes stated if the Port has an unanticipated delay and has not completed the construction by June 2020, is there a requirement that the Port shows that the expenditures are used for Vista Field only.

Mr. Kooiker stated if by May 2020 the Port has funds remaining, the Port can draw the remaining amount, but will pay interest.

Mr. Tonkin stated Resolution 2018-15 summarizes the project as capital improvements included in the Comprehensive Scheme, including, without limitations, Phase 1 facilities in the Vista Field Redevelopment project.

PUBLIC COMMENTS

Amanda Jones, 9342 West 5th Place, Kennewick. Ms. Jones offered her congratulations to the Port on moving Vista Field forward. Ms. Jones, a banker from Community First Bank, stated their proposal offered a 4.17% interest rate, at the date of submission, which was a fully fixed rate throughout construction and life of the loan. Additionally, Community First provided multiple interest rate options, including a fixed rate draw period for 78 months, not 60 months like the others. Community First Bank put our best foot forward for the Port and Ms. Jones respects and appreciates what the Port is doing for our community.

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick stated the last paragraph on page 3, which stipulates a new rate based on a calculation and if the Port uses percentages, it looks like it would be a negative rate. Mr. Burdick would like to see the numbers that go into the calculation.

Mr. Kooiker stated KeyBanc calculated that at 3.85%, today's prime rate and will get that information to Mr. Burdick.

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MOTION: Commissioner Barnes moved to adopt Resolution 2018-15 authorizing the Port to issue an up to \$5,000,000 limited tax general obligation bond to Cashmere Valley Bank for the purpose of financing Phase I projects in the Vista Field Redevelopment Master Plan; Commissioner Novakovich seconded.

Discussion:

Commissioner Barnes appreciated all of the lending institutions that took their time to submit a term sheet for Vista Field and stated it is encouraging to see this level of interest. Commissioner Barnes thanked Mr. Kooiker, Ms. Caldwell, and Mr. Tonkin for their work on the Vista Field financing. KeyBanc received several complex proposals and narrowed each proposal down and formulated an excellent matrix to determine which package fit the best. Commissioner Barnes thanked Ms. Jones for her comments and understands that it was difficult to capture every nuance of the proposal. Commissioner Barnes stated the proposal by Cashmere Valley Bank is superior in this instance for Vista Field and he feels it is in the best interest of the constituents to keep the Port's costs as low and as reasonable as possible.

Commissioner Novakovich congratulated staff, Ms. Caldwell, and Mr. Tonkin for their work on the process and stated because of the process in place and the Vista Field Financing Committee, the Commissioners were not involved. Commissioner Novakovich stated it is in the best interest of the Port constituents to follow the recommendation of the Financing Committee and seek financing with Cashmere Valley Bank for Vista Field.

Commissioner Moak stated the process was set up to make it easy for the Commission to accept the recommendation that was based on the matrix outlined by the Financing Committee. The work of Ms. Caldwell and her team was very helpful by breaking down the pertinent information and weighing all of the terms. As stewards of tax payers' money, the Commission needs to look at the lowest costs and the best value for the tax payers. Commissioner Moak is pleased that Vista Field is starting off in a positive financial position because of Cashmere Valley Bank's proposal and stated in the spirit of transparency that the Port operates under, the spreadsheet clearly illustrates why the decision was made.

With no further discussion, motion carried unanimously. All in favor 3:0.

REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Vista Field Update

1. Business Improvement District (BID), Ben Floyd of White Bluffs Consulting

Mr. Peterson stated Ben Floyd of White Bluffs Consulting is working on a mechanism that outlines the maintenance for Vista Field, which will go above and beyond City requirements. Mr. Floyd has been working closely with Doris Goldstein, a consultant that works with DPZ Partners and Steve DiJulio of Foster Pepper. The BID needs to be established prior to the Port selling any land, so buyers and developers are aware of any additional costs.

Mr. Floyd stated it has been a pleasure working with Ms. Goldstein, who assists DPZ with the transition of the master plan to a successfully implemented project and addresses the smallest details of the development. Mr. Floyd presented the proposed Vista Field Organizational

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Structure, which outlines key aspects of the development. Mr. Floyd stated the term BID is not seen on the handout, because through the Covenants, Conditions, and Restrictions (CCR), the Port can achieve a streamlined set of objectives for controlling the development and ensuring that Vista Field is developed and maintained in an efficient and effective manner.

Mr. Floyd outlined the proposed Vista Field Organizational Structure, which addresses the overall maintenance requirements of the development, a merchant oriented overlay, which are additional CCR's for commercial businesses, and a design review process (optional at this time). The design review process addresses specific details that are not outlined in the City of Kennewick code and the Development Agreement between the Port and the City.

Mr. Floyd stated the overall maintenance will take care of all the property at Vista Field, which serves residences, businesses, and special events. Any common area would be managed and maintained by that organization. The merchant overlay focuses primarily on services that commercial businesses seek, such as a festival or event. Mr. Floyd stated under the Uniform Common Interest Ownership Act (UCIOA), allocated interests are determined by voting rights for most issues and the Port may elect a majority of the board until the development is 75% complete.

Mr. Floyd stated Ms. Goldstein suggests incorporating the design review process, because for the first few projects that go into Vista Field, the architectural standards, look and layout need to be on-point, to ensure that the standards are set up front.

Mr. Floyd, Mr. Peterson, Ms. Goldstein, and Mr. DiJulio will continue to work on a memo, which details the discussion that goes with the proposed Vista Field Organizational Structure. Mr. Floyd stated once there is consensus regarding a recommendation, the Port will invite Ms. Goldstein or Mr. DiJulio to present the detailed memo at a future Commission meeting. Mr. Floyd outlined the time line and anticipates the memo will be completed in August and the team will present the documents for management of Vista Field to the Commission, no later than October.

Commissioner Novakovich inquired if there will be three separate boards for the overall maintenance organization, the merchant-oriented overlay, and the design review process.

Mr. Floyd believes there will be one overall maintenance organization and then a sub-organization that focuses on the commercial aspect. The Port will be the overall umbrella organization and set up a board to monitor the development. The Port could have two boards/organizations, which include a board for the overall maintenance and a board for the merchant-oriented overlay.

Commissioner Novakovich inquired if the board/committee would be responsible to the Port.

Mr. Floyd stated the Port would govern the board/committee until Vista Field is 75% complete and then the Port could turn it over to the committees.

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Commissioner Moak inquired if the UCIOA is unique to Washington or based on other state statutes.

Mr. Floyd stated UCIOA exists in other states and provides Washington with more flexibility. Ms. Goldstein was pleased the UCIOA was adopted, because she feels it is the best mechanism to use.

Commissioner Moak asked how fees will be assessed.

Mr. Floyd stated the Port can outsource the services by contracting with a property management firm, who can assess fees, but can also address other issues such as landscaping and light maintenance.

Commissioner Moak inquired how the assessments will be determined for the property owners.

Mr. Peterson stated there are multiple mechanisms for fee assessment; however, the most defensible would be to base it on the County Assessor's property value. The Commission would set up how much is collected per \$1,000 assessed value and determine the services needed.

Commissioner Moak inquired if the assessment will flow into the Port or will it be a separate organization with fiduciary responsibilities.

Mr. Floyd stated the Port can set up an organization and be a governing member, where funds will be assessed through that organization. Or, if the Port contracts with a property management firm, the assessments will go through the firm.

Mr. Peterson stated during the first year, when the Port is the major property owner, the Port will fund the Vista Field property management to care for the maintenance because we own 100% of the development; however, once property is sold, owners will start sharing the costs.

Commissioner Moak inquired if the Commission will be part of the board/committee or appoint members to the board/committee.

Mr. Floyd stated the Port owns the property and will govern the board/committee and as more property owners are added, more people can be added to the board. Mr. Floyd stated the memo the Commission will receive next month identifies several options to consider for the set-up of structure.

Commissioner Moak inquired if there is a timeframe the Port needs work with to set up the structure.

Mr. Peterson stated the mechanism needs to be in place before property is offered for sale. A developer needs to be able to factor in all of the costs associated with development. Mr. Peterson stated the Port needs to factor several items, such as the cost of maintaining properties,

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allies, and rights-of-way and hopes that the Port will have a mechanism in place by the end of the year for Mr. DiJulio to review and approve.

Mr. Floyd stated the budget will increase as more business and residences come in.

Commissioner Barnes confirmed that the assessments will be on assessed value, but they will not be collected by the County Assessor. Commissioner Barnes stated sometimes the assessed value lags behind improvements that are made and suggested using the building permit value. Commissioner Barnes stated the Port has a small staff and believes it would be prudent to contract out to relieve the burden from staff.

Mr. Peterson stated the proposed organizational structure could also apply to Columbia Gardens, to pay for the common improvements.

Commissioner Moak thanked Mr. Floyd and Mr. Peterson for their work and stated it is important to find a structure that fits the development.

2. *Street Naming Update*

Mr. Peterson shared slides of the existing street name alignments and potential future streets through Vista Field. Mr. Peterson recently met with Miles Thomas, Economic Development Coordinator for the City of Kennewick, to discuss the City's street network. The City will maintain the major roadways in Vista Field but will not service the alleys or woonerfs. Mr. Peterson suggested that Crosswind Blvd. and Grandridge Blvd. are the major roads used to access Vista Field from Columbia Center Blvd. or Canal Drive. Mr. Peterson expects to hear from the City within the next week regarding the street naming structure and will share the results at a future meeting. Mr. Peterson estimates the Port will need to propose 5 to 8 street names for City review.

Commissioner Moak inquired if Mr. Peterson has met with the City's GIS staff.

Mr. Peterson has only met with Miles Thomas, who has been an advocate for Vista Field and agrees with the logic behind the selection of street names. Mr. Thomas will share the Port's vision with GIS staff and Mr. Peterson is scheduled to meet with them next week. Mr. Peterson stated the City's response could impact the theme of Vista Field.

Commissioner Barnes supports the process and agrees with the justification and rationale that Mr. Peterson presented. Commissioner Barnes believes it is important to get some street names in place that set the theme for Vista Field.

B. *Columbia Drive Update*

Mr. Peterson stated construction continues on Columbia Gardens Way and the Date and Cedar Street extension and the screening wall is nearly complete. Mr. Peterson along with Thomas Kastner from Meier Architecture recently met with the City regarding the tasting room. Mr. Peterson stated the tasting room plans are being prepared for City review and the Port will bid the

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tasting room in sequence of the completion of the roadway work. Additionally, the bus shelter and artwork piece will be bid as small works projects in August.

Commissioner Moak inquired when the design work for the tasting room building will be completed.

Mr. Peterson stated the construction plans are 95% complete and staff will present the plans to the Commission at a future meeting.

C. Clover Island Master Plan Update

Mr. Arntzen recalls it is the intention of the Commission to include a line item in the 2019-2020 Budget to refresh the Clover Island Master Plan and will include The Willows and Columbia Gardens. The refresh could also dovetail in with the City's Master Planning efforts. Mr. Arntzen relayed that Commissioner Moak feels it would be helpful to have background information and Mr. Arntzen asked Mr. Peterson to get the applicable documents to Commission. Furthermore, Mr. Arntzen asked Mr. Peterson to give a short presentation regarding the history of Clover Island and the 2005 Clover Island Master Plan.

Commissioner Moak feels it would be helpful for the Commission to walk through the key points of the 2005 Master Plan and the vision for Clover Island.

D. 2019-2020 Work Plan and Budget

Mr. Arntzen stated staff is working on the Draft 2019-2020 Work Plan and Budget and hope to capture the direction given by Commission. The 2017-2018 Work Plan and Budget took long term projects into consideration, which were forecasted out in the Comprehensive Scheme. The 2019-2020 Work Plan and Budget will include constants such as funding for Vista Field, the USACE 1135 Clover Island Shoreline Rehabilitation project, and funding for infrastructure in The Willows for CBC's Culinary Institute. Additionally, there will be fewer larger capital projects, but the document will also offer some flexibility for smaller projects. Mr. Arntzen stated the Work Plan is policy adopted by the Commission and it is the intent of staff to capture the direction set by the Commission.

Commissioner Barnes stated in addition to the two year capital budget, the Port also has a ten year Capital Projects Plan and inquired if the Commission should review those projects as well.

Mr. Arntzen stated Commission will review the current work plan and the long term capital projects plan and make any necessary changes, based on the two year budget.

E. Wayfinding Update

Ms. Bader Inglima shared that the Wayfinding Master Plan has been completed, which was coordinated through Visit Tri-Cities Rivershore Enhancement Council. Now that the plan has been completed, the technical committee has been working on phasing and has agreed (with approval from the Strategic Committee) that Phase I will begin in 2018 and include welcome and monument signs. Phase II will begin in 2019 and include directional signage in general areas within the communities. Each of the large cities have confirmed they have set aside funding (actual budget

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approval varies by entity) for both 2018 and 2019 to support the monument and directional signs; however, at this time, the City of West Richland has not set aside funding.

The cities of Richland, Pasco and Kennewick have been working together to put out an RFP for Landscape Architecture and Project Management. They held a meeting in June for any potential bidders to provide additional information. The RFP was issued in late June and responses were due last week. Richland, with consultation from the other two cities, will make a selection and award the contract for Richland. They designed the process so that once selected, the other two cities will also be able to award bids to the selected contractor.

Commissioner Moak inquired if the Port would need to budget for Wayfinding for 2019-2020.

Ms. Bader Inglima stated the Port development sights were not identified within the plan for monument or directional signage for 2018 or 2019.

Commissioner Moak stated the Port contributed to the study and at some point would need to install signage in Port developments, in accordance to the plan.

Mr. Arntzen has been concerned about implementing someone else's plan from the beginning. Mr. Arntzen believes it is up to the Commission to decide what signage is placed in Port developments and hopes that our portion of the wayfinding project is complete. Mr. Arntzen stated the Port recently installed blade signs for the wineries and received positive responses from the tenants. The signs that were installed are consistent with the Pattern Language Committee's desires for the development and Gary Black's suggestions for the Patter Language of the development.

Commissioner Moak feels there will be monument signs for Downtown Kennewick and Columbia Drive and that the City many ask the Port to contribute to a monument sign.

F. Commissioner Meetings (formal and informal meetings with groups or individuals)

Commissioners reported on their respective committee meetings.

G. Non Scheduled Items

1. Commissioner Novakovich stated recently the *Tri-City Herald* reported on the Washington Department of Ecology study regarding the ozone (smog) problem in the Tri-Cities. Federal levels for smog is 70 parts per billion and for the last several years the Tri-Cities has been over that amount. The biggest contributor to the ozone issue is transportation and if the rail proposal is approved for the 240 Bypass Highway, the ozone levels will continue to increase.
2. Commission Moak shared that former Commissioner Hanson's wife recently passed away.
3. Ms. Bader Inglima reported that freelance writers for WineX Magazine recently visited the area and published an article on the wineries of the Tri-Cities. Columbia Gardens, Monarcha, and Bartholomew were mentioned and the only photo attached to the online article is of Duffy's Pond.

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Ms. Bader Inglima stated on July 31, 2018, at 11:30 a.m. the Port and City will be receiving the Governor's Award for the Smart Partnership Award for the Vista Field Master Planning. The ceremony and small reception will be held at Hangar B at Vista Field.

Ms. Bader Inglima stated Karen Sullivan, manager of the Historic Downtown Kennewick Partnership (HDKP) Market invited the Port to participate in the community booth to talk about Port projects; the booth is scheduled for August 16, 2018.

Ms. Bader Inglima recently attended the U.S. Army Corps of Engineers Change of Command Ceremony and thanked Lieutenant Colonel Damon Delarosa for all his help with supporting Port projects. On the day before Lt. Col. Delarosa left his post at Walla Walla, he approved the Memorandum of Understanding (MOU) for the Hydrographic Survey report for the 1135 Clover Island Habitat Restoration Project.

Ms. Bader Inglima met incoming commander, Christian Dietz, and welcomed him to the district. During their transition meetings, Lt. Col. Delarosa relayed how important the 1135 project is to Clover Island. Ms. Bader Inglima will meet with Commander Dietz and tour Clover Island. Once the Port determines the hydrology of Clover Island and selects the alternative, the USACE is obligated to move forward with the 1135 project.

4. Mr. Arntzen commended the Commission for the decision on the Vista Field financing package. Mr. Arntzen believes it was the correct path and a major milestone for the project. Mr. Arntzen also commended Mr. Kooiker for the process and his ability to select and work with a great team.

Mr. Arntzen shared that he will be meeting with the Eric Queampts, the Interim Executive Director for the Confederated Tribes of the Umatilla Indian Reservation (CTUIR).

PUBLIC COMMENTS

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick inquired who will pay for the operating costs, such as irrigation and electricity for street lighting under the Vista Field Proposed Organizational Structure.

Mr. Arntzen asked Mr. Peterson to address Mr. Burdick's question at a future Commission Meeting.

Amanda Jones, 9342 West 5th Place, Kennewick. Ms. Jones congratulated the Port Commission, Mr. Arntzen, staff and especially Mr. Kooiker on moving forward with the recent decision for financing Vista Field. Ms. Jones is very excited about Mr. Peterson and Mr. Arntzen defining the assessments on the properties and naming of streets, because once completed that will mean lots are available. As a citizen, Ms. Jones is looking forward to enjoying the project and her interest and support of what the Port is doing has never wavered.

No further comments were made.

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ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 4:15 p.m.


APPROVED:

PORT of KENNEWICK

BOARD of COMMISSIONERS



Thomas Moak, President

Don Barnes, Vice President

Skip Novakovich, Secretary

PORT OF KENNEWICK, WASHINGTON

RESOLUTION NO. 2018-15

A RESOLUTION of the Port Commission of the Port of Kennewick, Washington, relating to contracting indebtedness; providing for the issuance of not to exceed \$5,000,000 principal amount limited tax general obligation bond to provide funds to pay costs of certain Vista Field redevelopment project facilities and improvements and to pay costs of issuance of the bond; fixing or setting parameters with respect to certain terms and covenants of the bond; authorizing the sale and providing for the delivery of the bond to Cashmere Valley Bank of Cashmere, Washington; and providing for related matters.

ADOPTED July 24, 2018

This document prepared by:

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**The cover page, table of contents and section headings of this Resolution are for convenience of reference only, and shall not be used to resolve any question of interpretation of this Resolution.*

PORT OF KENNEWICK, WASHINGTON

RESOLUTION NO. 2018-15

A RESOLUTION of the Port Commission of the Port of Kennewick, Washington, relating to contracting indebtedness; providing for the issuance of not to exceed \$5,000,000 principal amount limited tax general obligation bond to provide funds to pay costs of certain Vista Field redevelopment project facilities and improvements and to pay costs of issuance of the bond; fixing or setting parameters with respect to certain terms and covenants of the bond; authorizing the sale and providing for the delivery of the bond to Cashmere Valley Bank of Cashmere, Washington; and providing for related matters.

BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF KENNEWICK, WASHINGTON, AS FOLLOWS:

Section 1. Definitions. As used in this resolution, the following capitalized terms have the following meanings:

“*Bond*” means the Limited Tax General Obligation Bond, 2018, of the Port issued pursuant to and for the purposes provided in this resolution.

“*Bond Counsel*” means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the Port with a nationally recognized standing as bond counsel in the field of municipal finance.

“*Bond Fund*” means the Limited Tax General Obligation Bond Fund, 2018, of the Port created for the payment of the principal of and interest on the Bond.

“*Bond Register*” means the books or records maintained by the Registrar for the purpose of identifying ownership of the Bond.

“*Code*” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“*Commission*” means the Port Commission of the Port.

“*Comprehensive Scheme*” means the Port’s Amended Comprehensive Scheme Update, dated October 24, 2017, as amended from time to time, and all attachments, including without limitation, the Port’s Vista Field Redevelopment Master Plan 2017, dated October 6, 2017, as amended from time to time.

“*Draw*” means an incremental draw on the non-revolving line of credit evidenced by the Bond.

“*Draw Period*” means the period from the Issue Date to, and including, June 1, 2020.

“Finance Officer” means the Chief Financial Officer and Auditor of the Port, or such other officer of the Port who succeeds to substantially all of the responsibilities of that office.

“Fiscal Agent” means the fiscal agent of the State, as the same may be designated by the State from time to time.

“Issue Date” means, with respect to the Bond, the date of initial issuance and delivery of the Bond to the Purchaser in exchange for the purchase price of the Bond.

“Port” means the Port of Kennewick, Washington, a municipal corporation duly organized and existing under the laws of the State.

“Project” means capital improvements included in the Comprehensive Scheme, including without limitation, Phase I facilities and infrastructure of the Vista Field Redevelopment Master Plan, consisting of arterial roads, utilities and related facilities, a water feature, a public plaza and other facilities and infrastructure.

“Project Fund” means the fund or account designated or created by the Finance Officer under Section 9 for the purpose of carrying out the Project.

“Purchase Offer” means the Purchaser’s term sheet dated July 17, 2018, related to the purchase of the Bond under the terms and conditions provided therein and in this resolution.

“Purchaser” means Cashmere Valley Bank of Cashmere, Washington.

“Registered Owner” means, with respect to the Bond, the person in whose name the Bond is registered on the Bond Register.

“Registrar” means the Fiscal Agent or any other bond registrar selected by the Treasurer.

“State” means the State of Washington.

“System of Registration” means the system of registration for the Bond set forth in Section 5.

“Treasurer” means the County Treasurer of Benton County, Washington, as *ex officio* treasurer of the Port, or any other person from time to time the Commission designates as treasurer of the Port.

Section 2. Findings and Determinations. The Port takes note of the following facts and makes the following findings and determinations:

(a) *Authority and Description of Project.* The Port owns Vista Field pursuant to RCW 53.08.020. The Port is in need of the Project for Phase I of the Vista Field Redevelopment Master Plan and has included it in its Comprehensive Scheme. The Commission therefore finds that it is in the best interests of the Port to carry out the Project.

(b) *Plan of Financing.* Pursuant to applicable law, including without limitation RCW 53.36.030, the Port is authorized to issue general obligation bonds for the purpose of financing the Project. The total expected cost of the Project is approximately \$5,000,000, which is expected to be financed with proceeds of the Bond and other available money of the Port.

(c) *Debt Capacity.* Pursuant to RCW 53.36.030, a port district may at any time contract indebtedness or borrow money for port district purposes and may issue general obligation bonds therefor not exceeding an amount, together with any existing indebtedness of the port district not authorized by the voters thereof, of 1/4th of 1% of the value of the taxable property in the port district to be ascertained by the last assessment for state and county purposes previous to the incurring of new indebtedness. The assessed valuation of the taxable property within the Port, as ascertained for the most recent assessment for state and county purposes is \$12,195,468,762. The Port does not have any outstanding indebtedness as of July 24, 2018.

(d) *The Bond.* For the purpose of providing funds necessary to carry out the Project and to pay the costs of issuance and sale of the Bond, the Commission finds that it is in the best interests of the Port and its taxpayers to issue and sell the Bond to the Purchaser, pursuant to the terms set forth in the Purchase Offer consistent with this resolution.

Section 3. Authorization of Bond. The Port is authorized to borrow money on the credit of the Port and issue the Bond evidencing such indebtedness in the amount not to exceed \$5,000,000 to provide funds necessary to carry out the Project and to pay costs of issuance and sale of the Bond.

Section 4. Description of Bond. The Bond shall be designated the Port of Kennewick, Washington, Limited Tax General Obligation Bond, 2018, and shall be issued in the principal amount of not to exceed \$5,000,000. The Bond shall be dated the Issue Date and shall be numbered in the manner and with any additional designation as the Registrar deems necessary for purposes of identification.

During the Draw Period, the Port may make a Draw on any business day, in any amount of not less than \$25,000. Draws shall be limited to the aggregate principal amount of \$5,000,000. Each request for Draw made and confirmed by 11:00 a.m. on a business day will be funded on that business day by wire transfer. Draw requests made and confirmed after 11:00 a.m. will be funded no later than the next business day. Each Draw shall be recorded in such form as the Port and the Registered Owner may agree.

The Bond shall mature on June 1, 2033 (the "Maturity Date"). Interest on the Bond shall be paid semiannually on each June 1 and December 1, commencing December 1, 2018. Principal of the Bond shall be paid semiannually on each June 1 and December 1 commencing June 1, 2020. Interest on the Bond shall accrue on the basis of a 360-day year consisting of twelve 30-day months as follows: (a) during the period from the Issue Date to June 1, 2023, at the rate of 2.85%; (b) during the period from June 1, 2023, to June 1, 2028, at the rate of 3.45%; and (c) during the period from June 1, 2028, to the Maturity Date at the rate determined on June 1, 2028, to be equal to (i) 1 minus the then-current federal marginal corporate income tax rate multiplied by (ii) the then-current prime rate minus 10 basis points.

As soon as practicable after the end of the Draw Period, the Registered Owner shall provide the Port and the Fiscal Agent with an amortization schedule based on the principal amount of all Draws outstanding at the end of the Draw Period, together with any unpaid interest. The amortization schedule shall provide for approximately equal payments of principal and interest on each June 1 and December 1, beginning no later than June 1, 2020, and ending on the Maturity Date.

Section 5. Registrar; Registration and Transfer of Bond.

(a) *Registrar; Duties.* The Treasurer will appoint the Fiscal Agent as initial Registrar for the Bond. The Registrar shall keep or cause to be kept the Bond Register, which must be open to inspection by the Port at all reasonable times. The Registrar is authorized, on behalf of the Port, to authenticate and deliver the Bond in accordance with the provisions of the Bond and this resolution, to serve as the Port's paying agent for the Bond and to carry out all of the Registrar's powers and duties under this resolution and the System of Registration. The Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on the Bond.

(b) *Bond Register; Transfer.* The Bond shall be issued to the Purchaser only in registered form as to both principal and interest. The Bond Register shall contain the name and mailing address of the Registered Owner of the Bond. The Bond may be assigned or transferred only (i) in whole to a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, (ii) if endorsed in the manner provided thereon and surrendered to the Registrar and (iii) upon the assignee or transferee acknowledging in writing to the Port that such assignee or transferee has received information regarding the Port and the Bond sufficient to comply with the requirements of Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended. When the Bond has been paid in full, both principal and interest, the Bond shall be surrendered by the Registered Owner to the Registrar, who shall cancel the Bond.

Section 6. Form and Execution of Bond.

(a) *Form of Bond; Signatures.* The Bond shall be prepared in a form consistent with the provisions of this resolution and State law. The Bond shall be signed by the President and Secretary of the Commission, either or both of whose signatures may be manual or in facsimile. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the Port authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Registrar, or issued or delivered by the Port, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Port as though that person had continued to be an officer of the Port authorized to sign bonds. Any Bond also may be signed on behalf of the Port by any person who, on the actual date of signing of the Bond, is an officer of the Port authorized to sign bonds, although he or she did not hold the required office on the Issue Date.

(b) *Authentication.* Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "Certificate of Authentication. This

Bond is the fully registered Port of Kennewick, Washington, Limited Tax General Obligation Bond, 2018, described in the Bond Resolution.” The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 7. Payment of Bond. Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Principal of and interest on the Bond shall be paid by electronic funds transfer, or by check or draft of the Registrar mailed on each payment date to the Registered Owner at the address appearing on the Bond Register. Principal of the Bond upon maturity or prior prepayment in full shall be payable upon presentation and surrender of the Bond by the Registered Owner to the Registrar. The Bond is not subject to acceleration under any circumstances.

Section 8. Prepayment of Bond. The Bond shall be subject to prepayment at the option of the Port, in whole or in part, on any business day upon 10 days advance notice, at a prepayment price equal to 100% of the principal amount prepaid plus accrued interest to the date of prepayment. Partial prepayments shall be first applied to outstanding accrued interest and then applied to the amount due on the next payment date and on each successive payment date thereafter until all principal of and interest on the Bond is prepaid in full. Within 7 business days of receipt of any partial prepayment of the Bond, the Registered Owner shall provide to the Port a recalculated debt service schedule providing for approximately equal annual payments of principal and interest on each June 1 and December 1 to the Maturity Date of the Bond.

Section 9. Funds and Accounts; Deposit of Proceeds.

(a) *Bond Fund.* The Bond Fund is created as a special fund of the Port for the sole purpose of paying principal of and interest on the Bond. All amounts allocated to the payment of the principal of and interest on the Bond shall be deposited in the Bond Fund as necessary for the timely payment of amounts due with respect to the Bond. The principal of and interest on the Bond shall be paid out of the Bond Fund. Until needed for that purpose, the Port may invest money in the Bond Fund temporarily in any legal investment, and the investment earnings shall be retained in the Bond Fund and used for the purposes of that fund.

(b) *Project Fund.* The Finance Officer is authorized to designate or create the Project Fund. Proceeds received from the sale and delivery of the Bond shall be deposited into the Project Fund and used to pay costs of the Project and costs of issuance of the Bond. Until needed to pay such costs, the Port may invest those proceeds temporarily in any legal investment, and the investment earnings shall be retained in the Project Fund and used for the purposes of that fund, except that earnings subject to a federal tax or rebate requirement (if applicable) may be withdrawn from the Project Fund and used for those tax or rebate purposes.

Section 10. Failure To Pay Bond. If the principal of the Bond is not paid on a principal payment date or when the Bond is properly presented at maturity, the Port shall be obligated to pay interest on the Bond at the same rate provided in the Bond from and after the principal payment date or maturity until the Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 11. Pledge of Taxes. The Bond constitutes a general indebtedness of the Port and is payable from tax revenues of the Port and such other money as is lawfully available and pledged by the Port for the payment of principal of and interest on the Bond. For as long as the Bond is outstanding, the Port irrevocably pledges that it shall, in the manner provided by law within the constitutional and statutory limitations provided by law without the assent of the voters, include in its annual property tax levy amounts sufficient, together with other money that is lawfully available, to pay principal of and interest on the Bond as the same become due. The full faith, credit and resources of the Port are pledged irrevocably for the prompt payment of the principal of and interest on the Bond and such pledge shall be enforceable in mandamus against the Port.

Section 12. Tax Covenants: Designation of Bond as “Qualified Tax Exempt Obligation.”

(a) *Preservation of Tax Exemption for Interest on Bond.* The Port covenants that it will take all actions necessary to prevent interest on the Bond from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bond or other funds of the Port treated as proceeds of the Bond that will cause interest on the Bond to be included in gross income for federal income tax purposes. The Port also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bond, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bond.

(b) *Post-Issuance Compliance.* The “Port of Kennewick, Washington, Post-Issuance Compliance Policies and Procedures for Tax-Exempt Bonds” (“Compliance Policies”) are approved and adopted substantially in the form presented to and on file with the Commission. The Finance Officer is authorized and directed to implement the Compliance Policies in order to facilitate compliance by the Port with the covenants in this resolution and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bond from being included in gross income for federal tax purposes.

(c) *Designation of Bond as “Qualified Tax-Exempt Obligation.”* The Port designates the Bond as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code, and makes the following findings and determinations:

- (1) the Bond is not a “private activity bond” within the meaning of Section 141 of the Code;
- (2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the Port and any entity subordinate to the Port (including any entity that the Port controls, that derives its authority to issue tax-exempt obligations from the Port, or that issues tax-exempt obligations on behalf of the Port) will issue during the calendar year in which the Bond is issued will not exceed \$10,000,000; and

- (3) the amount of tax-exempt obligations, including the Bond, designated by the Port as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bond is issued does not exceed \$10,000,000.

Section 13. Sale and Delivery of Bond. The Purchaser has submitted a proposal to purchase the Bond under the terms and conditions of this resolution and the Purchase Offer, which is incorporated herein by this reference. The Commission finds that accepting the Purchase Offer is in the Port’s best interest and therefore authorizes the Finance Officer or the President of the Commission, each acting independently, to accept the Purchase Offer. The Bond will be prepared at the Port’s expense and will be delivered to the Purchaser in accordance with the Purchase Offer, with the approving legal opinion of Bond Counsel regarding the Bond.

Section 14. General Authorization and Ratification. The proper officers of the Port are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this resolution, and to do everything necessary for the prompt delivery of the Bond to the Purchaser thereof and for the proper application, use and investment of the proceeds of the Bond. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

Section 15. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 16. Effective Date of Resolution. This resolution is effective immediately upon its adoption.

ADOPTED by the Port Commission of the Port of Kennewick, Washington, at a regular open public meeting thereof held on July 24, 2018, the following Commissioners being present and voting in favor of the resolution.



President and Commissioner



Vice President and Commissioner



Secretary and Commissioner

CERTIFICATION

I, the undersigned, Secretary of the Port Commission (the "Commission") of the Port of Kennewick, Washington (the "Port"), hereby certify as follows:

1. The attached copy of Resolution No. 2018-15 (the "Resolution") is a full, true and correct copy of the Resolution duly adopted at a regular meeting of the Commission held at the regular meeting place thereof on July 24, 2018, as that Resolution appears on the minute book of the Port.









2. The Resolution is in full force and effect.

3. A quorum of the members of the Commission was present throughout the meeting and a sufficient number of members of the Commission present voted in the proper manner for the adoption of the Resolution.

Dated: July 24, 2018.

PORT OF KENNEWICK, WASHINGTON


Skip Novakovich, Secretary of the Commission

| Prospective Purchaser and Terms in Connection With: Port of Kennewick Washington Limited Tax General Obligation Bond, 2018 | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contact/Location | Banner Bank Kennewick, WA | Capital One Albuquerque, NM | Cashmere Valley Bank Bellevue, WA | Columbia Bank Seattle, WA | Community First Bank Kennewick, WA | OpusBank Rossville, CA | Uniqua Roseville, CA | Washington Federal Seattle, WA |
| |  |  |  |  |  |  |  |  |
| Term / Amortization: | Annual Principal Payments Dec. 1, 2020 - Dec.1, 2033* (maturity not directly stated) | Annual Principal Payments Dec. 1, 2020 - Dec.1, 2033 | Semiannual Principal Payments June 1, 2020 - June 1, 2033 | Annual Principal Payments Dec. 1, 2020 - Dec.1, 2033 | Annual Principal Payments Dec. 1, 2020 - Dec.1* (maturity not directly stated) | Annual Principal Payments Starting Dec. 1, 2020 - Dec.1, 2033 | Annual Principal Payments Starting Dec. 1, 2020 - Dec.1, 2033* (66 not directly state first maturity) | Annual Principal Payments Starting Dec. 1, 2021 - Dec.1, 2033 |
| Indicative Fixed Rate (%): | 3.66% | 3.45% | 2.45% from closing to June 1, 2022; 3.45% from June 1, 2023 - June 1, 2025; 3.85% at current rates from June 1, 2026 to maturity ¹ | 3.47% | 4.17% | 3.69% | 3.69% | N/A (3.45% rate only through 12/1/2025; thereafter, bank can put loan or reset rate) |
| Upfront Fee (\$): | None | None | \$500 (as a discount to the first draw, unless full loan amount drawn with first draw) | 10 basis points (\$5,000) | None | \$1,000 (COI wire / draw processing) | 20 basis points (\$10,000) | 10 basis points (\$5,000) |
| Other Fees (\$): | Bank Counsel fees of \$3,000 | None | None | Bank Counsel fees NTE \$4,000 | None (if CFB prepares any loan documents, will charge legal fee) | Bank Counsel fees NTE \$6,000 | Bank Counsel fees NTE \$5,000 | Bank Counsel fees set at \$5,000 |
| Effective Cost of Capital* (%): | 3.72% | 3.45% | Dependent on prime rate in 2026; 3.17% at current rates | 3.49% | 4.17% | 3.70% | 3.75% | 3.49% (could be higher if interest rates are higher in 2026) |
| Closing Date: | Not specified | August 3, 2018 | Note stated: estimated two weeks from selection to full credit approval | August 3, 2018 (rate locked until August 15, 2018, if needed) | Not clearly stated; if CFB prepared loan docs., no earlier than 8/13/18 | Not specified; bank believes it can fund within 4 weeks of being awarded transaction | Week of August 13 | August 24, 2018 (estimated) |
| Prepayment Provisions / Redemption Features | Callable in whole or in part on any payment date without penalty | Callable in whole without penalty beginning 12/1/2026; callable in part (\$100K - \$500K once per year) on any interest payment date | Callable in whole or in part at any time without penalty | Callable in whole or in part at any time without penalty | No prepayment penalty | Either: 1. Prepayment penalty of 55-55-55-44-44-43- 33-33-33 (year 1-9) OR 2. No prepayment for first 10 yrs; then prepayment would penalty decrease to 10% prepayment penalty without penalty each year as long as not refinancing | Prepayable at 103% of par in years 1-3, declining to 102% in years 4-6, and 101% in years 7-9. Redeemable at par beginning in year 10 and thereafter. | Only prepayable without penalty at the option of the bank (if the bank is able to redeploy the funds). At a satisfactory higher rate (determined solely by the bank) |
| Conditions: | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction | Average life not to exceed 8.95 years | Rate requires \$1mm average depository relationship with bank | Nothing beyond resolution, options, and bondform documentation customary for this type of transaction |
| Financial Covenants: | None stated | None stated | None stated | None stated | None stated | Annual budgeting and appropriation of the lease payments | None stated | Usual and customary for transactions of this type |
| Financial Reporting Covenants: | Port's annual financial statements / reports, audit reports, audited financial statements, as soon as available but no later than 240 days from fiscal year end. | Audited financial statements within 270 days of FY end; bank may request other reasonable and customary information relevant to the Port's credit quality | Port to make annual financial audit available to the bank | Port to provide or make publicly available a copy of its financial statements within one year of FY end -Port of provide its annual budget within 60 days of adoption. | None stated | -Annual audited financial statements -Annual budget -Regular project progress reports -Other information as may be determined during due diligence process | Not stated explicitly; implied to be normal and customary for a transaction of this nature | Audited financial statements within 270 days of FY end. |

¹Includes all fees proposed by the Lender. Excludes the Placement Agent's fees and Borrower's Counsel fees, which do not differ among alternatives and are not expected to be funded out of loan proceeds. Assumes Port draws full amount of loan at closing.

PRICING ADVISORS REPORT

TO



By

A Pacific Northwest
Financial Services
Company



**Martin
Nelson &
Company**

**Jim Blumenthal
Vice President
(206) 695-7116**

Date of Bond Sale: July 17, 2018

Port of Kennewick
Nick Kooiker
Chief Financial Officer and Auditor
350 Clover Island Dr., Suite 200
Kennewick, WA 99336

Ref: \$5,000,000 Limited Tax General Obligation Bond, 2018 (Tax-Exempt)

Dear Nick:

Overview. On July 17, 2018, the Port received bids from competing banks for the above referenced bond (the “Bond”) to (i) fund public infrastructure improvements related to the Port’s redevelopment of 103 acres of land at Vista Field, a former general aviation airfield owned by the Port (the “Project”); and (ii) pay all or a portion of the costs incidental to the foregoing and to the issuance of the Bond.

The bid process was run by KeyBanc Capital Markets (the “Loan Arranger”).

Bond Structure. The Bond was structured to: draw down during an anticipated construction period of 18 months, followed by the amortization of principal of all draws over a remaining 15 year term.

Bond Rating. The Port demonstrates strong credit quality characteristics with its high reserve balances, no outstanding debt except for the Bond about to be issued, large assessed value (12,195,468,762 indicating robust statutory debt capacity) and conservative regular tax levy draws (73% of available capacity). While not currently rated by a national bond credit rating agency, we estimate that the Port would qualify for at least a AA Standard and Poor’s bond rating. While there is an argument to suggest that the Port would not be unreasonable to consider that they might qualify for a credit rating in the “AAA” range given its objective credit factors, our view is that the rating agencies would focus on the Port’s ratio of per capita effective buying income relative to the United States and would use this factor to notch the Port into the “AA” range, among other factors. Therefore, it is from a “AA” credit rating basis that we draw our conclusion as to the competitiveness of the interest rate offered by the winning Lender as we compare their proposals to market benchmarks.

Interest Rates. Our interest rate review of the Port’s limited tax general obligation bond financing covered a survey of rates across the United States (including Washington State) and a study of the spread between national market benchmarks (FHLB, Bond Buyer etc.). Exhibit A provides details of this survey.

This survey accounted for credit quality factors, maturity sizes, call features and interest rate type (bank qualified tax-exempt). In addition, Martin Nelson & Company utilized the resources of its own bond underwriting desk and incorporated the fair price opinions of its underwriters and traders into the comparison of proposed interest rate offers of the Lender RFP on July 17, 2018.

Conclusions. On July 17, 2018, KeyBanc Capital Markets RFP results reflected a very competitive financing bid process, particularly in numbers of bids received (8). The Loan Arranger did not bid. In addition, differences in rates, fees and features were reasonably narrow suggesting a good sampling of market conditions occurred. Our conclusion from the bid results was that either the Cashmere Valley Bank or the Columbia Bank bids offered the most attractive pricing given the goals and objectives of the Port and either of the interest rates offered represented a competitive choice.

Sincerely,



Jim Blumenthal
Vice President



Exhibit A (continued)

Available Cost of Funds from Commercial Banks

Commercial Bank Interest Rate Indications for Amortizing Advances as of July 17, 2018 ³

| Term | Amortization | Amortization | | Pre-Pay Option | Offered Commercial Rate | Estimated & Interpolated Tax-Exempt Bank Qualified Interest Rate [a] *78% ¹ |
|----------|--------------|--------------|-----------|----------------|-------------------------|----------------------------------------------------------------------------------------|
| | | Delay | Frequency | | | |
| 15 Years | 15 Years | None | Annual | 5 Years | 3.87% | 3.02% ² |

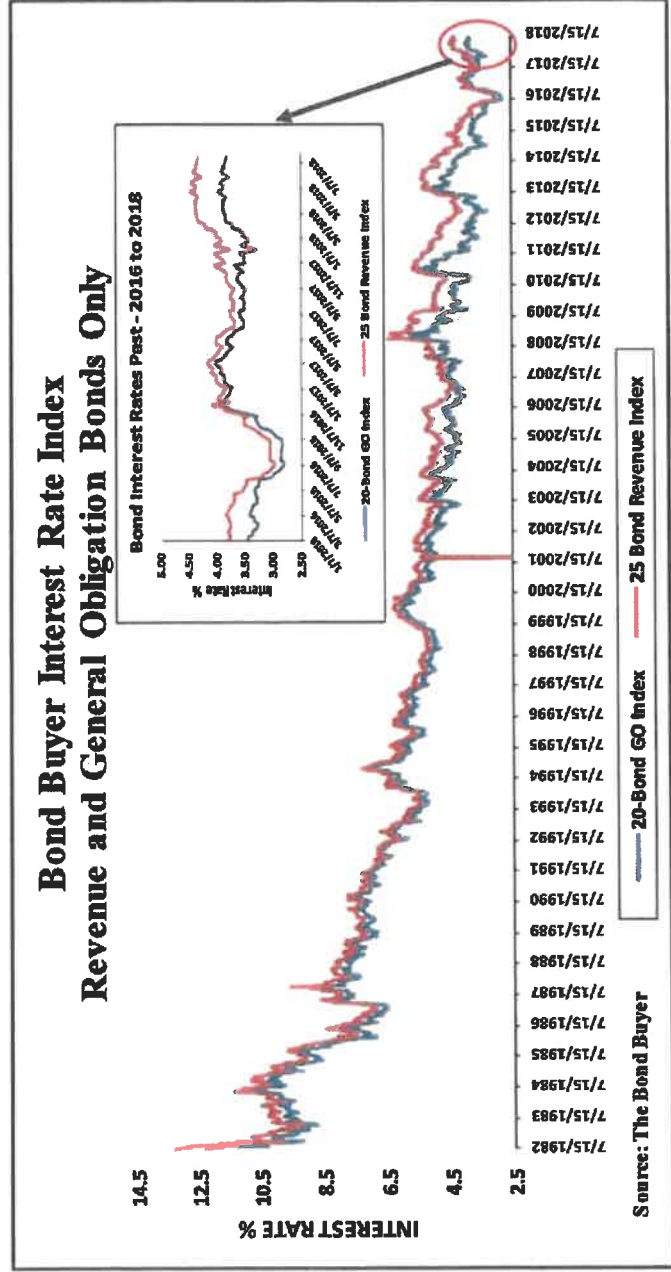
¹ Assumes new max U.S. corporate tax rate is 22%.

² Excludes profit margin to be incorporated in final lending rate to customer.

³ Source: Federal Home Loan Bank



Exhibit A (continued) Index of 20 Year Term Tax-Exempt General Obligation Debt



Note: The "20-Bond GO Index" is a compilation of 20 year term general obligation bonds offered in the current market with an average credit rating equivalent of AA by Standard & Poor's or Aa2 by Moody's. The "25-Bond Revenue Index" is a compilation of up to 30 year term revenue bonds offered in the current market with an average credit rating equivalent of AA by Standard & Poor's or Aa2 by Moody's.

