Item No: 6F
Meeting Date: 9/15/26

DATE: September 8, 2026

TO: Port of Tacoma Commission

FROM: Eric Johnson, Executive Director

Sponsor: Erin Galeno, Chief Financial and Administrative Officer

Project Manager: Josh Adams, Deputy Treasurer

SUBJECT: Resolution 2026-09-PT – Authorizing Termination of a Payment Agreement with Goldman Sachs

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A. ACTION REQUESTED

Approve Resolution 2026-09-PT, authorizing the termination of an interest rate payment agreement with Goldman Sachs and delegating authority to approve the final terms and conditions of such termination and execute and deliver any related documentation.

Strategic Plan Initiative

OS 1: Continue solid Port financial success and fiduciary performance.

B. BACKGROUND

On September 25, 2008 the Port entered an interest rate swap agreement with Goldman Sachs to manage interest risk related to the Port's subordinate lien revenue bond program. Under the agreement, the Port pays Goldman Sachs a fixed rate based on a notional amount and receives a variable rate in return. The variable rate the Port receives on the swap offsets the variable rate the Port pays on its subordinate lien revenue bonds. This effectively hedges, or makes fixed rate, that portion of the subordinate lien revenue bonds up to the notional amount of the swap.

The fixed rate on the swap is 3.32%. The initial notional amount of the swap was $30 million, providing a hedge or net fixed rate on $30 million of the Port's subordinate lien revenue bonds at 3.32%. The notional amount amortizes every year and is currently $15.8 million, hedging an equivalent amount of subordinate lien variable rate bonds.

At times when variable interest rates are higher than 3.32% the swap benefits the Port by capping the interest on the hedged bonds at 3.32%. When variable rates are lower than 3.32% the swap disfavors the Port, causing it to pay a higher rate of interest on the hedged bonds than it would have otherwise.

The Port with its municipal advisor, PFM Financial Advisors, periodically evaluates the debt and swap portfolio for opportunities to refinance bonds and/or unwind swap positions to generate savings or reduce risk exposure. The current interest rates and especially the treasury rates that drive the value of the swaps are at historic highs, providing a window of opportunity to consider a swap termination. Of the four swaps in the Port's portfolio, the Goldman Sachs agreement is a prime candidate which can be terminated at a low termination value while alleviating counterparty and operations risk.

Previous Commission actions include:
Resolution No. 2008-13

C. **SCOPE OF WORK**
The scope of work will include:

- Work with the Port's swap advisor, PFM Swap Advisors, to price the termination cost of the interest rate swap.
- Coordinate with Goldman Sachs to reach agreement on the termination cost and draw up a termination contract.
- Close on the termination contract and wire the termination fee to Goldman Sachs.

D. **TIMEFRAME/PROJECT SCHEDULE**

Commission Approval	09/15/2026
Pricing of swap termination	September/October 2026
Termination with Goldman Sachs	October 2026

E. **FINANCIAL SUMMARY** *(Determine when financial charts are appropriate)*

Cost: The total estimated cost is about $300,000 to $400,000 including the termination value of the swap payable to Goldman Sachs and the Port's legal and advisory fees. The exact cost to terminate is unknown at this time and will be determined on the target date of termination based on market rates at the time. As of August 31, 2026, the market value of the swap was about $195,000.

Source of Funds: Cost of termination will be paid from general Port funds.

Financial Impacts: The Port has been tracking the swap portfolio for opportunities to unwind and the current market with record high US Treasury rates provides a unique opportunity to terminate a portion of the swap portfolio at historically low costs.

Separately, by terminating this swap agreement now the Port will delink the swap unwind from a "fix-out" (that is, refunding the variable rate bonds with fixed rate bonds typically executed simultaneously with swap unwinds). This gives the Port the flexibility to fix-out the variable rate bonds at a later date when the market is more favorable for it. The Port also has the flexibility to pay off the $15.8 million unhedged portion with excess cash before stated maturity.

F. **NEXT STEPS**
With Commission approval the finance team will work with its swap consultant, PFM Swap Advisors, to identify a target termination date and work towards determining the termination cost of the swap. If the termination cost on the target date, driven by market conditions at the time, is acceptable to the designated Port representative as authorized by the resolution, the Port will terminate the swap and pay the termination cost. The Port will target a termination date no later than December 31, 2026.