

**Recommendation to Approve the
Proposed Resolution Authorizing Issuance of
Airport System Revenue and Refunding Bonds
Series 2013A-C**

June 2013

Proposed Resolution Authorizing Issuance of Airport System Revenue and Refunding Bonds

- Request that Finance Committee:
 - Approve and recommend to the Board of Directors the Proposed Resolution to:
 - Approve substantially completed bond documents
 - Authorize the Issuance of Airport System Revenue and Refunding Bonds, Series 2013A-C, in the amount not to exceed \$360 million
 - Provide delegations to the Chairman or Vice Chairman and the Chairman of the Finance Committee regarding approval of final bond structure

Approval of Substantially Completed Documents

- Forty-Forth Supplemental Indenture
- Bond Purchase Agreement
- Preliminary Official Statement, including Report of the Airport Consultant (Appendix A)
- Form of a Refunding Agreement for each series of refunded bonds

Authorize the Issuance of up to \$360 million of Airport System Revenue and Refunding Bonds, Series 2013A-C

Series	Type of Bonds	Type of Refunding	Tax Status	Approximate Par Amount (M)*
2013A	New Money		AMT	\$75.7
2013A	Refunding	Current	AMT	\$153.3
2013B	Refunding	Current	Taxable	\$33.9
2013C	Refunding	Advance	Non-AMT	\$13.5
			Total	\$276.4

* Preliminary, subject to change.

Refunding Opportunities

Assuming Current Rates and July 3, 2013 Delivery Date			
Refunded Series	Par Refunded (M)	Net PV Savings (%)	Net PV Savings (M)
2003A	\$153.3	10.5%	\$16.0
2003C	\$33.9	14.8%	\$5.0
2004A	\$13.5	13.0%	\$1.8
Total	\$200.7	11.4%	\$22.8

Delegations for Each Series or Subseries

- Par Amounts of Series 2013A-C Bonds
- Interest Rate(s)
- Maturity Dates
- Redemption Provisions
- Credit Enhancement
- Debt Service Reserve Requirement
- Purchase Price
- Issuance of Taxable Bonds

Proposed Schedule

Next Steps	Target Date(s)
Finance Committee & Board Approval of Bond Resolution/Documents	June 19
Receive Ratings	June 19
Due Diligence with Senior Management	June 19
Post Preliminary Official Statement	June 20
Marketing Efforts / Investor Relations	June 21-26
Price Bonds	June 27 or July 11
Closing	July 3 or July 25

Finance Committee Approve and Recommend to the Board of the Directors the Bond Authorizing Resolution

- Approve substantially completed bond documents
- Authorize the Issuance of Airport System Revenue and Refunding Bonds, Series 2013A-C, in the amount not to exceed \$360 million
- Provide delegations to the Chairman or Vice Chairman and the Chairman of the Finance Committee regarding approval of final bond structure

REPORT TO THE FINANCE COMMITTEE

RECOMMENDATION TO APPROVE THE PROPOSED RESOLUTION AUTHORIZING ISSUANCE OF AIRPORT SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2013A-C

JUNE 2013

ACTION REQUESTED

That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed Authorizing Resolution for the issuance of up to \$360 million of the Series 2013A-C Bonds in one or more of the following series or subseries:

- 1) Not to exceed \$300 million of Airport System Revenue and Refunding Bonds, Series 2013A Alternative Minimum Tax (AMT),
- 2) Not to exceed \$40 million of Taxable Airport System Revenue Refunding Bonds, Series 2013B, and
- 3) Not to exceed \$20 million of Airport System Revenue Refunding Bonds, Series 2013C (non-AMT).

In addition, the proposed Authorizing Resolution delegates authority to the Chairman or the Vice Chairman of the Board and the Chairman of the Finance Committee (and if timing and schedule permit, with the advice and consent of the Finance Committee) to negotiate the exact principal amount, interest rates, and certain other transaction details at the time the Series 2013A-C Bonds are being priced in the market.

DISCUSSION

New Money

Based on the Airports Authority's May 2013 Capital Construction Program (CCP) cashflows, current funds on-hand (excluding available commercial paper) are expected to fund ongoing CCP capital expenditures through February 2014. Included in this transaction is an amount not to exceed \$100 million of new money which will provide funds to meet capital needs from March through June 2014.

Refunding Opportunities

The Airports Authority has \$200.7 million of Bonds that are currently callable in 2013, of which \$153.3 million of Series 2003A (AMT) Bonds and \$33.9 million of Series 2003C (Taxable) Bonds. The Series 2003A and 2003C Bonds are currently callable 90 days

prior to their October 1 call date. The current refunding analyses assume the Series 2013A-B Bonds will be delivered July 3 as current refunding bonds.

Series 2003A Bonds – Approximately \$153.3 million of Series 2003A Bonds are callable at any time on or after October 1, 2013 at a redemption premium of 100 percent. In the current market, all of the outstanding maturities can be refunded for debt service savings of approximately \$16.0 million, or 10.5 percent of the refunded par amount, which exceeds the Airports Authority's refunding thresholds.

Series 2003C Bonds – Approximately \$33.9 million of Series 2003C Bonds are callable at any time on or after October 1, 2013 at a redemption premium of 100 percent. In the current market, all of the outstanding maturities can be refunded for debt service savings of approximately \$5.0 million, or 14.8 percent of the refunded par amount, which exceeds the Airports Authority's refunding thresholds.

Advance Refunding Opportunities

The Airports Authority has \$13.5 million of tax-exempt non-AMT Series 2004A Bonds (maturities in 2015-2022) that are not callable until October 1, 2014 but may be advance refunded for significant savings in the current market.

Series 2004A Bonds – Approximately \$13.5 million of Series 2004A Bonds are callable at any time on or after October 1, 2014 at a redemption premium of 100 percent. In the current market, all of the callable Series 2004A Bonds can be refunded for debt service savings of approximately \$1.8 million or 13.0 percent of the refunded par amount, which exceeds the Airports Authority's refunding thresholds.

Timing

The Series 2013A-C Bonds are tentatively scheduled to price on June 26 and 27, and will be delivered on July 3. Pricing may be delayed two weeks depending on the degree of marketing required for the bonds based on the outcome of the credit rating analysis.

Draft Documents

1. Forty-fourth Supplemental Indenture
2. Bond Purchase Agreement
3. Preliminary Official Statement for Series 2013A-C Bonds (POS), including the Report of the Airport Consultant, Appendix A
4. Form of a Refunding Agreement (a separate Refunding Agreement will be prepared for each series of refunded bonds)

RECOMMENDATION

That the Finance Committee approve and recommend that the Board of Directors adopt the proposed Authorizing Resolution that authorizes the issuance of up to \$360 million of the Series 2013A-C Bonds, and approve related documents in substantially completed form. In addition, the proposed Authorizing Resolution delegates authority to the Chairman or the Vice Chairman of the Board and the Chairman of the Finance Committee (and if timing and schedule permit, with the advice and consent of the Finance Committee) to negotiate the exact principal amount, interest rates, and certain other transaction details at the time the Series 2013A-C Bonds are being priced in the market, including whether to take advantage of an advance refunding.

Prepared by:
Office of Finance
June 2013

PROPOSED RESOLUTION

Authorizing Issuance of
Airport System Revenue and Refunding Bonds, Series 2013A (AMT),
Taxable Airport System Revenue Refunding Bonds, Series 2013B, and
Airport System Revenue Refunding Bonds, Series 2013C (Non-AMT)

WHEREAS, The Metropolitan Washington Airports Authority ("Airports Authority") desires to authorize the issuance of Airport System Revenue and Refunding Bonds, Series 2013A (AMT) (the "Series 2013A Bonds"), Taxable Airport System Revenue Refunding Bonds, Series 2013B (the "Series 2013B Bonds"), and Airport System Revenue Refunding Bonds, Series 2013C (Non-AMT) (the "Series 2013C Bonds" and together with the Series 2013A Bonds and the Series 2013B Bonds, the "Series 2013 Bonds"), all of which will be within the Airports Authority's Aviation Enterprise Fund, which may be issued in one or more series or subseries in an aggregate principal amount not to exceed \$360,000,000, to finance and/or refinance a portion of the costs of certain capital improvements ("Projects") at Ronald Reagan Washington National Airport and Washington Dulles International Airport (the "Airports") and for other purposes identified below;

WHEREAS, A public hearing has been held relating to the Projects to the extent required by Section 147 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, The Governor of Virginia and the Mayor of the District of Columbia have approved the issuance of the Series 2013 Bonds, to the extent that such bonds are subject to Section 147 of the Code;

WHEREAS, The Airports Authority has selected a syndicate of investment banking firms to serve as underwriters for the program financing and refinancing costs of certain capital improvements at the Airports and has appointed from the syndicate of investment banking firms Siebert Brandford Shank & Co., L.L.C. to serve as senior bookrunning manager (the "Managing Underwriter") and Wells Fargo Bank, National Association to serve as the co-senior managing underwriter for the Series 2013 Bonds;

WHEREAS, The Airports Authority desires to authorize the refunding of all or a portion of its outstanding Airport System Revenue and Refunding Bonds, Series 2003A (the "Series 2003A Bonds"), of its outstanding Taxable Airport System Revenue and Refunding Bonds, Series 2003C (the "Series 2003C Bonds"), and of its outstanding Airport System Revenue Refunding Bonds, Series 2004A (the "Series 2004A Bonds" and together with the Series 2003A Bonds and the Series 2003C Bonds, the "Refunded Bonds");

WHEREAS, The Airports Authority desires that proceeds of the Series 2013A Bonds be used (1) for the current refunding of the Series 2003A Bonds, (2) to pay a portion of the cost of the Projects, (3) to fund a deposit to the common reserve account for the Series 2013 Bonds and other common reserve bonds, (4) to pay capitalized interest on the Series

2013A Bonds and certain of the Airports Authority's outstanding bonds, and (5) to pay cost of issuance of the Series 2013A Bonds;

WHEREAS, The Airports Authority desires that proceeds of the Series 2013B Bonds be used (1) for the current refunding of the Series 2003C Bonds, (2) to fund a deposit to the common reserve account for the Series 2013 Bonds and other common reserve bonds, and (3) to pay cost of issuance of the Series 2013B Bonds;

WHEREAS, The Airports Authority desires that proceeds of the Series 2013C Bonds be used (1) to advance refund the Series 2004A Bonds, (2) to fund a deposit to the common reserve account for the Series 2013 Bonds and other common reserve bonds, and (3) to pay cost of issuance of the Series 2013C Bonds;

WHEREAS, The Airports Authority desires to set forth guidelines for determining the interest rate or rates, maturities, and other terms of the Series 2013 Bonds; and

WHEREAS, There has been presented to the Airports Authority the form of the following documents for execution in connection with the issuance of the Series 2013 Bonds, copies of which documents shall be filed in the records of the Airports Authority:

(a) the Forty-fourth Supplemental Indenture of Trust (the "Forty-fourth Supplemental Indenture"), between the Airports Authority and the Trustee, relating to the issuance of the Series 2013 Bonds, which supplements the Master Indenture;

(b) the form of the Series 2013A Bonds, attached as Exhibit A to the Forty-fourth Supplemental Indenture;

(c) the form of the Series 2013B Bonds, attached as Exhibit B to the Forty-fourth Supplemental Indenture;

(d) the form of the Series 2013C Bonds, attached as Exhibit C to the Forty-fourth Supplemental Indenture;

(e) the form of the Bond Purchase Agreement relating to the Series 2013 Bonds (the "Purchase Contract"), between the Airports Authority and the Managing Underwriter and the other underwriting firms named therein (collectively, the "Underwriters");

(f) the Official Statement relating to the public offering of the Series 2013 Bonds (the "Official Statement"); and

(g) the Refunding Agreements between the Airports Authority and the Trustee relating to the refunding of the Refunded Bonds (collectively, the "Refunding Agreements"); now, therefore, be it

RESOLVED, that Barclays Capital Inc., Citigroup Global Markets Inc., Davenport & Company LLC, Loop Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Inc., and Raymond James & Associates are appointed as co-managers for the Series 2013 Bonds and the Underwriters are authorized to distribute the Official Statement to prospective purchasers of the Series 2013 Bonds;

2. That the Series 2013 Bonds shall be issued in book entry form, pursuant to the Master Indenture and the Forty-fourth Supplemental Indenture and sold to the Underwriters pursuant to the Purchase Contract all upon the terms and conditions specified therein;

3. That the Chairman or Vice Chairman, and the Chairman of the Finance Committee (and if timing and schedule permit, with the advice and consent of the Finance Committee) (the "Authority Representatives"), are authorized until December 31, 2013, and directed to jointly determine, after the Series 2013 Bonds have been priced in the market, the following:

(a) the exact principal amount, series, and subseries designation of the Series 2013 Bonds, provided that the aggregate principal amount of the Series 2013 Bonds shall not exceed \$360,000,000;

(b) the interest rate or rates of each series or subseries of the Series 2013 Bonds;

(c) the maturity or maturities of each series or subseries of the Series 2013 Bonds, including the amount and date of any mandatory sinking fund redemption for a maturity;

(d) the provisions for redemption of each series or subseries of the Series 2013 Bonds prior to maturity;

(e) the amount and extent of any credit facility for the Series 2013 Bonds and the provider thereof;

(f) the amount of the debt service reserve requirement, if any, and the provider of any debt service reserve fund surety bond for a series or subseries of the Series 2013 Bonds;

(g) the amount of the purchase price for each series or subseries of Series 2013 Bonds;

(h) the investment of the defeasance escrow under the Refunding Agreements; and

(i) the par amount of the Series 2003A Bonds, the Series 2003C Bonds, and the Series 2004A Bonds, if any, to be refunded pursuant to the Refunding Agreements;

all in a manner to achieve the most favorable net effective interest rate while balancing the Airports Authority's exposure to interest rate and market risks on the entire long-term debt within the Airports Authority's Aviation Enterprise Fund, including the Series 2013 Bonds; provided, that the determinations made pursuant to this paragraph shall comply with the following requirements: (i) the maximum term of the Series 2013 Bonds shall not exceed 31 years; (ii) no Series 2013 Bonds shall be subject to redemption at a redemption premium exceeding three percent (3%) of the principal amount thereof; (iii) the underwriters' discount relating to the Series 2013 Bonds shall not exceed two percent (2%) of the principal amount thereof; (iv) the true interest cost of the Series 2013 Bonds shall not exceed six percent (6%) per annum; and (v) the Series 2013 Bonds shall be offered to the public at a price of not less than 95 percent (95%) and not more than 130 percent (130%) of the principal amount thereof, plus accrued interest;

4. That the payment or redemption of the Refunded Bonds with a portion of the proceeds of the Series 2013 Bonds, together with other funds of the Airports Authority, is authorized and directed in the manner and the amounts set forth in the respective Refunding Agreements;

5. That the Chairman or the Vice Chairman is authorized and directed to execute, by manual or facsimile signature, the Forty-fourth Supplemental Indenture, the Series 2013 Bonds, the Purchase Contract, the Official Statement, and the Refunding Agreements, all of which forms are hereby approved, with such changes, insertions, completions, and omissions as are necessary to reflect the bond principal amounts, the series or subseries designations, and other terms determined pursuant to paragraph 3 of this Resolution, and the execution of these documents by the Chairman or Vice Chairman shall constitute conclusive evidence of their approval by the Airports Authority;

6. That the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Airports Authority or a facsimile thereof on the Forty-fourth Supplemental Indenture, the Series 2013 Bonds, the Purchase Contract, the Official Statement, and the Refunding Agreements, after their execution by the Chairman or Vice Chairman, to attest the same, by a manual or facsimile signature, and to deliver the Series 2013 Bonds to the Trustee for authentication upon the terms provided in the Master Indenture and the Forty-fourth Supplemental Indenture;

7. That the Chairman, the Vice Chairman, the President and Chief Executive Officer, and the Vice President for Finance and Chief Financial Officer are each authorized and directed, with respect to the Series 2013 Bonds, as applicable, to execute one or more tax certificates on behalf of the Airports Authority in implementation of the covenants and agreements set forth in the Forty-fourth Supplemental Indenture and to make any election permitted by the Internal Revenue Code of 1986, as amended, that is determined by such officer to be to the advantage of the Airports Authority; and the representations,

agreements and elections set forth in the executed tax certificates shall be deemed to be the representations, agreements and elections of the Airports Authority, as if the same were set forth in the Forty-fourth Supplemental Indenture;

8. That the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer are each authorized and directed to execute, deliver and file all other certificates and instruments related to the issuance and sales of the Series 2013 Bonds, including with respect to the Series 2013A Bonds and the Series 2013C Bonds the Internal Revenue Service Form 8038 or 8038-G, any reimbursement agreement relating to any debt service reserve fund surety bond, and any agreement for the investment of proceeds from the sale of the Series 2013 Bonds, and to take any further action as the officer may consider necessary or desirable in connection with the issuance and sale of the Series 2013 Bonds, the refunding of the Refunded Bonds, and the other actions made pursuant to paragraph 3 of this Resolution;

9. That any authorization provided in this Resolution to execute a document shall include authorization to deliver the document to the other parties thereto; and

10. That any other acts of the Chairman, the Vice Chairman, the Chairman of the Finance Committee, the President and Chief Executive Officer, the Vice President for Finance and Chief Financial Officer or any other officer of the Airports Authority that are in conformity with the purposes, intent and conditions of this Resolution and in furtherance of the execution, delivery and performance by the Airports Authority of the Forty-fourth Supplemental Indenture are hereby authorized, and the authorizations granted herein to such officers of the Airports Authority shall apply equally to any person serving in such capacity on an interim or acting basis, except that the Airports Authority reserves unto itself the authority to appoint or remove any person or entity named, appointed or described in this Resolution or in the form of the Forty-fourth Supplemental Indenture presented to the Airports Authority who is to serve as underwriter, trustee, or provider of a credit facility, if any, or in a similar role relating to the Series 2013 Bonds or the Refunded Bonds.

*For Consideration by the Finance Committee and Board of Directors
on June 19, 2013*