

Report to the Finance Committee

Recommendation to Approve the Proposed Resolution Authorizing Issuance of Airport System Revenue and Refunding Bonds Series 2014A

May 2014

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 2014A, in the amount not to exceed \$625 million
 - Provide delegations to the Chairman or Vice Chairman and at least one of the Co-Chairmen of the Finance Committee regarding approval of final bond terms

Approval of Substantially Completed Documents

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

Authorize the Issuance of up to \$625 million of Airport System Revenue and Refunding Bonds, Series 2014A

Series	Type of Bonds	Type of Refunding	Tax Status	Not to Exceed Par Amount (M)*
2014A	New Money	--	AMT	\$125.0
2014A	Refunding	Current	AMT	\$500.0
			Total	\$625.0

Refunding Opportunities*

Assuming Current Rates and July 3, 2014 Delivery Date			
Refunded Series	Par Refunded (M)	Net PV Savings (%)	Net PV Savings (M)
2004B	\$245.0	10.1%	\$24.7
2004C-1	\$31.3	12.8%	\$4.0
2004C-2	\$93.7	12.7%	\$11.9
2004D	\$112.3	9.1%	\$10.3
Total	\$482.3	10.5%	\$50.9

* Rates as of May 12, 2014

Delegations

- Par Amount of Series 2014A Bonds
- Interest Rate
- Maturity Dates
- Redemption Provisions
- Credit Enhancement, if any
- Purchase Price

Proposed Schedule

Next Steps	Target Date(s)
Finance Committee & Board Approval of Bond Resolution/Documents	May 21
Receive Ratings	May 22
Post Preliminary Official Statement	May 21-23*
Marketing Efforts / Investor Relations	May 22-30*
Price Bonds	June 2-3*
Closing	July 3

**Preliminary, subject to change*

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 2014A, in the amount not to exceed \$625 million
- Provide delegations to the Chairman or Vice Chairman and at least one of the Co-Chairmen of the Finance Committee regarding approval of final bond terms



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

REPORT TO THE FINANCE COMMITTEE

RECOMMENDATION TO APPROVE THE PROPOSED RESOLUTION AUTHORIZING ISSUANCE OF AIRPORT SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2014A

MAY 2014

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 \$625 million of the Series 2014A Bonds.

In addition, the proposed Authorizing Resolution delegates authority to the Chairman or the Vice Chairman of the Board and at least one of the Co-Chairmen of the Finance Committee to negotiate the exact principal amount, interest rates, and certain other transaction details at the time the Series 2014A Bonds are being priced in the market.

DISCUSSION

New Money

Based on the Airports Authority's Capital Construction Program (CCP) cashflows, current funds on-hand (excluding available commercial paper) are expected to fund ongoing CCP capital expenditures through October 2014. Included in this transaction is an amount of not to exceed \$125 million of new money which will provide funds to meet capital needs from through June 2015.

Refunding Opportunities

The Airports Authority has \$482.4 million of Bonds that are currently callable in 2014, including \$245 million of Series 2004B, \$31.3 million of Series 2004C-1, \$93.7 million of Series 2004C-2, and \$112.3 million of Series 2004D Bonds, all subject to the Alternative Minimum Tax (AMT). The refunding analysis assumes the Series 2014A Bonds will be delivered July 3 as current refunding bonds.

The 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 outstanding maturities can be refunded for debt service savings of approximately \$50.9 million, or 10.5 percent of the refunded par amount, which exceeds the Airports Authority's refunding thresholds.

Timing

The Series 2014A Bonds are tentatively scheduled to price on June 3, and will be delivered on July 3. Pricing may be accelerated or delayed depending on the degree of marketing required for the bonds and market conditions.

Draft Documents

1. Forty-fifth Supplemental Indenture
2. Bond Purchase Agreement
3. Preliminary Official Statement for Series 2014A Bonds (POS), including the Report of the Airport Consultant, Appendix A
4. Refunding Agreements 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 \$625 million of the Series 2014A 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 at least one of the Co-Chairmen of the Finance Committee to negotiate the exact principal amount, interest rates, and certain other transaction details at the time the Series 2014A Bonds are being priced in the market.

Prepared by:
Office of Finance
May 2014

PROPOSED RESOLUTION

Authorizing Issuance of Airport System Revenue and Refunding Bonds, Series 2014A (AMT)

WHEREAS, The Metropolitan Washington Airports Authority (the "Airports Authority") desires to authorize the issuance of Airport System Revenue and Refunding Bonds, Series 2014A (AMT) (the "Series 2014A Bonds"), 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 \$625,000,000 to finance and/or refinance a portion of the costs of certain capital improvement projects (the "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 2014A 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 of financing and refinancing the costs of certain capital improvements at the Airports and has appointed from the syndicate of investment banking firms Merrill Lynch, Pierce, Fenner & Smith Incorporated to serve as senior bookrunning manager (the "Managing Underwriter") and Citigroup Global Markets Inc. to serve as the co-senior managing underwriter for the Series 2014A Bonds;

WHEREAS, The Airports Authority desires to authorize the refunding of all or a portion of its outstanding Airport System Revenue Bonds, Series 2004B (the "Series 2004B Bonds"), of its outstanding Airport System Revenue Refunding Bonds, Series 2004C-1 (the "Series 2004C-1 Bonds"), of its outstanding Airport System Revenue Refunding Bonds, Series 2004C-2 (the "Series 2004C-2 Bonds"), and of its outstanding Airport System Revenue Refunding Bonds, Series 2004D (the "Series 2004D Bonds," all or the portions of the Series 2004B Bonds, the Series 2004C-1 Bonds, the Series 2004C-2 Bonds and the Series 2004D Bonds to be refunded are the "Refunded Bonds");

WHEREAS, The Airports Authority desires that proceeds of the Series 2014A Bonds be used (1) for the current refunding of the Refunded 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 2014A Bonds and other common reserve bonds, if necessary, (4) to pay capitalized interest on the Series 2014A Bonds and certain of the Airports Authority's outstanding bonds, and (5) to pay costs of issuance of the Series 2014A Bonds;

WHEREAS, The Airports Authority desires to set forth guidelines for determining the interest rate or rates, maturities, and other terms of the Series 2014A 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 2014A Bonds, copies of which documents shall be filed in the records of the Airports Authority:

(a) the Forty-fifth Supplemental Indenture of Trust (the "Forty-fifth Supplemental Indenture"), between the Airports Authority and Manufacturers and Traders Trust Company (successor to Allfirst Bank), as Trustee (the "Trustee"), relating to the issuance of the Series 2014A Bonds, which supplements the Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, as amended (the "Master Indenture");

(b) the form of the Series 2014A Bonds, attached as Exhibit A to the Forty-fifth Supplemental Indenture;

(c) the form of the Bond Purchase Agreement relating to the Series 2014A Bonds (the "Purchase Contract"), between the Airports Authority and the Managing Underwriter and the other underwriting firms named therein (collectively, the "Underwriters");

(d) the Preliminary Official Statement relating to the public offering of the Series 2014A Bonds (the "Preliminary Official Statement;" the final Official Statement, in substantially the form of the Preliminary Official Statement and including the terms of the Series 2014A Bonds, is the "Official Statement"); and

(e) 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 the Underwriters are authorized to distribute the Preliminary Official Statement to prospective purchasers of the Series 2014A Bonds;

2. That the Series 2014A Bonds shall be issued in book entry form, pursuant to the Master Indenture and the Forty-fifth 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 at least one of the Co-Chairmen of the Finance Committee are authorized until December 31, 2014, and directed to jointly determine, after the Series 2014A Bonds have been priced in the market, the following:

(a) the exact principal amount, series, and subseries designation of the Series 2014A Bonds, provided that the aggregate principal amount of the Series 2014A Bonds shall not exceed \$625,000,000;

(b) the interest rate or rates of each series or subseries of the Series 2014A Bonds;

(c) the maturity or maturities of each series or subseries of the Series 2014A 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 2014A Bonds prior to maturity;

(e) the amount and extent of any credit facility for the Series 2014A 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 each series or subseries of the Series 2014A Bonds;

(g) the amount of the purchase price for each series or subseries of Series 2014A Bonds;

(h) the investment, if any, of the defeasance escrows under the Refunding Agreements; and

(i) the par amount of the Series 2004B Bonds, the Series 2004C-1 Bonds, the Series 2004C-2 Bonds and the Series 2004D 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 2014A Bonds; provided, that the determinations made pursuant to this paragraph 3 shall comply with the following requirements: (i) the maximum term of the Series 2014A Bonds shall not exceed 32 years; (ii) no Series 2014A 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 2014A Bonds shall not exceed two percent (2%) of the principal amount thereof; (iv) the true interest cost of the Series 2014A Bonds shall not exceed six percent (6%) per annum; and (v) the Series 2014A 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, if any;

4. That the payment or redemption of the Refunded Bonds with a portion of the proceeds of the Series 2014A Bonds, together with any 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-fifth Supplemental Indenture, the Series 2014A 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-fifth Supplemental Indenture, the Series 2014A Bonds 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 2014A Bonds to the Trustee for authentication upon the terms provided in the Master Indenture and the Forty-fifth 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 2014A Bonds, to execute one or more tax compliance certificates on behalf of the Airports Authority in implementation of the covenants and agreements set forth in the Forty-fifth 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 compliance 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-fifth 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 any other certificates and instruments related to the issuance and sale of the Series 2014A Bonds, including Internal Revenue Service Form 8038, 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 2014A 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 2014A Bonds, the refunding of the Refunded Bonds, and any other actions undertaken to implement the determinations 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 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-fifth Supplemental Indenture are hereby authorized, and the authorizations granted herein to any 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-fifth 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 2014A Bonds or the Refunded Bonds.

*For consideration by the Finance Committee and
Board of Directors on May 21, 2014*