



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

## **Report to the Finance Committee**

# **Pre-Solicitation Terms for Bank Facilities for the Aviation Enterprise**

May 2014



## Purpose

- To receive the Finance Committee's concurrence with the pre-solicitation terms for a Request for Proposal (RFP) for a Letter of Credit (LOC) and/or Direct Funded Indexed Floater (Indexed Floater) to replace or renew bank facilities that expire in 2015 and that would not incur a penalty if terminated prior to their expiration date



## Background

- Currently, \$1.115 billion in bank facilities supporting the variable rate bonds

<b>Bank Provider</b>	<b>Facility</b>	<b>Program/ Series</b>	<b>Amount (\$MM)</b>	<b>Costs (bps)</b>	<b>Expiration Date</b>
Barclays Capital	LOC	2010 C VRDO	\$159.560	70.0	September 23, 2015
Citi	Index Floater	2011B	\$185.195	75.0 <sup>(1)</sup>	September 17, 2015
Wells Fargo	Index Floater	2010 D	\$161.785	65.0 <sup>(2)</sup>	December 18, 2015
Wells Fargo	Index Floater	2011A	\$219.340	82.0 <sup>(2)</sup>	September 21, 2016
Bank of America	Index Floater	2003 D1	\$61.525	70.0 <sup>(2)</sup>	December 16, 2016
Sumitomo	LOC	CP: Series Two	\$200.000	33.0	March 6, 2017
TD Bank	LOC	2009 D VRDO	\$127.755	61.0	December 2, 2017

<sup>(1)</sup> This is a fixed spread to the SIFMA Index.

<sup>(2)</sup> This is a fixed spread to the 72 percent of LIBOR Index.



## Discussion

- The Proposed RFP will:
  - Potentially replace or renew bank facilities, based upon results
  - Request (a) LoC facility and/or (b) Indexed Floater
- Recommended evaluation criteria:
  1. Proposed fees
  2. Credit quality of and trading value of securities backed by the responding institution (LoC only)
  3. Costs to terminate the new facility prior to expiration, in part or in whole
  4. Willingness to accept the proposed covenants and indemnification
  5. Proposed downgrade pricing
  6. Proposed term out provisions
  7. Ability to avoid reissuance for tax purposes of Series 2010D Bonds and retain Non-AMT status



## Discussion (continued)

- The RFP will be distributed to banks known for offering LoCs and/or Indexed Floaters and posted on the mwaa.com website

Date/Meeting	Tasks
May 21	Present pre-solicitation terms/paper
May 22	MWAA distributes the bank solicitation
June 16	Proposals due
July 16, Finance Committee	Bank recommendation to Finance Committee; select product(s)/bank(s)
Sept 17, Finance Committee & Board	Approve substantially final bank documents
Sept 24	Close new or extended bank facility(ies)



## Recommendation

- Staff requests that the Finance Committee concur with the pre-solicitation terms of the LoC and/or Indexed Floater RFP
- The contract award will require Committee and full Board approval



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**

**PRE-SOLICITATION TERMS FOR  
BANK FACILITIES ASSOCIATED WITH THE AVIATION  
ENTERPRISE'S VARIABLE RATE PORTFOLIO**

**MAY 2014**

**PURPOSE**

The Airports Authority plans to issue a Request for Proposals (RFP) seeking proposals and bids from financial institutions interested in providing up to \$350 million principal amount] in bank facilities to support the Aviation Enterprise. The RFP requests bids for (a) a Letter of Credit (LoC) facility and/or (b) a direct funded indexed floater (Indexed Floater) to support the Airports Authority's variable rate portfolio. The contract fees will have an annual not-to-exceed amount of \$2.7 million and the expiration date may range from two to five years based on proposed pricing.

**BACKGROUND**

The Airports Authority has \$1.115 billion of bank facilities supporting variable rate bonds; approximately \$507 million of currently outstanding facilities are scheduled to expire in 2015. Finance Staff and the Financial Advisors are considering replacing or renewing certain of the bank facilities that expire in 2015 and that would not incur a penalty if terminated prior to their expiration date. Any replacement or renewal would be done through a new bank solicitation.

**DISCUSSION**

Finance Staff and the Financial Advisors would like to take advantage of the capacity identified through the last bank solicitation to replace or renew the Series 2010D and/or Series 2011B bank facilities—totaling \$346.980 million currently outstanding. Below is a summary of the current Aviation Enterprise's bank facilities.

<i>Bank Provider</i>	<i>Facility</i>	<i>Program/ Series</i>	<i>Amount (\$MM)</i>	<i>Costs (bps)</i>	<i>Expiration Date</i>
Sumitomo	LOC	CP: Series Two	\$200.000	33.0	March 6, 2017
Bank of America	Index Floater	2003 D1	\$61.525	70.0 <sup>(1)</sup>	December 16, 2016
TD Bank	LOC	2009 D VRDO	\$127.755	61.0	December 2, 2017
Barclays Capital	LOC	2010 C VRDO	\$159.560	70.0	September 23, 2015
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Wells Fargo	Index Floater	2011A	\$219.340	82.0 <sup>(1)</sup>	September 21, 2016
Citi	Index Floater	2011B	\$185.195	75.0 <sup>(2)</sup>	September 17, 2015

<sup>(1)</sup> This is a fixed spread to the 72 percent of LIBOR Index.

<sup>(2)</sup> This is a fixed spread to the SIFMA Index.



Of the bank facilities scheduled to expire in 2015:

- Series 2010D and Series 2011B: \$346.980 million is currently outstanding and can be terminated before the scheduled 2015 expiration dates with no penalty.
- Series 2010C: \$159.560 million is currently outstanding; however, if the Barclays letter of credit is terminated prior to its September 2015 expiration, under the terms of the agreement, the Airports Authority would still owe the bank fees until the scheduled expiration date.

### *Evaluation Criteria*

Below are the recommended evaluation criteria to evaluate the LOC and/or Indexed Floater bids:

1. Proposed fees,
2. Credit quality of and trading value of securities backed by the responding institution (for letter of credit providers),
3. Costs to terminate the new facility in part or in whole, at the sole option of the Airports Authority,
4. Willingness to accept the Airports Authority's proposed covenants and indemnification,
5. Proposed downgrade pricing,
6. Proposed term out provisions, and
7. Ability to avoid reissuance for tax purposes of Series 2010D Bonds and retain Non-AMT status.

### *Distribution of RFP*

The distribution of the RFP will be sent to the banks listed in Attachment A. In addition, the RFP will be posted on the mwaa.com website.

### *Schedule*

Based on the Airports Authority's procurement process, Finance Staff and the Financial Advisor recommend consideration of the following schedule:

Date/Meeting	Tasks
May 21, Finance Committee	Present pre-solicitation terms/paper
May 22	MWAA distributes the bank solicitation
June 16	Proposals due
July 16, Finance Committee	Bank recommendation to Finance Committee; select Bank(s)

September 17, Finance Committee & Board	Approve substantially final Bank(s) documents
September 24	Close new or extended bank facility(ies)

## **RECOMMENDATION**

Staff requests that the Finance Committee concur with the solicitation terms of the LOC and Indexed Floater RFP. The contract award will require Committee and full Board approval.

Prepared by:  
Office of Finance  
May 21, 2014

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