

## **APRIL 2014 FINANCIAL ADVISOR REPORT – THE AVIATION ENTERPRISE**

### **INTRODUCTION**

The Finance Committee has requested that the Aviation Enterprise Financial Advisors provide a monthly report on the status of the financing of the Capital Construction Program (CCP) and any related issues concerning the Airports Authority's Aviation Enterprise capital financing activities. The Financial Advisors presents this Monthly Report, focusing on the specific debt management projects underway, the debt policy framework guiding these projects and the financing of the CCP in general.

### **DISCUSSION SUMMARY**

This paper is organized as follows:

- I. Executive Summary
- II. Action Items
  - A. No items to report
- III. Informational Items
  - A. 2014 Financing
  - B. 2015 Expiring Bank Facilities
- IV. Monthly Updates
  - A. CCP: Actuals vs. Projections
  - B. Short-term Liquidity Forecast
  - C. Variable Rate Programs
  - D. Swaps –Swap Performance

### Exhibits

- A. Airports Authority's Capital Construction Program
- B. Airport System Revenue Bonds
  - Summary of Bonds Outstanding
  - Refunding Monitor
- C. Variable Rate Programs
  - Overview
  - Historical performance
- D. Swap Program
  - Airports Authority Swap Profile
  - Historic Performance of 2009 Swaps

## I. EXECUTIVE SUMMARY

### Action Items

→ None

### Informational Items

- **2014 Financing.** On March 19, the Board of Directors selected Bank of America Merrill Lynch as the Book-Running Senior Manager, Citi as the Co-Senior Manager and the remaining members of the Aviation Enterprise Underwriting Syndicate as Co-Managers for the upcoming financing. The financing team recommends proceeding with a single combined refunding and new money issuance and expects to present substantially final documents for approval at the May Finance Committee and Board meetings, with a scheduled pricing in late May or early June.
  
- **2015 Expiring Bank Facilities.** The Airports Authority has \$1.058 billion of bank facilities supporting variable rate bonds, with \$485 million scheduled to expire in 2015. Finance Staff and the Financial Advisors are giving consideration to replacing or renewing certain of the bank facilities that expire in 2015. Any replacement or renewal would be done through a new bank solicitation. The proposed schedule includes pre-solicitation terms provided to the Finance Committee in May and targets a closing in early-October 2014.
  
- **Capital Construction Program (CCP).** For 2014, CCP expenditures are budgeted at \$209.5 million including construction and capitalized interest costs. Expenditures in February 2014 totaled \$5.4 million and in March 2014 totaled \$10.5 million, including capitalized interest expenditures. Through the end of March, 2014-year-to-date capital expenditures were \$29.0 million.

## II. ACTION ITEMS

None to report this month.

## III. INFORMATIONAL ITEMS

### (III.A) 2014 Financing

On March 19, the Board of Directors selected Bank of America Merrill Lynch as the Book-Running Senior Manager, Citi as the Co-Senior Manager and the remaining members of the Aviation Enterprise Underwriting Syndicate as Co-Managers for the upcoming 2014 financing. The Airports Authority continues to move ahead with the financing that is expected to include refunding certain outstanding Series 2004 Bonds as well as include a new money component to fund CCP and capitalized interest requirements through June 2015.

**Financing Schedule.** The finance team recommends pursuing a single combined current refunding and new money issue. To support this transaction, the Airports Authority is currently in the process of updating the feasibility report. A combined refunding/new money issue will have economies of scale, reduce transaction costs and provide more structuring flexibility. The financing team expects to meet with the rating agencies in early May. The Finance Committee and Board will be asked to approve substantially final documents at their May meetings. This single combined issue would be scheduled to price in late May or early June.

**Refunding Update.** The Financial Advisors and Finance Staff will continue to monitor the economics of currently refunding the Series 2004 Bonds.

### Refunding Savings at Current Rates Assuming July 3, 2014 Delivery Date and Uniform Savings

Refunded Series	Refunding Series	Callable Par	Call Date/ Call Premium	Par that Meet Min. Thresholds (\$ millions)	NPV Savings \$/%	Negative Arbitrage
2004B	AMT	\$245,000,000 (2027-2034)	10/1/14 @ 100%	\$245,000,000	\$8,213,000/ 3.3%	\$2,346,000
2004C1	AMT	\$31,300,000 (2020-2021)	10/1/14 @ 100%	\$31,300,000	3,478,000/ 11.1%	\$300,000
2004C2	AMT	\$93,735,000 (2015-2024)	10/1/14 @ 100%	\$93,735,000	\$8,687,000/ 9.27%	\$897,000
2004D	AMT	\$112,325,000 (2015-2019)	10/1/14 @ 100%	\$112,325,000	\$9,528,000/ 8.48%	\$1,075,000
<b>Total</b>		<b>\$482,360,000</b>		<b>\$482,360,000</b>	<b>\$31,872,000/ 6.61%</b>	<b>\$4,618,000</b>

Assuming current rates at the time of a May or June pricing, a current refunding would generate \$31.9 million of net present value savings, 6.6% of refunded par.

**New Money Update.** Based on the 2014 Capital Budget and current funds on-hand, the Airports Authority expects to issue up to \$130 million of new money bonds in 2014 to fund expected ongoing CCP expenditures and capitalized interest through June 2015. (If no new money bonds are issued in 2014, the Airports Authority would have sufficient available CP to fund ongoing CCP and capitalized interest needs through the end of 2015. That being said, a full draw down of the CP program would reduce financial flexibility and cushion.)

### (III.B) 2015 Expiring Bank Facilities

The Airports Authority has \$1.058 billion of bank facilities supporting variable rate bonds, with \$485 million scheduled to expire in 2015.

PORTFOLIO OF BANK FACILITIES					
SCHEDULED EXPIRATION	AMOUNT OF BANK FACILITIES	SERIES (TAX STATUS)	AMOUNT HEDGED (\$)	AMOUNT UNHEDGED (\$)	BANK FACILITY
2015	\$485,075,000	2010C1 (AMT)	–	59,575,000	BARCLAYS LOC
		2010C2 (NON-AMT)	96,690,000	–	BARCLAYS LOC
		2010D (NON-AMT)	155,625,000	–	WELLS FLOATERS
		2011B (AMT)	–	173,185,000	CITI FLOATERS
2016	256,430,000	2011A (AMT)	200,530,000	–	WELLS FLOATERS
		2003D1 (AMT)	–	55,900,000	BOFA FLOATERS
2017	316,785,000	CP 2	–	200,000,000	SUMITOMO LOC
		2009D (NON-AMT)	116,785,000	–	TD LOC
<b>TOTALS</b>	<b>\$1,058,290,000</b>		<b>\$569,630,000</b>	<b>\$488,660,000</b>	

Finance Staff and the Financial Advisors are considering taking advantage of the capacity identified through the last bank solicitation to replace or renew the Series 2010D and/or Series 2011B bank facilities. (The Series 2010C1 and Series 2010C2 bank facilities would incur a penalty if terminated prior to the expiration date.) Any replacement or renewal would be done through a new bank solicitation.

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

Date/Meeting	Tasks
May Finance Committee	Present pre-solicitation terms/paper
Mid-May	MWAA procurement office to distribute bank solicitation
Mid-June	Proposals due
July Finance Committee	Bank recommendation to Finance Committee; select Bank(s)
September 2014 Finance Committee and September 2014 Board	Approve substantially final Bank documents
Early October 2014	Close new or extended Bank facility(ies)

## IV. MONTHLY UPDATES

### (IV.A) CCP: Actuals vs. Projections

**Exhibit A** sets forth the major 2001-2016 Capital Construction Program (CCP) projects underway at the Airports Authority, as well as historical CCP actual versus projected expenditures. CCP expenditures in 2013 were budgeted at \$235.9 million including construction and capitalized interest costs. In 2013, the capital expenditures totaled \$152.3 million.

<b>2013 CCP Projections vs. Actuals</b>				
<b>(\$ millions)</b>				
	<i>General Ledger Actual<sup>1</sup></i>	<i>Original Projection</i>	<i>Variance</i>	<i>Variance (%)</i>
13-Jan	\$10.92	\$11.97	(\$1.05)	(8.77%)
13-Feb	\$3.03	\$22.98	(\$19.95)	(86.81%)
13-Mar	\$7.24	\$17.75	(\$10.51)	(59.21%)
13-Apr	\$17.65	\$19.75	(\$2.10)	(10.63%)
13-May	\$12.42	\$16.23	(\$3.81)	(23.48%)
13-Jun	\$12.07	\$13.27	(\$1.20)	(9.04%)
13-Jul	\$13.51	\$22.28	(\$8.77)	(39.36%)
13-Aug	\$25.00	\$27.63	(\$2.63)	(9.52%)
13-Sep	\$5.43	\$16.54	(\$11.11)	(67.17%)
13-Oct	\$13.62	\$20.91	(\$7.29)	(34.86%)
13-Nov	\$14.77	\$24.17	(\$9.40)	(38.89%)
13-Dec	\$16.60	\$22.41	(\$5.81)	(25.93%)
<b>2013 Totals</b>	<b>\$152.3</b>	<b>\$235.9</b>	<b>(\$83.63)</b>	<b>(35.45%)</b>

Previously in January 2014, we reported that 2013 CCP expenditures through November 2013 were \$252.6 million based on information provided by the Airports Authority. During the 2013 year-end closeout, the monthly actual General Ledger information was revised as reflected in the table above.

<sup>1</sup> As provided by the Airports Authority.

For 2014, CCP expenditures are budgeted at \$209.5 million including construction and capitalized interest costs. Expenditures in February 2014 totaled \$5.4 million and in March 2014 totaled \$10.5 million, including capitalized interest expenditures. Through the end of March, 2014-year-to-date capital expenditures were \$29.0 million.

<b>2014 CCP Projections vs. Actuals</b>				
<b>(\$ millions)</b>				
	<i>General Ledger Actual<sup>2</sup></i>	<i>Original Projection</i>	<i>Variance</i>	<i>Variance (%)</i>
14-Jan	\$13.10	\$11.60	\$1.50	12.93%
14-Feb	\$5.40	\$17.55	(\$12.15)	(69.23%)
14-Mar	\$10.50	\$15.22	(\$4.72)	(31.01%)
14-Apr		\$25.05		
14-May		\$12.55		
14-Jun		\$12.97		
14-Jul		\$19.14		
14-Aug		\$22.17		
14-Sep		\$15.95		
14-Oct		\$24.18		
14-Nov		\$16.58		
14-Dec		\$16.59		
<b>2014 Totals (Through Mar.)</b>	<b>\$29.00</b>	<b>\$44.37</b>	<b>(\$15.37)</b>	<b>(34.64%)</b>

<sup>2</sup> As provided by the Airports Authority.



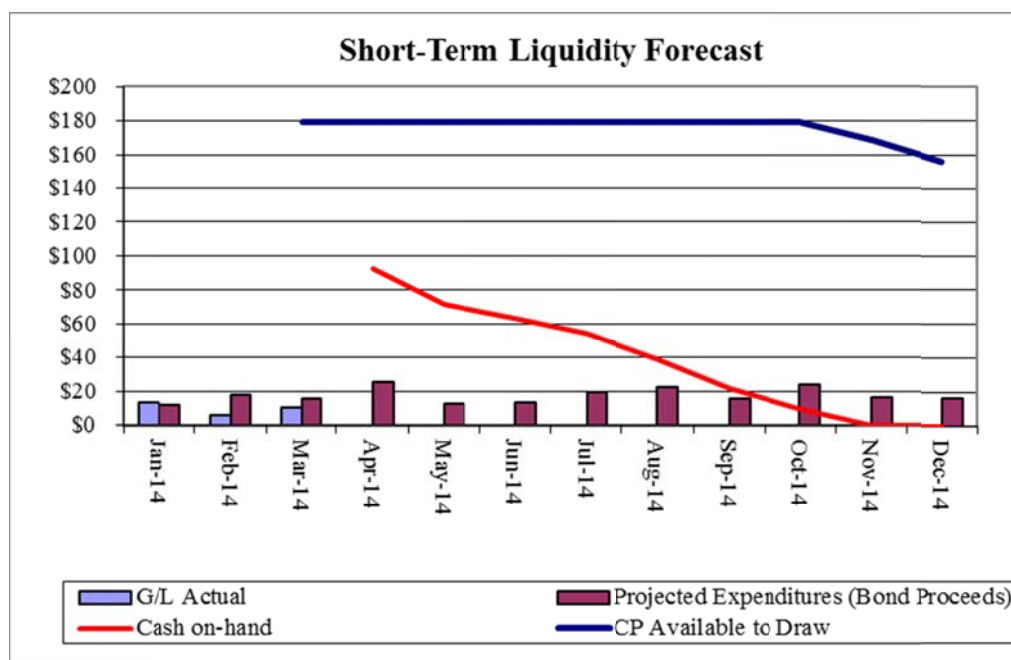
## (IV.B) Short-term Liquidity Forecast

The following (including the table and chart) is based on information provided to the Financial Advisors by Finance staff.

As of the beginning of April 2014, the Airports Authority had \$92.7 million of cash-on-hand<sup>3</sup> and \$179 million of additional available liquidity in the form of undrawn CP Series Two capacity.

Short-term Liquidity Forecast (\$ millions)					
Beginning of Month	Cash Available	CP Available to Draw	PFCs	Grants	Projected Expenditures
Apr-14	92.7	179.0	0.1	4.0	(25.1)
May-14	71.8	179.0	0.1	4.0	(12.6)
Jun-14	63.3	179.0	0.1	4.0	(13.0)
Jul-14	54.4	179.0	0.1	4.0	(19.1)
Aug-14	39.4	179.0	0.1	4.0	(22.2)
Sep-14	21.3	179.0	0.1	4.0	(16.0)
Oct-14	9.5	179.0	0.1	4.0	(24.2)
Nov-14	-	168.4	0.1	4.0	(16.6)
Dec-14	-	155.9	0.1	4.0	(16.6)

Note: the table above does not reflect an assumed new money bond sale in 2014.



<sup>3</sup> The cash-on-hand includes proceeds of the Series 2013A Bonds issued in July and Funds 63 and 64.

## (IV.C) Variable Rate Programs

In addition to the approximately \$936.2 million of variable rate debt that the Airports Authority has currently outstanding, it can issue up to \$179 million of CP Two Notes which are currently “on-the-shelf.”

The approximately \$329.1 million in unhedged variable rate debt outstanding represents approximately 6.6 percent of the outstanding \$5.0 billion indebtedness.

### *Gross Variable Rate Exposure*

<b>Fixed Rate Debt Percentage:</b>		
Fixed Rate Debt	\$4,035,675,000	
2009D VRDOs (Hedged)	127,755,000	
2010C2 VRDOs (Hedged)	98,210,000	
2010D Index Floater (Hedged)	161,785,000	
2011A Index Floater (Hedged)	219,340,000	
<b>Fixed Rate</b>	<b>\$4,642,765,000</b>	<b>93.38%</b>
<b>Variable Rate Debt Percentage:</b>		
2003D Index Floater	61,525,000	
2010C1 Index Floater	61,350,000	
2011B Index Floater	185,195,000	
CP Notes	21,000,000	
<b>Variable Rate</b>	<b>\$329,070,000</b>	<b>6.62%</b>
<b>Combined Total</b>	<b>\$4,971,835,000</b>	<b>100.00%</b>

The Airports Authority’s current \$482.5 million unrestricted cash balances in short-term investments can be netted against variable rate debt exposure to produce a “net variable rate exposure.” Currently, the unrestricted cash balances exceed the amount of short-term debt.

**Exhibit C-2** illustrates for the current year the rolling three-month average spreads to the SIFMA of the Airports Authority’s variable rate programs, as well as historic spreads to SIFMA by quarter.

## (IV.D) Swaps – Monthly Swap Performance

**2002 Swap:** Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 4.45 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of one-month LIBOR based upon the outstanding notional amount of the swap. The 2002 Swap originally hedged the Series 2002C Bonds and now hedges the 2011A-2 Indexed Floaters which refunded the Series 2002C Bonds in full. The Airports Authority pays 72 percent of LIBOR plus 77 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.45 percent plus the spread of 77 basis points: 5.22 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is no longer included in Exhibit D.

**2009 Swaps:** Under the terms of the swap agreements, the Airports Authority pays to the counterparties an average fixed rate of 4.10 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparties 72 percent of one-month LIBOR based upon the outstanding notional amount of its respective swaps. The 2009 Swap originally hedged the Series 2009A Bonds and 2009D Bonds. The Series 2009A were partially refunded by the Series 2010C2 Bonds and the remaining portion was fully refunded by the Series 2011A-3 Bonds. The 2009 swaps now hedge the 2011A-3 Indexed Floaters and the 2009D and 2010C2 Variable Rate Demand Obligations (VRDOs). On the Indexed Floaters, the Airports Authority pays 72 percent of LIBOR plus 77 basis points. The All-In Effective Rate of the swap related to these Bonds is therefore equal to the fixed swap rate of 4.10 percent plus the spread of 77 basis points: 4.87 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap associated with the Indexed Floaters is no longer included in Exhibit D. **Exhibit D-3** provides the historical monthly cash flow history of the 2009 swaps associated with the hedged VRDOs (currently the 2009D and 2010C2).

**2010 Swap:** Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 4.11 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of one-month LIBOR based upon the outstanding notional amount of the swap. The 2010 Swap hedges the Series 2010D Indexed Floaters. The Airports Authority pays 72 percent of LIBOR plus 75 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 4.11 percent plus the spread of 75 basis points: 4.86 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is not included in Exhibit D.

**2011 Swap:** Under the terms of the swap agreement, the Airports Authority pays to the counterparty a fixed rate of 3.86 percent on the outstanding notional amount of the swap. In return, the Airports Authority receives from the counterparty 72 percent of one-month LIBOR based upon the outstanding notional amount of the swap. The 2011 Swap hedges the Series 2011A-1 Indexed Floaters. The Airports Authority pays 72 percent of LIBOR plus 77 basis points on the Indexed Floaters. The All-In Effective Rate of the swap is therefore equal to the fixed swap rate of 3.86 percent plus the spread of 77 basis points: 4.63 percent. This All-In Effective Rate remains fixed and monthly cash flow history on this swap is not included in Exhibit D.

## Exhibit A Airports Authority's CCP

Major projects under construction at Reagan National include:

- Terminal A Building Security Screening Checkpoints;
- North Substation Gear Replacement;
- Runway 15-33 and 4-22 Runway Safety Area Enhancements; and
- Combined Electrical System Upgrades

Major projects under construction at Dulles International include:

- East and West Baggage Basement In Line High Volume Baggage Screening;
- Concourse C/D Rehabilitation;
- High Temperature Hot Water Generator Procurement and Replacement;
- Cargo Buildings 1-4 Exterior Rehabilitation;
- Taxiway Y Reconstruction at Taxiway B;
- Historic Air Traffic Control Tower Exterior Rehabilitation; and
- Snow Equipment Storage Facility

### Historical CCP Projections vs. Actuals (2001-2012) (\$ millions)

	<i>General Ledger Actual</i>	<i>Projection*</i>	<i>Variance</i>	<i>Variance (%)</i>
2001 Totals	\$370.8	\$429.8	(\$58.9)	(13.7%)
2002 Totals	\$295.6	\$346.5	(\$50.9)	(14.7%)
2003 Totals	\$282.7	\$321.9	(\$39.2)	(12.2%)
2004 Totals	\$349.3	\$349.9	(\$0.6)	(0.2%)
2005 Totals**	\$555.8	\$574.4	(\$18.6)	(3.2%)
2006 Totals	\$672.2	\$713.2	(\$41.0)	(5.7%)
2007 Totals	\$719.4	\$689.7	\$29.7	4.3%
2008 Totals	\$537.7	\$672.8	(\$135.1)	(20.1%)
2009 Totals	\$349.8	\$474.2	(\$124.3)	(26.2%)
2010 Totals	\$220.2	\$327.3	(\$107.1)	(32.7%)
2011 Totals	\$167.4	\$299.4	(\$131.9)	(44.1%)
2012 Totals	\$118.8	\$274.6	(\$155.8)	(56.7%)

\* Historical projections for 2001-2003 do not reflect periodic revisions. 2002: the last revision for 2002 projected \$271 million of capital spending for the year. 2003: the last revision for 2003 projected a total of \$287.5 million.

\*\* Projection reflects December 2005 budget amendment.

## Exhibit B-1 Airport System Revenue Bonds Summary of Outstanding Bonds

**Security:** General Airport Revenue Bonds ("GARB") are secured by the pledge of Net Airport Revenues  
**Lien:** Senior  
**Credit Ratings:**

	<u>Rating</u>	<u>Outlook</u>	<u>As of</u>
Moody's	A1	Stable	June 20, 2013
S&P	AA-	Stable	June 20, 2013
Fitch	AA-	Stable	June 20, 2013

Series	Dated Date	Originally Issued Par Amount	Current Outstanding Par Amount	Tax Status	Tenor	Credit Enhancement Provider*	Purpose
2003D	October 1, 2003	150,000,000	61,525,000	AMT	Variable	BofA Indexed Floaters	New Money
2004A	August 26, 2004	13,600,000	10,000	Non-AMT	Fixed	MBIA	Current Refunding
2004B	May 18, 2004	250,000,000	245,000,000	AMT	Fixed	FSA	New Money
2004C-1	July 7, 2004	97,730,000	31,300,000	AMT	Fixed	FSA	Current Refunding
2004C-2	August 12, 2004	111,545,000	93,860,000	AMT	Fixed	FSA	Current Refunding
2004D	August 26, 2004	218,855,000	131,865,000	AMT	Fixed	MBIA (except 2015)	Current Refunding/Pay Termination
2005A	April 12, 2005	320,000,000	244,920,000	AMT	Fixed	MBIA	New Money/CP Refunding
2005B	April 12, 2005	19,775,000	14,640,000	Non-AMT	Fixed	MBIA	Advance Refunding
2005C	April 12, 2005	30,000,000	30,000,000	Taxable	Fixed	MBIA	New Money
2005D	October 12, 2005	11,450,000	7,650,000	Non-AMT	Fixed	AMBAC	Advance Refunding
2006A	January 25, 2006	300,000,000	245,000,000	AMT	Fixed	FSA	New Money/CP Refunding
2006B	December 6, 2006	400,000,000	375,320,000	AMT	Fixed	FGIC	New Money
2006C	December 6, 2006	37,865,000	34,225,000	Non-AMT	Fixed	FGIC	Advance Refunding
2007A	July 3, 2007	164,460,000	117,165,000	AMT	Fixed	AMBAC	Current Refunding
2007B	September 27, 2007	530,000,000	407,275,000	AMT	Fixed	AMBAC	New Money
2008A	June 24, 2008	250,000,000	210,365,000	AMT	Fixed	-	New Money/CP Refunding
2009B	April 1, 2009	236,825,000	225,745,000	Non-AMT	Fixed	BHAC (partially)	Term.
2009C	July 2, 2009	314,435,000	293,410,000	Non-AMT	Fixed	-	Refunding PFC
2009D**	July 2, 2009	136,825,000	127,755,000	Non-AMT	Variable	TD Bank	Refunding PFC
2010A	July 28, 2010	348,400,000	336,435,000	Non-AMT	Fixed	-	New Money/OMP
2010B	July 28, 2010	229,005,000	191,755,000	AMT	Fixed	-	Current Refunding
2010C***	September 22, 2010	170,000,000	159,560,000	C1 AMT, C2 Non-AMT	Variable	Barclays	Current Refunding
2010D**	September 22, 2010	170,000,000	161,785,000	Non-AMT	Variable	Wells Fargo Indexed Floaters	New Money/Current Refunding
2010F1	November 17, 2010	61,820,000	61,820,000	Non-AMT	Fixed	-	OMP
2011A**	September 21, 2011	233,635,000	219,340,000	AMT	Variable	Wells Fargo Indexed Floaters	New Money/Current Refunding
2011B	September 21, 2011	207,640,000	185,195,000	AMT	Variable	Citi Indexed Floaters	New Money/Current Refunding
2011C	September 29, 2011	185,390,000	171,060,000	AMT	Fixed	-	Current Refunding
2011D	September 29, 2011	10,385,000	9,635,000	Non-AMT	Fixed	-	Current Refunding
2012A	July 3, 2012	291,035,000	291,035,000	AMT	Fixed	-	Current Refunding
2012B	July 3, 2012	20,790,000	20,570,000	Non-AMT	Fixed	-	Advance Refunding
2013A	July 11, 2013	207,205,000	207,205,000	AMT	Fixed	-	Current Refunding/New Money
2013B	July 11, 2013	27,405,000	27,405,000	Taxable	Fixed	-	Current Refunding
2013C	July 11, 2013	11,005,000	11,005,000	Non-AMT	Fixed	-	Advance Refunding
<b>Total</b>		<b>5,767,080,000</b>	<b>4,950,835,000</b>				

\* Approximately 42% of the GARB portfolio is additionally secured through bond insurance.

\*\* All of the 2009D, 2010D and 2011A are subject to a floating-to-fixed rate swap.

\*\*\* \$96,690,000 of the outstanding amount of the Series 2010C is the subject of a floating-to-fixed rate swap.

Insurer Splits as % of Total Bond Portfolio	
Insurer	Insured
Ambac	10.7%
BHAC	2.3%
FGIC	8.3%
FSA	12.4%
National (MBIA)	8.1%
Uninsured	58.2%

Insurer Splits as % of Insured Bond Portfolio	
Insurer	Insured
Ambac	25.7%
BHAC	5.4%
FGIC	19.8%
FSA	29.7%
National (MBIA)	19.4%

Aviation Enterprise Total TIC of Fixed Rate Debt
4.68%

## Exhibit B-2 Airport System Revenue Bonds Refunding Monitor

### Current Refunding Opportunities

There are no current refunding opportunities at this time.

### Advance Refunding Candidates – Non-AMT

There are no advance refunding opportunities at this time<sup>4</sup>.

### Refunding Candidates – AMT

The Series 2004B-D Bonds are callable on October 1, 2014 at par. Please see discussion in Section II.A. regarding refunding these bonds on a current basis.

### Refunding Candidates – Taxable

The Series 2005C Bonds may be advance refunded with the proceeds of taxable bonds. At the current time savings do not meet the required 3% threshold.

Below are the refunding guidelines previously accepted by the Board:

<b>Time Between Call Date and Issuance of Refunding Bonds</b>	<b>Traditional Financing Products Minimum PV % Savings</b>	<b>Non-Traditional Financing Products Minimum PV % Savings</b>
0 to 90-days (Current)	Greater of Call Premium or 1%	Call Premium + 1% - 2%
90-days to 1-year	Call Premium + 1%	Call Premium + 2% - 3%
1-year to 2-years	Call Premium + 2%	Call Premium + 3% - 4%
> 2-years	Call Premium + 3%	Call Premium + 4% - 5%

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<sup>4</sup> The Series 2005B, Series 2005D, Series 2006C, Series 2012B and Series 2013C are non-AMT. However, they may not be advance refunded since the proceeds were used to advance refund other Airports Authority Bonds. The Non-AMT Bonds (2009B, 2009C, 2010A, 2010F1) were issued as private activity Non-AMT Bonds and cannot be advance refunded. The 2011D Bonds were issued as a current refunding but given the length of time to the call date is not a viable refunding candidate.

## Exhibit C-1 Variable Rate Programs - Overview

### Summary of Dealers, Credit Enhancement and Bank Facilities.

#### Details of Dealers.

<i>Dealer</i>	<i>Program/ Series</i>	<i>Amount (\$MM)</i>	<i>Remarketing Fees</i>
Merrill Lynch	CP: Series Two*	Up to \$200	0.05%
Bank of America	Index Floater: 2003 D1 Bonds	\$61.525	None
Bank of America	VRDO: 2009D Bonds**	\$127.755	0.08 – 0.10%
Barclays	VRDO: 2010C Bonds	\$159.560	0.08%
Wells Fargo	Index Floater: 2010D Bonds	\$161.785	None
Wells Fargo	Index Floater: 2011A Bonds	\$219.340	None
Citi	Index Floater: 2011B Bonds	\$185.195	None

\* The CP Series One has been suspended and the CP Series Two is authorized to be issued up to \$200 million effective March 6, 2014.

\*\* The Series 2009D Bonds in a daily mode have a 0.10 percent remarketing fee and those bonds in a weekly mode have a 0.08 percent remarketing fee.

#### Details of 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*	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
Wells Fargo	Index Floater	2010 D	\$161.785	65.0*	December 18, 2015
Wells Fargo	Index Floater	2011A	\$219.340	82.0*	September 21, 2016
Citi	Index Floater	2011B	\$185.195	75.0**	September 17, 2015

\* This is a fixed spread to the 72 percent of LIBOR Index.

\*\* This is a fixed spread to the SIFMA Index.

Note: The fees above reflect the increases due to the Moody's downgrade.

## Exhibit C-2 Variable Rate Programs Historical Performance

The following tables illustrate (i) rolling three-month average spreads to SIFMA and (ii) rolling 12-month average spread to SIFMA including credit and remarketing fees.

### *2013 Interest Rates (by quarter)*

Quarter	2003D1 BofA Index <sup>5</sup>	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 2 ML	SIFMA
12-month Rolling Average	0.743%	0.673%	0.688%	0.745%	0.745%	0.702%	0.872%	1.351%	0.08%
Jan-14 – Mar-14	0.775%	0.680%	0.702%	0.785%	0.776%	0.723%	0.893%	1.098%	0.04%

### *2004 – 2012 Historical All-in Costs (annually)*

Year	2003 D-1 <sup>5</sup>	2003 D-2 MS <sup>6</sup>	2002C UBS/ BoA <sup>7</sup>	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML (Tax.)	CP A/2 ML	SIFMA
2013	0.724%	n.a.	n.a.	0.662%	0.676%	0.707%	0.709%	0.696%	0.866%	n.a.	n.a.	1.347%	0.09%
2012	0.415%	n.a.	n.a.	0.671%	0.682%	0.624%	0.629%	0.754%	0.828%	n.a.	n.a.	1.339%	0.16%
2011	0.405%	n.a.	n.a.	0.648%	0.668%	0.599%	0.606%	0.745%	n.a.	0.721%	n.a.	1.468%	0.17%
2010	0.413%	n.a.	0.338%	1.243%	1.307%	n.a.	n.a.	n.a.	n.a.	0.293%	0.462%	0.323%	0.26%
2009	0.390%	2.291%	1.439%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.694%	1.659%	0.791%	0.40%
2008	2.079%	1.207%	0.960%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.470%	0.116%	2.21%
2007	0.649%	0.603%	0.370%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.989%	0.281%	3.62%
2006	0.474%	0.426%	0.463%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.381%	3.45%
2005	0.364%	0.398%	0.436%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.306%	2.47%
2004	0.438%	0.415%	0.427%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.258%	1.24%

<sup>5</sup> On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

<sup>6</sup> On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009, Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding.

<sup>7</sup> Bank of America replaced UBS as Remarketing Agent in April 2008.

Note: 2011B is a fixed spread to SIFMA and will not be tracked here.



The following tables illustrate (i) rolling three-month average spreads to SIFMA and (ii) rolling 12-month average spread to SIFMA excluding credit and remarketing fees.

### 2013 Interest Rates (by quarter)

Quarter	2003D1 BofA Index <sup>8</sup>	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 2 ML	SIF- MA
12-month Rolling Average	0.054%	-0.006%	-0.011%	-0.002%	-0.002%	0.052%	0.052%	0.123%	0.08%
Jan-14 – Mar-14	0.075%	-0.010%	-0.008%	0.005%	-0.004%	0.073%	0.073%	0.099%	0.04%

### October 2004-2012 Historical Interest Rates (by calendar year)

Year	2003 D-1 <sup>8</sup>	2003 D-2 MS <sup>9</sup>	2002C UBS/ BoA <sup>10</sup>	2009D1 BoA Weekly	2009D2 BoA Daily	2010C1 Barclay 2-Day	2010C2 Barclay Weekly	2010D Wells Index	2011A Wells Index	CP 1 JPM	CP 2 ML (Tax.)	CP A/2 ML	SIF MA
2013	0.047%	n.a.	n.a.	-0.004%	-0.010%	-0.003%	-0.001%	0.046%	0.046%	n.a.	n.a.	0.144%	0.09%
2012	0.054%	n.a.	n.a.	0.021%	-0.017%	-0.007%	-0.001%	0.007%	0.008%	0.031%	n.a.	0.189%	0.16%
2011	0.055%	n.a.	n.a.	0.004%	-0.033%	-0.033%	-0.024%	-0.013%	n.a.	0.073%	n.a.	0.315%	0.17%
2010	0.063%	n.a.	0.092%	-0.014%	-0.000%	n.a.	n.a.	n.a.	n.a.	0.073%	0.252%	0.113%	0.26%
2009	0.040%	0.841%	1.193%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.474%	1.449%	0.581%	0.40%
2008	1.673%	0.860%	0.713%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.260%	-0.094%	2.21%
2007	0.239%	0.193%	0.091%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.739%	0.032%	3.62%
2006	-0.026%	-0.074%	-0.026%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.099%	3.54%
2005	-0.046%	-0.012%	0.037%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.084%	2.47%
2004	0.028%	0.005%	0.040%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-0.012%	1.24%

<sup>8</sup> On December 18, 2012, Bank of America purchased the 2003D-1 Bonds as Indexed Floaters. On April 16, 2009, Wells Fargo took over the remarketing of the 2003D-1 Bonds from Goldman Sachs.

<sup>9</sup> On April 23, 2009, Morgan Keegan took over the remarketing of the 2003D-2 Bonds from Morgan Stanley; on July 30, 2009, Wachovia took over the remarketing from Morgan Keegan and became the LoC Provider replacing Regions Bank. As of October 1, 2010, the 2003D-2 Bonds were no longer outstanding.

<sup>10</sup> Bank of America replaced UBS as Remarketing Agent in April 2008.

Note: 2011B is a fixed spread to SIFMA and will not be tracked here.

## Exhibit D-1 Swap Profile

The table below summarizes the Airports Authority's current swap profile. All of the Airports Authority's swaps call for a fixed rate to be paid by the Airports Authority to the counterparty and a variable rate to be received by the Airports Authority based upon 72 percent of LIBOR.

Trade Date	Effective Date	Termination Date ("final maturity")	Swap Providers	Ratings Moody's/S&P/ Fitch	Outstanding Notional Amount (\$millions) <sup>8</sup>	Hedged Series	Current Termination Value <sup>11</sup>	Fixed Rate
7/31/01	8/29/02	10/1/21	Bank of America	A2/A/A	\$43.3	2011A-2	(\$5,625,000)	4.445%
6/15/06	10/1/09	10/1/39	JPMorgan Chase Bank of America	Aa3/A+/A+ A2/A/A	\$177.4 <u>\$102.7</u> \$280.1	2011A-3 2009D 2010C2	(\$39,160,000) <u>(\$22,718,000)</u> (\$61,878,000)	4.099%
6/15/06	10/1/10	10/1/40	Wells Fargo	Aa3/AA-/AA-	\$161.8	2010D	(\$37,275,000)	4.112%
5/13/05	10/1/11	10/1/39	Wells Fargo	Aa3/AA-/AA-	<u>\$121.9</u>	2011A-1	<u>(\$22,527,000)</u>	3.862%
<b>Aggregate Swaps</b>					\$607.1		(\$127,305,000)	

The table below presents the all-in effective rate of the swaps. The 2002, 2010 and 2011 swaps hedge only indexed floaters. The 2009 swaps hedge both indexed floaters and VRDOs (separate all-in effective rates are presented for each). The interest rate paid on each of the indexed floaters is equal to 72 percent of LIBOR plus an agreed upon spread. The all-in effective rate is therefore equal to the fixed swap rate plus the agreed upon spread (82 basis points on the 2011A Bonds and 65 basis points on the 2010D Bonds). In Exhibit D-2, we track the monthly performance and all-in effective rate of the 2009 swap in relation to the hedged VRDOs.

Effective Date	Notional Amount (\$millions)	Hedged Series	Fixed Rate	All-In Effective Rate*
8/29/02	\$43.3	2011A-2 (Indexed Floaters)	4.445%	5.265%**
10/1/09	\$54.1	2011A-3 (Indexed Floaters)	4.099%	4.919%**
10/1/09	\$226.0	2009D&2010C2 (VRDOs)	4.099%	4.954%
10/1/10	\$161.8	2010D (Indexed Floaters)	4.112%	4.762%
10/1/11	\$121.9	2011A-1 (Indexed Floaters)	3.862%	4.682%

\*The All-In Effective Rate takes into account the agreed upon spread on indexed floaters and remarketing and bank facility costs on the VRDOs.

\*\*Note that the all-in effective rate is effective as of October 1, 2011 and does not take into account performance prior to that date when the swaps hedged the Series 2002C and 2009A Bonds (VRDOs) The Series 2002C and 2009A Bonds are no longer outstanding.

<sup>11</sup> Amounts as of March 31, 2014; A negative value represents a payment by the Airports Authority to the counterparty if the swap is terminated in the current market; a positive value represents a receipt by the Airports Authority if the swap is unwound in the current market.

## **Exhibit D-2**

### **2009 Swap Effective Interest Rate to-date and Monthly Performance**

The Airports Authority's 2009 Swap is a fixed-payor interest rate swap. Under the 2009 Swap, (a) the Airports Authority pays a fixed rate, 4.099 percent, to the swap counterparty; (b) in return, the swap counterparty pays the Airports Authority a variable rate of interest equal to 72 percent of one-month LIBOR. This variable rate received from the counterparty was designed to closely correlate the interest rate the Airports Authority pays on the underlying variable rate bonds, thereby creating essentially fixed rate debt (synthetic fixed rate debt). The Swap Agreement was dated June 15, 2006, and effective October 1, 2009. The 2009 Swap counterparties were Bear Stearns and Bank of America. However, Bear Stearns was bought by JP Morgan in March 2008. The following table presents the 72 percent of one-month LIBOR rate received from the counterparties, the average monthly interest rate on the hedged variable rate bonds paid by the Airports Authority (excludes hedged indexed floaters), and the resulting effective all-in interest rate on the swap. The 2009 swap hedges the Series 2009D Bonds and the Series 2010C2 Bonds. The swap previously hedged the Series 2009A Bonds until these bonds were refunded by the 2011A-3 Indexed Floaters (the calculated effective rate does take into account the 2009A Bonds prior to being refinanced).

## Hedged VRDOs and Swaps

Period	1-month LIBOR <sup>12</sup>	72% 1-month LIBOR	Average All-In Aggregate Interest Rate <sup>13</sup>	Average Fixed Swap Rate	Effective Interest Rate <sup>14</sup>	All-In Effective Rate to Date
3/1/14 – 4/1/14	0.16%	0.11%	0.78%	4.099%	4.769%	4.954%
2/1/14 – 3/1/14	0.16%	0.11%	0.76%	4.099%	4.748%	4.957%
1/1/14 – 2/1/14	0.16%	0.12%	0.76%	4.099%	4.747%	4.960%
12/1/13 – 1/1/14	0.17%	0.12%	0.78%	4.099%	4.760%	4.964%
11/1/13 – 12/1/13	0.17%	0.13%	0.79%	4.099%	4.768%	4.968%
10/1/13 – 11/1/13	0.18%	0.13%	0.81%	4.099%	4.778%	4.971%
9/1/13 – 10/1/13	0.18%	0.13%	0.79%	4.099%	4.764%	4.974%
8/1/13 – 9/1/13	0.18%	0.13%	0.79%	4.099%	4.759%	4.978%
7/1/13 – 8/1/13	0.19%	0.14%	0.80%	4.099%	4.757%	4.982%
6/1/13 – 7/1/13	0.19%	0.14%	0.75%	4.099%	4.709%	4.987%
5/1/13 – 6/1/13	0.20%	0.14%	0.79%	4.099%	4.750%	4.992%
4/1/13 – 5/1/13	0.20%	0.14%	0.81%	4.099%	4.769%	4.997%
3/1/13 – 4/1/13	0.20%	0.15%	0.75%	4.099%	4.700%	5.002%
2/1/13 – 3/1/13	0.20%	0.14%	0.74%	4.099%	4.693%	5.008%
1/1/13 – 2/1/13	0.20%	0.15%	0.73%	4.099%	4.682%	5.014%

### Historical Data:

1/1/12 – 1/1/13	0.24%	0.17%	0.82%	4.099%	4.75%	5.06%
1/1/11 – 1/1/12	0.23%	0.17%	0.87%	4.099%	4.80%	5.21%
1/1/10 – 1/1/11	0.27%	0.20%	1.41%	4.099%	5.31%	5.35%
10/1/09 – 1/1/10	0.24%	0.17%	1.59%	4.099%	5.52%	5.52%

<sup>12</sup> One-month LIBOR is weighted average of weekly one-month LIBOR as reset each Tuesday for a Thursday effective date except for the Bank of America swap where the two London Banking Days are replaced by one London Banking Day.

<sup>13</sup> The 2009D-1 and 2010C-2 variable rate bonds are currently in a weekly mode, with interest rate resets each Wednesday for a Thursday effective date. The 2009D-2 variable rate bonds are currently in a daily mode. The 2009A variable rate bonds were in a weekly mode, with interest rate resets each Tuesday for a Wednesday effective date. The interest rate is the all-in interest rate including bank facility costs.

<sup>14</sup> Totals will not add due to the day count difference of 30/360-day basis for the fixed swap rate and actual/actual day basis for the floating swap rate.