

# **REPORT FOR THE FINANCE COMMITTEE**

## **REQUEST FOR PROPOSALS FOR SECURITIZATION OF THE FULL FUNDING GRANT AGREEMENT**

**SEPTEMBER 2012**

## Purpose

- To request Committee consent for staff and the Financial Advisors to enter into negotiations with a bank for a loan secured by future receipts from the Federal Transit Administration under the Full Funding Grant Agreement (FFGA)
- No formal action is required at this meeting, the request is for consent to negotiate with a selected bank
- If negotiations are successful, the proposed schedule includes providing draft documents to the Finance Committee in October and Board approval in November

## Background

- As previously presented by Financial Advisors, in lieu of a 2012 Dulles Toll Road Revenue Bond Issue, Financial Advisors and staff recommend securitization of FFGA receipts. (a loan repaid from future FFGA receipts)
- Under the \$900 million FFGA, the Airports Authority has received \$611.1 million and expects to receive approximately \$288.9 million of funding for Phase 1 of the Dulles Metrorail Project over the next four years.
- The transaction will:
  - Provide a loan against a portion of the future \$288.9 million receipts
  - Preserve existing Commercial Paper capacity, adding flexibility with size and timing of the next long-term Dulles Toll Road revenue bonds
  - Take advantage of short-term rates
  - Result in an efficient execution of the loan

## Discussion

- On July 25, 2012, the Airports Authority issued a Request for Proposals (RFP) for Securitization of the FFGA receipts to members of the Dulles Corridor Enterprise underwriting syndicate
- On August 13, 10 of the 11 members in the underwriting syndicate responded to the RFP
- On August 24, staff and Financial Advisors reviewed the proposals and issued an addendum to the RFP with follow-up questions
- Considerations included fixed rate versus variable rate bonds, marketed bonds versus directly placed loans, and efficiency of execution

## Conclusion

- Staff and Financial Advisors, recommend negotiating a direct loan with *Bank of America*.
- The benefits include:
  - Quick execution with no public marketing or investor education period
  - No credit rating required (time-consuming and relatively expensive)
  - Low cost of funds
  - Ability to negotiate flexible repayment terms
- Committee consent is requested to enter negotiations with *Bank of America*
- If successful, Staff will seek Finance Committee approval in October and Board approval in November

**REPORT TO THE FINANCE COMMITTEE**  
**REQUEST FOR PROPOSALS**  
**FOR**  
**SECURITIZATION OF THE FULL FUNDING GRANT AGREEMENT**  
**SEPTEMBER 2012**

**PURPOSE**

To update the Committee on the progress made for a loan secured by future receipts from the Federal Transit Administration under the Full Funding Grant Agreement (FFGA) for the Metrorail Project. Committee's consent for staff and the Financial Advisors to enter into negotiations for a direct loan secured by future FFGA receipts is requested.

**BACKGROUND**

As previously presented, in lieu of a 2012 Dulles Toll Road Revenue Bond issuance, staff and the Financial Advisors recommend proceeding with a securitization of future FFGA receipts. This transaction will provide a loan against a portion of the future \$288.9 million FFGA receipts, preserving the existing Commercial Paper capacity, allowing for flexibility with the size and timing of the next long-term Dulles Toll Road revenue bonds sale and the ability to take advantage of short-term rates.

Under the FFGA, the Metropolitan Washington Airports Authority (Airports Authority) can receive up to \$900 million of federal funding for Phase 1 of the Dulles Metrorail Project. As of July 1, 2012, \$611.1 million has been appropriated to the Airports Authority. The Airports Authority expects to receive a total of \$288.9 million, \$96 million per annum in federal fiscal years 2013, 2014 and 2015 with a final appropriation of \$.9 million in federal fiscal year 2016.

**DISCUSSION**

On July 25, 2012, Airports Authority issued a Request for Proposals (RFP) for Securitization of FFGA receipts to members of the Dulles Corridor Enterprise underwriting syndicate. On August 13, the Airports Authority received responses from ten out of eleven of the underwriting syndicate members. On August 24, after review of the proposals by the Financial Advisors and Staff, an addendum was sent to all responding firms requesting clarification of certain terms by August 29.

Staff and the Financial Advisors considered factors such as fixed rate versus variable rate bonds, marketed bonds versus directly placed loans and efficiency of execution of the loan.

After review of all the responses, Staff and Financial Advisors recommend negotiating a fixed rate direct loan with Bank of America (BofA). The indicative rate offered by BofA is attractive and the direct loan can be structured to provide flexible repayment provisions to accommodate the timing of FFGA receipts. The benefits also include a quick execution with no public marketing or investor education period, no credit rating required, low cost of funds and the ability to negotiate flexible repayment terms.

## **CONCLUSION**

Receive Committee consent for staff and the Financial Advisors to enter into negotiations with BofA for a direct loan secured by future FFGA receipts. If negotiations are successful, final documents will be presented to the Committee and Board for approval.

Prepared by:  
Office of Finance  
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