



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Report to the Finance Committee

Pre-Solicitation Terms for the Interim Financing Support for the Aviation Enterprise

October 2013



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 revolving loan to replace an expiring liquidity facility



Background

- The Airports Authority currently has a \$271 million Commercial Paper (CP) program supported by:
 - CP One Notes, a \$250 million LoC provided by JP Morgan Chase Bank, N.A. (JPMorgan), expiring in March 2014
 - CP Two Notes, a \$21 million LoC provided by Landesbank Baden-Württemberg (LBBW), expiring in December 2015

- This Commercial Paper program provides short-term construction liquidity for the Aviation Enterprise Capital Construction Program



Discussion (continued)

- The Proposed RFP will:
 - Replace and downsize CP One from \$250 to \$200 million
 - Potentially replace CP Two, based upon results
 - Request (a) a Letter of Credit (LoC) facility and/or (b) a revolving direct funded loan/line of indexed notes

- Recommended evaluation criteria:
 1. Proposed Fees
 - a. Unutilized and upfront fees
 - b. Utilized fee, plus trading value
 2. Termination Costs
 3. Willingness to accept the Airports Authority's proposed covenants and indemnification
 4. Proposed downgrade pricing
 5. Proposed term out provisions



Discussion (continued)

- The RFP will be distributed to banks known for offering LoCs, posted on the mwaa.com website and advertised in the *The Bond Buyer*

Date/Meeting	Tasks
October 16, Finance Committee	Present pre-solicitation terms/paper
October 17	MWAA distributes the bank solicitation
November 4	Proposals due
November 13, Finance Committee	Bank recommendation to Finance Committee; select Bank(s)
January 15, 2014, Finance Committee	Approve substantially final Bank(s) documents
February 19, 2014 Board	Approve substantially final Bank(s) documents
Early March 2014	Close new or extended Bank facility(ies)



Recommendation

- Staff requests that the Finance Committee concur with the solicitation terms of the LoC and revolving loan/line 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 INTERIM FINANCING SUPPORT FOR THE AVIATION ENTERPRISE

OCTOBER 2013

PURPOSE

The Airports Authority plans to issue a Request for Proposals (RFP) seeking proposals and bids from financial institutions interested in providing up to \$200 million in interim financing liquidity to support the Aviation Enterprise. The RFP requests bids for (a) a Letter of Credit (LoC) facility and/or (b) a revolving direct funded loan/line of indexed notes to support the Aviation Enterprise's Commercial Paper (CP) program. The contract fees will have an annual not-to-exceed amount of \$3 million and the expiration date may range from two to five years based on proposed pricing.

BACKGROUND

The Airports Authority has a \$271 million CP program supported by a \$250 million LoC provided by JP Morgan Chase Bank, N.A. (JPMorgan) and a \$21 million LoC provided by Landesbank Baden-Württemberg (LBBW). Currently, the Airports Authority has only drawn down on the \$21 million of CP Series Two.

Commercial paper provides a flexible interim financing tool that the Airports Authority uses to fund ongoing capital construction expenditures. Commercial paper is issued with amounts maturing in a range of 1-270 days. Typically, when a CP-funded project is completed, the Airports Authority will issue long-term bonds to refinance (or repay) the outstanding CP. Otherwise, during the construction period, or if the Airports Authority wishes to maintain some level of outstanding liquidity, the CP is re-issued or "rolled," with the proceeds of the roll being used to repay the maturing amount. A LoC provides credit and liquidity support for the CP. In the event the CP cannot be rolled (e.g., during market disruption), the LoC provides funds to repay holders of the CP, and the Airports Authority is obligated to repay the LoC provider based on the negotiated terms of the LoC and reimbursement agreement. Alternatively, a revolving loan/line of credit would provide the interim financing vehicle; a bank would advance funds to the Airports Authority and the obligation to repay the loan/line would be evidenced by a similar agreement.

DISCUSSION

The JPMorgan LoC expires in March 2014; the LBBW facility expires in December 2015. Finance Staff and the Financial Advisor recommend that the Airports Authority solicit proposals from banks to provide a replacement LoC or revolving loan/line for the

expiring JPMorgan facility and, depending on proposed fees, to potentially also replace the LBBW facility.

Size of the CP Program

The current LoC with JPMorgan is for \$250 million; however, based on 2013 cashflow projections of future Capital Construction Program (CCP) needs through 2016, the recommended level of the entire CP Program has been reduced to \$200 million. Based on 2013 Budget and the 2013 cashflows, the CCP expenditures over the next several years are \$231 million in 2014 and \$383 million in 2015-2016. Based on the Airports Authority's historical size of its CP program and prior budgeted CCP expenditures, the current projected CCP expenditures would relate to a \$150 million to \$200 million interim financing program. It is recommended that the interim financing program could range from \$150 million to \$200 million and that the ultimate sizing decision should be based on the proposals received.

Evaluation Criteria

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

- a. Proposed Fees
 - Unutilized and upfront fees
 - Utilized fee, plus trading value
- b. Termination Costs
- c. Willingness to accept the Airports Authority's proposed covenants and indemnification
- d. Proposed downgrade pricing
- e. Proposed term out provisions

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 and an advertisement will be placed in *The Bond Buyer*, a daily industry newspaper.

Schedule

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

Date/Meeting	Tasks
October 16, Finance Committee	Present pre-solicitation terms/paper
October 17	MWAA distributes the bank solicitation
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January 15, 2014 Finance Committee	Approve substantially final Bank(s) documents
February 19, 2014 Board	Approve substantially final Bank(s) documents
Early March 2014	Close new or extended Bank facility(ies)

RECOMMENDATION

Staff requests that the Finance Committee concur with the solicitation terms of the LOC and revolving loan/line RFP. The contract award will require Committee and full Board approval.

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