



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

## **REPORT FOR THE FINANCE COMMITTEE**

**Recommendation to Approve the Proposed Resolution  
Authorizing Direct Purchase of Bonds for the Airport  
System Revenue Variable Rate Bonds, Series 2010D and  
the Airport System Revenue and Refunding Variable Rate  
Bonds, Series 2011B**

**September 2014**



## Background

- The Airports Authority currently has \$335 million of outstanding variable rate bonds with bank facilities that expire in 2015 but may be replaced early without penalty for potential cost savings to the Airports Authority:
  - Series 2010D Bonds (Non-AMT) of \$162 million held by Wells Fargo as Direct Purchase Indexed Floaters expiring in December 2015 with current rate of 72% of LIBOR-Index plus 65 bps
  - Series 2011B Bonds (AMT) of \$173 million held by Citibank, N.A. as Direct Purchase Indexed Floaters expiring in September 2015 with current rate of SIFMA Index plus 75 bps
- The bank facilities support bonds previously issued to finance the Aviation Enterprise's Capital Construction Program



## Background (continued)

- A bank facility solicitation was sent to over 40 financial institutions on May 22
- The Airports Authority received 16 proposals from 11 banks which included 8 letter of credit bids and 8 indexed floater bids
- Benefits of the proposals include:
  - Lower cost of capital as compared to currently outstanding costs which result in up to \$1.3 million in annual savings
  - Extension of the bank facilities from 2015 to 2017
  - Retaining Non-AMT status for the Series 2010D Bonds



## Background (continued)

- In a prior meeting, the Financial Advisor and Finance staff provided a summary report of those proposals
- Based on the approved evaluation criteria, the most competitive proposals are:

Provider	Product	Capacity	Liquidity Fee	Term
PNC	Indexed Floater	\$173.2 million	72% Libor + 32 bps	3 years
Wells Fargo	Indexed Floater	\$161.8 million	72% Libor + 32.5 bps	3 years



## Discussion

- The Finance Staff, Financial Advisors and Bond Counsel have successfully negotiated all terms and documents with PNC and Wells Fargo bankers and their bank counsel and recommend:
  - Accept PNC proposal for Direct Purchase Indexed Floaters of \$173.2 million of the Series 2011B Bonds currently held by Citi and extend the term to 2017. It will result in
    - The Index Mode and Index Rate change from SIFMA plus 75 bps to 72% LIBOR plus 32 bps and \$780 thousand in annual savings
  - Accept Wells Fargo proposal to extend the initial Direct Purchase Indexed Floaters period to 2017 for the Series 2010D Bonds. It will result in
    - Reduction in the Index rate from 72% LIBOR plus 65 bps to 72% LIBOR plus 32.5 bps and \$520 thousand in annual savings



## Discussion

- Bond Counsel has concluded a detailed review of the terms outlined in the proposals and prepared related transaction documents.
  - Series 2010D:
    - Second Amended and Restated Continuing Covenant Agreement between MWAA and Wells Fargo
    - Amended and Restated Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust
  - Series 2011B:
    - Continuing Covenant Agreement between MWAA and PNC
    - Amendment No. 1 to the Forty-first Supplemental Indenture of Trust



## Recommendation

- The Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed Resolution that will authorize:
  - Extending the term and reducing the financing fees associated with the Series 2010D Bonds with Wells Fargo, N.A.,
  - Selling the Series 2011B Bonds to PNC Bank, N.A., including extending the term, changing the interest rate mode, and reducing financing fees, and
  - Approving substantially complete transaction documents.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY

## **PROPOSED RESOLUTION**

### **Authorizing Direct Purchase of Bonds for Airport System Revenue Variable Rate Bonds, Series 2010D and Airport System Revenue and Refunding Variable Rate Bonds, Series 2011B**

WHEREAS, The Airports Authority issued its Airport System Revenue Variable Rate Bonds, Series 2010D (the "Series 2010D Bonds") under the Amended and Restated Master Indenture of Trust, dated as of September 1, 2001, as amended (the "Master Indenture"), as supplemented by a Thirty-eighth Supplemental Indenture of Trust, dated as of September 1, 2010, (the "Thirty-eighth Supplemental") between the Airports Authority and the Trustee, as amended by Amendment No. 1 thereto, dated as of December 1, 2012 (the "Original Amendment") and the Series 2010D Bonds bear interest at a rate based on the LIBOR Index Rate Mode in the manner described in the Thirty-eighth Supplemental, as amended by the Original Amendment, for a period that extends to December 18, 2015;

WHEREAS, Wells Fargo Bank, National Association ("Wells") directly purchased the Series 2010D Bonds pursuant to an Amended and Restated Continuing Covenants Agreement, dated December 1, 2012, between the Airports Authority and Wells (the "Wells CCA") and the Airports Authority desires to extend the Initial Index Rate Period (as such term is defined in the Wells CCA) during which Wells will remain the direct purchaser of the Series 2010D Bonds; and

WHEREAS, The Airports Authority issued its Airport System Revenue and Refunding Variable Rate Bonds, Series 2011B (the "Series 2011B Bonds") under the Master Indenture, as supplemented by a Forty-first Supplemental Indenture of Trust, dated as of September 1, 2011 (the "Forty-first Supplemental") between the Airports Authority and the Trustee, and the Series 2011B Bonds bear interest at a rate based on the SIFMA Index Rate Mode in the manner described in the Forty-first Supplemental for a period that extends to September 17, 2015;

WHEREAS, Citibank, N.A. is the Holder of the Series 2011B Bonds during that initial period;

WHEREAS, The Airports Authority desires to convert the Series 2011B Bonds from the SIFMA Index Rate Mode to the LIBOR Index Rate Mode by having the Series 2011B Bonds tendered for mandatory purchase by Citibank, N.A. as a result of such mode change and selling the Series 2011B Bonds to PNC Bank, National Association ("PNC Bank"), as direct purchaser;

WHEREAS, There has been presented to the Board of Directors the form of the documents described below that the Airports Authority proposes to execute in connection with the extension of the Initial Index Rate Period in which Wells is the direct purchaser of the Series 2010D Bonds and the mandatory tender of the Series 2011B Bonds and conversion of the Series 2011B Bonds to the LIBOR Index Rate Mode in which PNC Bank will be the direct purchaser of the Series 2011B Bonds, copies of which documents shall be filed in the records of the Airports Authority:

(a) Amended and Restated Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust (the “Amended and Restated Amendment to the Thirty-eighth Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2010D Bonds; and

(b) the Amended and Restated Continuing Covenants Agreement relating to the Series 2010D Bonds between the Airports Authority and Wells (the “Amended Wells Continuing Covenants Agreement”); and

(c) Amendment No. 1 to the Forty-first Supplemental Indenture of Trust (the “Amendment to the Forty-first Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2011B Bonds; and

(d) the Continuing Covenants Agreement relating to the Series 2011B Bonds between the Airports Authority and PNC Bank (the “PNC Continuing Covenants Agreement”); now, therefore, be it

RESOLVED, That the Amended and Restated Amendment to the Thirty-eighth Supplemental, the Amended Wells Continuing Covenants Agreement, the Amendment to the Forty-first Supplemental and the PNC Continuing Covenants Agreement shall be and hereby are approved in substantially the form submitted to the Board of Directors at this meeting, with such completions, omissions, insertions and changes necessary to reflect the transactions to be accomplished by such documents or as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of the Board of Directors’ approval of such completions, omissions, insertions and changes;

2. That Wells shall remain the direct purchaser of the Series 2010D Bonds pursuant to, and for the term provided in, the Amended Wells Continuing Covenants Agreement, and such Series 2010D Bonds shall bear interest in the LIBOR Index Rate Mode in the manner provided in the Thirty-eighth Supplemental as amended by the Amended and Restated Amendment to the Thirty-eighth Supplemental;

3. That the Series 2011B Bonds shall be tendered for mandatory purchase by Citibank, N.A. and that PNC Bank shall become the direct purchaser of the Series 2011B Bonds pursuant to, and for the term provided in, the PNC Continuing Covenants Agreement, and such Series 2011B Bonds shall be converted from the SIFMA Index Rate Mode and shall bear interest in the LIBOR Index Rate Mode in the manner provided in the Forty-first Supplemental as amended by the Amendment to the Forty-first Supplemental;

4. That the Chairman and the Vice Chairman of the Board of Directors are each authorized to execute the Amended and Restated Amendment to the Thirty-eighth Supplemental, the Amended Wells Continuing Covenants Agreement, the Amendment to the Forty-first Supplemental and the PNC Continuing Covenants Agreement, and any other document, and to take any further action that the Chairman or Vice Chairman determines to be necessary or desirable to complete any of the transactions addressed and authorized by this Resolution;

5. That the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Airports Authority on any document executed pursuant to paragraph 4 of this Resolution, and to attest the same;

6. 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, as applicable, a tax certificate and all other required notices, certificates and instruments with respect to the actions addressed and authorized by this Resolution, including Internal Revenue Service Form 8038 or 8038-G, on behalf of the Airports Authority and to take any further action as the officers may consider necessary or desirable in connection with such actions;

7. That all other acts of the Chairman and the Vice Chairman of the Board of Directors, the President and Chief Executive Officer and the Vice President for Finance and Chief Financial Officer, whether before or after the adoption of this Resolution, that are in conformity with the purposes and intent of this Resolution are hereby approved, ratified and confirmed; and

8. That any authorization provided in this Resolution to execute a document shall include authorization to deliver the document to the other parties thereto.

*For consideration by the Finance Committee and  
Board of Directors on September 17, 2014*