



# **REPORT TO THE FINANCE COMMITTEE**

## **Pre-Solicitation Terms for Bank Facilities Associated with the Aviation Enterprise's Variable Rate Portfolio**

**May 2015**



## Purpose

- To receive the Finance Committee's concurrence with the pre-solicitation terms for a Request for Proposals (RFP) for a Letter of Credit (LoC) and/or Direct Purchase Indexed Floater to replace or extend bank facilities expiring in 2015 and 2016 that would not incur a penalty if terminated prior to their expiration date

## Background

- Currently, \$883.3 million in bank facilities provide credit enhancement and liquidity for the variable rate bonds and serve as direct variable rate loans

<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	\$59.750	70.0*	December 16, 2016
TD Bank	LOC	2009 D VRDO	\$125.205	61.0	December 2, 2017
Barclays Capital	LOC	2010 C VRDO	\$156.265	70.0	September 23, 2015
Wells Fargo	Index Floater	2010 D	\$158.780	32.5*	September 23, 2017
Wells Fargo	Index Floater	2011A	\$210.135	82.0*	September 21, 2016
PNC	Index Floater	2011B	\$173.185	32.0*	October 2, 2017

- A total of \$426.4 million of the bank facilities will expire in 2015 and 2016
  - Facilities expiring in 2015 need to be replaced or extended
  - Given the current market conditions, it is prudent to solicit replacement facilities expiring in 2016 as long as they do not incur a termination penalty

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



## Discussion

- Recommended evaluation criteria:
  1. Proposed fees, credit quality and trading value of securities backed by the responding institution
  2. Costs to terminate the facility in part or in whole prior to scheduled expiration
  3. Willingness to accept the proposed covenants and indemnification
  4. Proposed downgrade pricing
  5. Proposed term out provisions
  6. Ability to retain Non-AMT status, where appropriate



## Discussion *cont'd*

- The RFP will be posted on the mwaa.com website and advertised in the *The Bond Buyer* as well as distributed to banks known for offering LoCs and Direct Purchase Indexed Floaters
- The proposed schedule is as follows

Date/Meeting	Tasks
May 21	Distribution of the RFP
June 12	Proposals due
July 15	Bank recommendation to Finance Committee; select Bank(s)
September 16	Board approves substantially complete transaction documents
September 22	Close new or extended Bank facilities



## Recommendation

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



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