



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Report to the Finance Committee

Recommendation to Approve the Proposed Resolution Authorizing the Dulles Toll Road Second Senior Lien Revenue Refunding Bonds, Series 2014A

April 2014



Requested Action

- The Airports Authority's Dulles Corridor Enterprise Plan of Finance for 2014 includes two transactions to complete the Plan of Finance for the Dulles Corridor Metrorail Project:
 - TIFIA Loan application for approximately \$1.277 billion, and
 - \$450 million Dulles Toll Road (DTR) Revenue Refunding Bonds to fund the remaining DTR share of Project costs
- Staff requests that the Finance Committee approve and recommend that the Board of Directors approve, the Bond Authorizing Resolution, which:
 - Authorizes the issuance of DTR Revenue Refunding Bonds, Series 2014A, in the amount not to exceed \$450 million
 - Approves substantially completed bond documents
 - Provides delegations to the Chairman or Vice Chairman and at least one of the Co-Chairs of the Finance Committee regarding approval of final bond structure



Allocation of Estimated Metrorail Project Capital Costs and TIFIA


| SOURCES OF CAPITAL FUNDS \$ Millions | PHASE 1 | PHASE 2 ⁽¹⁾ | RAIL PROJECT BUDGET | | TIFIA Credit Assistance |
|--|-----------------|------------------------|---------------------|---------------|-------------------------|
| | | | Total | % of Total | |
| Federal | \$ 900 | \$ - | \$ 900 | 15.8% | |
| Commonwealth of Virginia ⁽²⁾ | 252 | 323 | \$ 575 | 10.1% | |
| Fairfax County | 400 | 515 | 915 | 16.1% | 403 |
| Loudoun County | - | 273 | 273 | 4.8% | 195 |
| MWAA (Aviation Funds) | - | 233 | 233 | 4.1% | - |
| MWAA (Dulles Toll Road) | \$ 1,354 | \$ 1,434 | \$ 2,788 | 49.0% | 1,277 |
| TOTAL SOURCES OF FUNDS ⁽³⁾ | \$ 2,906 | \$ 2,778 | \$ 5,684 | 100.0% | \$ 1,876 33.0% |

- Fixed amount
- Fixed percentage of total cost
- Residual

(1) May 2013 project cost estimates with Package A savings and cost of Route 28 Station allocated among partners. Phase 2 Parking Garages estimated to cost a total of \$348 million are assumed to be funded directly by the Counties and are not included in the \$5.684 billion project budget.
 (2) Does not include \$150 million of Commonwealth funds that will be used to pay interest on Dulles Toll Road revenue bonds.
 (3) Totals may not sum due to rounding.



No Additional Long-term Debt is Anticipated to be Issued After 2014 for the Rail Project

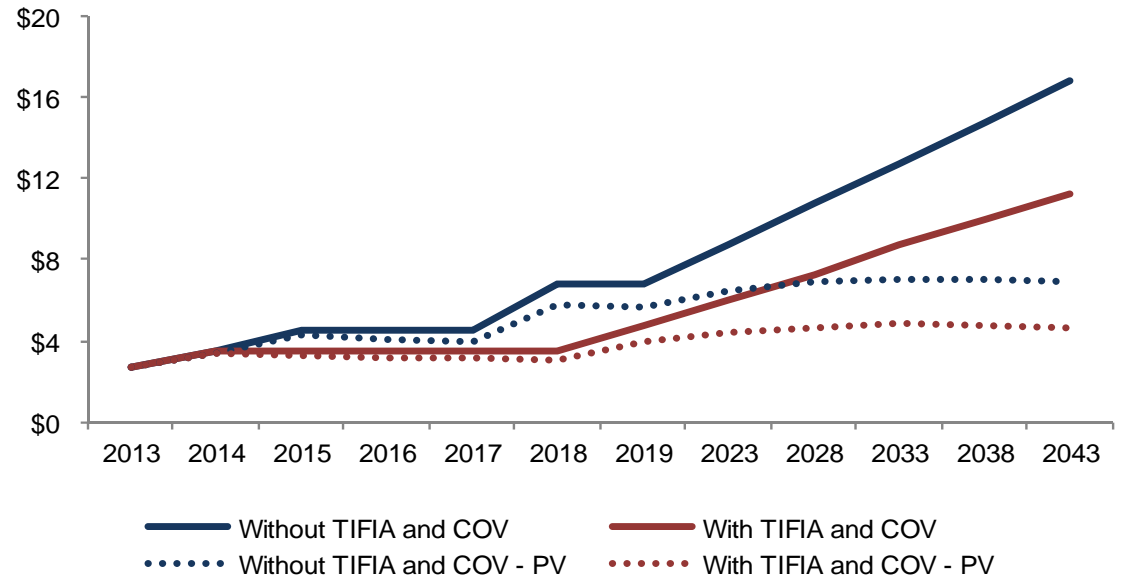
| Rail Project Funding by DTR | <i>\$ Millions</i> |
|---|--|
| Total Rail Project Costs allocated to the DTR | \$ 2,788 |
| DTR cash and Series 2009 and 2010 bond proceeds | (1,115) |
| | <hr/> |
| | \$ 1,673 |
| Anticipated TIFIA Loan | (1,277) |
| Remaining amount to be financed by DTR | \$ 396 |
| |  |
| Anticipated commercial paper and subordinate notes to be refinanced | \$ 396 |
| Debt service reserve fund deposit and issuance costs | 50 |
| | <hr/> |
| Estimated Second Senior DTR Revenue Bonds, Series 2014A | \$ 446 |



Toll Rates* are Significantly Improved with TIFIA Financing and the Commonwealth's Contributions

| Year | Without TIFIA and COV | Present Value** | With TIFIA and COV | Present Value** |
|------|-----------------------|-----------------|--------------------|-----------------|
| 2013 | \$2.75 | \$2.75 | \$2.75 | \$2.75 |
| 2014 | \$3.50 | \$3.40 | \$3.50 | \$3.40 |
| 2015 | \$4.50 | \$4.24 | \$3.50 | \$3.30 |
| 2016 | \$4.50 | \$4.12 | \$3.50 | \$3.20 |
| 2017 | \$4.50 | \$4.00 | \$3.50 | \$3.11 |
| 2018 | \$6.75 | \$5.82 | \$3.50 | \$3.02 |
| 2019 | \$6.75 | \$5.65 | \$4.75 | \$3.98 |
| 2023 | \$8.75 | \$6.51 | \$6.00 | \$4.46 |
| 2028 | \$10.75 | \$6.90 | \$7.25 | \$4.65 |
| 2033 | \$12.75 | \$7.06 | \$8.75 | \$4.84 |
| 2038 | \$14.75 | \$7.04 | \$10.00 | \$4.78 |
| 2043 | \$16.75 | \$6.90 | \$11.25 | \$4.63 |

Assumed DTR Total Trip Cost (Mainline + Ramp)



* Preliminary: Subject to change

** Present Value (PV) at 3%

COV = Commonwealth of Virginia



Proposed Schedule

| Next Steps | Target Date(s) |
|---|----------------------|
| Finance Committee & Board Approval of Bond Resolution/Documents | April 16 |
| Due Diligence with Senior Management | April 16 |
| Receive Ratings | April 18 |
| Post Preliminary Official Statement | April 21 |
| Marketing Efforts / Investor Relations | April 22-May 5 or 12 |
| Price Bonds | May 6 or 13 |
| Closing | May 20 |



Recommendation

- Approve substantially completed bond documents
 - Ninth Supplemental Indenture
 - Bond Purchase Agreement
 - Preliminary Official Statement, including the DTR Comprehensive Traffic and Revenue Study, April 2014 Update
 - Escrow Deposit Agreement, Commercial Paper, Series One Notes

- Authorize the Issuance of DTR Revenue Refunding Bonds, Series 2014A, in the amount not to exceed \$450 million

- Provide delegations to the Chairman or Vice Chairman and at least one of the Co-Chairs of the Finance Committee regarding approval of final bond structure:
 - Par Amount of Series 2014A Bonds
 - Interest Rate(s)
 - Maturity Dates
 - Redemption Provisions
 - Debt Service Reserve Requirement
 - Purchase Price
 - Issuance of Taxable Bonds



**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

**RECOMMENDATION TO APPROVE THE
PROPOSED RESOLUTION AUTHORIZING THE
DULLES TOLL ROAD
SECOND SENIOR LIEN REVENUE REFUNDING BONDS,
SERIES 2014A**

APRIL 2014

ACTION REQUESTED

That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed Authorizing Resolution for up to \$450 million of Dulles Toll Road (DTR) Second Senior Lien Revenue Refunding Bonds, Series 2014A (Series 2014A Bonds), approve the substantially complete bond documents, and delegate authority to the Chairman or Vice Chairman and at least one of the Co-Chairs of the Finance Committee regarding approval of the final bond structure.

BACKGROUND

In November 2013, through a competitive procurement process, the Board approved Underwriter selection for certain components of the following agreed-upon plan of finance listed below:

- I. *Interim Financing.* Up to \$400 million of short-term funding to be procured in the fourth Quarter of 2013 in order to fund ongoing capital needs prior to the anticipated receipt of TIFIA loan proceeds.
- II. *Long-Term Fixed Rate Financing.* Permanent funding to retire outstanding Commercial Paper (CP) Notes and any remaining capital needs not covered by Transportation Infrastructure Finance and Innovation Act (TIFIA) funding to be issued prior to or concurrent with the closing of a TIFIA loan.
- III. *TIFIA Anticipation Notes Financing.* A short-term instrument, up to or equal in size to a TIFIA loan, to be used to leverage TIFIA proceeds upon closing of a TIFIA loan.

The 2014 Plan of Finance includes two known transactions and a potential third to complete the debt financing of the Dulles Metrorail Project.

1. Issuance of fixed rate DTR Series 2014A Bonds to refund outstanding interim financings, as noted above in I and II. As a matter of information, to provide liquidity, a three-year \$300 million CP Program was established in August 2011,

and in November 2013, \$400 million of one year Subordinate Lien Notes were issued. To date, all of the CP and \$150 million of Notes are outstanding.

2. Issuance of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for approximately \$1.277 billion or 33 percent of the total Metrorail Project costs.
3. Potential issuance of TIFIA Anticipation Notes for approximately \$1.277 billion. While the existing interim financings expire this year, it may be cost-effective for the Airports Authority to issue additional short-term debt to help fund Metrorail Project costs during the Phase 2 construction period. Any such additional interim financing would be taken out at or near substantial completion with draws on the anticipated TIFIA loan. Any recommendation about the issuance of additional interim financing for this purpose will be presented to the Finance Committee at a future date.

DISCUSSION

Bond Proceeds

The sources of capital funds for the Metrorail Project include the Federal Government, Commonwealth of Virginia, Fairfax County, Loudoun County, Airports Authority Aviation Enterprise Fund, and the DTR Revenues. The total Metrorail Project cost allocated to the DTR Revenues is \$2.788 billion, of which \$1.115 billion has already been funded through DTR cash and the Series 2009 and 2010 Bond proceeds. Excluding the anticipated TIFIA Loan proceeds, an additional \$396 million in project costs plus an estimated \$50 million in debt service reserve funds and cost of issuance bring the estimated Series 2014A Bonds to approximately \$446 million.

Refunded Notes

The proceeds of the Series 2014A Bonds will refinance the current outstanding interim financings:

1. All or a portion of the Commercial Paper Program, Series One Notes
2. All or a portion of the Series 2013 Subordinate Lien Notes

Tolls

The Preliminary Official Statement will include the April 2014 Comprehensive Traffic and Revenue Study (T&R Study) as an Exhibit. As a result of the Commonwealth's contributions and the anticipated TIFIA loan, toll rates are anticipated to be improved over the initial projections.

Schedule

The Series 2014A Bonds are tentatively scheduled to price on May 6, and will be delivered on May 20. Pricing may be delayed two weeks depending on the degree of marketing required for the bonds and the negotiation status of TIFIA Loan terms.

Draft Documents

1. Ninth Supplemental Indenture of Trust between the Airports Authority and the Trustee, relating to the Series 2014A Bonds
2. Bond Purchase Agreement
3. Escrow Deposit Agreement
4. Preliminary Official Statement, including the April 2014 Comprehensive Traffic and Revenue Study

RECOMMENDATION

That the Finance Committee approve and recommend to the Board the adoption of the proposed Authorizing Resolution for up to \$450 million of DTR Series 2014A Bonds, approve the substantially complete bond documents, and delegate authority to the Chairman or Vice Chairman and at least one of the Co-Chairs of the Finance Committee regarding approval of the final bond structure.

Prepared by:

Office of Finance
April 2014

PROPOSED RESOLUTION

Authorizing the Issuance of Dulles Toll Road Second Senior Lien Revenue Refunding Bonds, Series 2014A (Dulles Metrorail and Capital Improvement Projects)

WHEREAS, On November 1, 2008, the Virginia Department of Transportation (“VDOT”) transferred the Dulles Toll Road to the Metropolitan Washington Airports Authority (“Airports Authority”) pursuant to the Master Transfer Agreement Relating to the Dulles Toll Road and the Dulles Corridor Metrorail Project, dated December 29, 2006, by and between VDOT and the Airports Authority;

WHEREAS, On the same date, VDOT and the Airports Authority entered into the Dulles Toll Road Permit and Operating Agreement (“Permit and Operating Agreement”) granting a permit to the Airports Authority for the following 50 years, among other things, to operate, maintain and improve the Dulles Toll Road, to establish, charge and collect tolls and other fees for the privilege of using the Dulles Toll Road, and to retain, use, pledge and assign revenues from such tolls and other fees, all in accordance with the terms and conditions of Permit and Operating Agreement;

WHEREAS, Under the Permit and Operating Agreement, the Airports Authority is responsible for the design and construction of an extension of the Washington Metrorail system from the West Falls Church Station to and through Dulles International Airport, ending at a new station on Virginia Route 772 (“Metrorail Project”), to be located in part within the Dulles International Airport Access Highway right-of-way;

WHEREAS, On August 12, 2009, the Airports Authority issued the Dulles Toll Road Revenue Bonds, Series 2009, in the aggregate principal amount of approximately \$963.3 million to pay, among other things, a portion of the costs of the Metrorail Project;

WHEREAS, On May 27, 2010, the Airports Authority issued the Dulles Toll Road Revenue Bonds, Series 2010, in the aggregate principal amount of approximately \$342.6 million to pay, among other things, a portion of the costs of the Metrorail Project;

WHEREAS, On August 11, 2011, the Airports Authority issued the Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One (“Commercial Paper Notes”) in the aggregate principal amount of up to \$300,000,000 to pay, among other things, a portion of the costs of the Metrorail Project;

WHEREAS, On November 22, 2013, the Airports Authority and JPMorgan Chase Bank, National Association (“JPMorgan”) entered into an agreement pursuant to which JPMorgan agreed to purchase, as requested from time to time by the Airports Authority, Dulles Toll Road Subordinate Lien Revenue Notes, Series 2013, in the aggregate principal amount not to exceed \$400,000,000 (“Series 2013 Notes”) maturing no later than November 19, 2014, of which \$150,000,000 is currently outstanding, to pay, among other things, a portion of the costs of the Metrorail Project;

WHEREAS, The Airports Authority desires to authorize the issuance of additional Dulles Toll Road Revenue Bonds, in one or more series in an aggregate principal amount not to exceed \$450,000,000, to finance and refinance a portion of the costs of the Metrorail Project, and to be designated as Dulles Toll Road Second Senior Lien Revenue Refunding Bonds, Series 2014A (“Series 2014A Bonds”) to (i) refund all or a portion of the outstanding Commercial Paper Notes and all or a portion of the outstanding Series 2013 Notes, (ii) fund the debt service reserve requirement for the Series 2014A Bonds, and (iii) pay the costs of issuance of the Series 2014A Bonds;

WHEREAS, The Airports Authority desires to set forth guidelines for determining the interest rate or rates, maturities and other terms of the Series 2014A Bonds;

WHEREAS, The forms of the following documents have been presented to the Board of Directors at this meeting:

(a) the Ninth Supplemental Indenture of Trust (“Supplemental Indenture”), dated as of May 1, 2014, by and between the Airports Authority and Manufacturers and Traders Trust Company, as trustee (“Trustee”), relating to the issuance of the Series 2014A Bonds;

(b) the Series 2014A Bonds, attached as Exhibit A to the Ninth Supplemental Indenture;

(c) the Bond Purchase Agreement relating to the Series 2014A Bonds (“Bond Purchase Agreement”), by and among the Airports Authority and J. P. Morgan Securities LLC, on behalf of itself and the other underwriters listed therein (collectively, the “Underwriters”);

(d) the Escrow Deposit Agreement relating to the defeasance of the Commercial Paper Notes (“Escrow Agreement”), by and between the Airports Authority and Manufacturers and Traders Trust Company, as escrow agent (“Escrow Agent”);

(e) the Appendix to the Continuing Disclosure Agreement, dated as of August 1, 2009 (“Continuing Disclosure Agreement Appendix”), by and between the Airports Authority and Digital Assurance Certification, L.L.C. (“DAC”), as the disclosure dissemination agent (the “Disclosure Dissemination Agent”), relating to the Series 2014A Bonds; and

(f) the Official Statement relating to the public offering of the Series 2014A Bonds (“Official Statement”), which includes as an appendix the Comprehensive Traffic and Revenue Study prepared in connection with the issuance of the Series 2014A Bonds; and

WHEREAS, All capitalized terms used but not defined in this Resolution have the meanings given them in the Supplemental Indenture; now, therefore, be it

RESOLVED, That the Underwriters are authorized to distribute the Official Statement to the prospective purchasers of the Series 2014A Bonds;

2. That Manufacturers and Traders Trust Company shall serve as the Trustee under the Supplemental Indenture and as Escrow Agent under the Escrow Agreement;

3. That the Series 2014A Bonds shall be issued in book-entry form pursuant to the Master Indenture of Trust, dated as of August 1, 2009 (“Master Indenture”), by and between the Airports Authority and the Trustee, and the Supplemental Indenture and sold to the Underwriters pursuant to the Bond Purchase Agreement, all upon the terms and conditions specified therein;

4. That the form of each of the documents described in paragraphs (a) through (f) of the tenth “Whereas” clause of this Resolution is hereby approved;

5. That the Chairman, or in his absence the Vice Chairman, of the Board of Directors and at least one of the Co-Chairs of the Finance Committee are authorized to jointly make the following determinations in the name of and for the benefit of the Airports Authority that are necessary or desirable to accomplish the issuance and sale of the Series 2014A Bonds:

(a) the number of series, the series designations and the exact principal amount of each series of the Series 2014A Bonds; provided, that the combined aggregate principal amount of the Series 2014A Bonds shall not exceed \$450,000,000;

(b) the interest rates for the Series 2014A Bonds;

(c) the maturity or maturities of the Series 2014A Bonds, including the amount and date of any mandatory sinking fund redemption for a maturity;

(d) the provisions for redemption of the Series 2014A Bonds prior to maturity;

(e) the amount, the extent and the provider of the bond insurance or other credit enhancement, if any, for the Series 2014A Bonds;

(f) the amount of the debt service reserve requirement, if any, and the provider of any Debt Service Reserve Fund surety bond; and

(g) the purchase price for the Series 2014A Bonds;

all in a manner to achieve the most favorable net effective interest rate while balancing the Airports Authority's exposure to interest rate, market and credit risks on the Dulles Corridor Enterprise debt of the Airports Authority; provided that the determinations made pursuant to this paragraph shall comply with the following requirements: (i) the maximum term of the Series 2014A Bonds shall not exceed 40 years; (ii) the Series 2014A Bonds shall be subject to redemption as provided in the Supplemental Indenture, as appropriate, provided that the redemption premium on the Series 2014A Bonds shall not exceed three percent (3%) of the principal amount thereof; (iii) the Underwriters' discount relating to any of the Series 2014A Bonds shall not exceed 2 percent (2%) of the principal amount thereof; (iv) the true interest cost of the Series 2014A Bonds shall not exceed nine percent (9%) per annum and (v) the Series 2014A Bonds shall be offered to the public at a price of not less than ninety-five percent (95%) and not more than one hundred ten percent (110%) of the principal amount thereof;

6. That each of the Chairman, the Vice Chairman, the Co-Chairs of the Finance Committee, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President for Finance and Chief Financial Officer, the Deputy Chief Financial Officer and the Manager of Treasury is hereby appointed as an "Airports Authority Representative" under the Master Indenture and the Supplemental Indenture and is authorized to determine at the time of pricing of the Series 2014A Bonds to not price one or more series of the Series 2014A Bonds and/or change the series designation of any of the Series 2014A Bonds and/or renumber the Supplemental Indenture to reflect sequential numbering of the Supplemental Indenture securing the Series of Series 2014A Bonds that are actually being issued;

7. That each of the Airports Authority Representatives is authorized to execute, by manual or facsimile signature, any document and to take any further action as the representative may consider necessary or desirable to implement the decisions that are made pursuant to paragraphs 5 and 6 of this Resolution;

8. That each of the Chairman and the Vice Chairman is authorized and directed to execute, by manual or facsimile signature, the Supplemental Indenture, the Bond Purchase Agreement, the Series 2014A Bonds and the Official Statement in substantially the forms submitted to the Board of Directors, with such changes, insertions, completions and omissions as are necessary to reflect the bond principal amounts and other terms of the Series 2014A Bonds determined pursuant to paragraphs 5 and 6 of this Resolution, and the execution of these documents by the Chairman or Vice Chairman shall constitute conclusive evidence of their approval by the Board of Directors;

9. That the Secretary is authorized and directed to affix the seal of the Airports Authority or a facsimile thereof on each of the Supplemental Indenture, the Bond Purchase Agreement, the Series 2014A Bonds and the Official Statement, after their execution by the Chairman or Vice Chairman, to attest the same by a manual or facsimile signature, and to deliver the Series 2014A Bonds to the Trustee for authentication upon the terms provided in the Master Indenture and the Supplemental Indenture; and

10. That each of the Airports Authority Representatives is authorized and directed, with respect to the Series 2014A Bonds, to execute and deliver such closing certificates, including a tax certificate and Internal Revenue Service Form 8038 or 8038-G returns, any letter of representations with The Depository Trust Company with respect to the Series 2014A Bonds, and any continuing

disclosure agreement, and take such actions as shall be necessary or desirable in connection with the closing or issuance of the Series 2014A Bonds.

*For consideration of the Finance Committee
and the Board of Directors on April 16, 2014*