



REPORT FOR THE FINANCE COMMITTEE

**RECOMMENDATION TO APPROVE THE PROPOSED
RESOLUTION AUTHORIZING ISSUANCE OF
FULL FUNDING GRANT AGREEMENT NOTES, SERIES 2012**

NOVEMBER 2012



Background

- In lieu of a 2012 Dulles Toll Road Revenue Bond Issue, the Financial Advisors and staff previously recommended securitization of future receipts from the Federal Transit Administration under the Full Funding Grant Agreement (FFGA).
- In September, the Committee gave consent to Staff and Financial Advisors to negotiate a fixed rate direct loan secured by future FFGA receipts with Bank of America (BofA), which was selected from 11 competitive proposals.
- 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.



Discussion

- The transaction will:
 - Provide approximately \$187 million of proceeds for Rail Project expenditures
 - Preserve existing Commercial Paper capacity, enhancing flexibility with regard to the size and timing of the next long-term Dulles Toll Road revenue bonds
- The benefits include:
 - Quick execution with no public marketing or investor education period
 - No credit rating required
 - Low cost of funds (anticipated to be approximately 2.20 percent)
 - Final maturity in 2016 with ability to prepay debt without penalty after one year



Recommendation

- Approve and recommend to the Board of Directors the Proposed Resolution to:
 - Approve substantially completed bond documents
 1. Master Trust Indenture
 2. First Supplemental Indenture
 3. Noteholder Agreement
 - Authorize the Issuance of FFGA Notes, Series 2012, in the amount not to exceed \$200 million, with BofA
 - Appoint the Authority's Trustee and Custodian, Manufacturers and Traders (M&T) Trust Company, as the Trustee and Custodian for the Notes

REPORT TO THE FINANCE COMMITTEE
RECOMMENDATION TO APPROVE THE PROPOSED RESOLUTION
AUTHORIZING ISSUANCE OF
FULL FUNDING GRANT AGREEMENT NOTES, SERIES 2012

NOVEMBER 2012

ACTION REQUESTED

That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed Authorizing Resolution for issuance of up to \$200 million of the Full Funding Grant Agreement (FFGA) Notes, Series 2012. In addition, approve the appointment of Manufacturers and Traders (M&T) Trust Company as the Trustee and Custodian.

DISCUSSION

As previously presented, Staff and the Financial Advisors recommend taking advantage of attractive short-term interest rates and proceeding with a securitization of future FFGA receipts. A primary reason for considering an FFGA transaction is to preserve existing commercial paper capacity for Phase 2 expenditures which will provide additional flexibility with regard to the size and timing of the next issuance of long-term Dulles Toll Road revenue bonds.

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.

In September, after review of all the responses to the Request for Proposal (RFP) for securitizing the future FFGA receipts, the Finance Committee gave consent to Staff and Financial Advisors to begin negotiating a fixed rate direct loan with Bank of America (BofA). The Finance Team, including staff, financial advisors, and bond counsel, has drafted the following documents for approval:

1. Master Trust Indenture
2. First Supplemental Indenture
3. Noteholder Agreement

The Series 2012 FFGA Notes final documents will be presented at the December Board meeting for approval and plans are to close the transaction shortly thereafter.

RECOMMENDATION

That the Finance Committee approve and recommend that the Board adopt the proposed Authorizing Resolution that authorizes the issuance of up to \$200 million of the Series 2012 FFGA Notes, and approve related documents in substantially completed form. In addition, approve the appointment of Manufacturers and Traders (M&T) Trust Company as the Trustee and Custodian.

Prepared by:
Office of Finance
November 2012

Proposed Resolution

Authorizing the Issuance of up to \$200,000,000 Full Funding Grant Agreement Notes, Series 2012

WHEREAS, Effective March 10, 2009, the Metropolitan Washington Airports Authority (the "Airports Authority") and the United States Department of Transportation, Federal Transit Administration ("FTA") entered into a Full Funding Grant Agreement (the "FFGA" or "Grant Agreement") relating to phase one of the Dulles Metrorail Project, pursuant to which the FTA agreed to provide to the Airports Authority up to \$900,000,000 in financial assistance in accordance with the terms of the Grant Agreement;

WHEREAS, The Airports Authority desires to advance the use of such financial assistance by issuing short-term obligations secured primarily by the future receipt of such financial assistance under the Grant Agreement;

WHEREAS, The Airports Authority desires to authorize the issuance of notes (the "Notes") in an aggregate principal amount of up to \$200,000,000 to (i) finance a portion of the costs of the Dulles Corridor Metrorail Project; (ii) fund the Series 2012 Debt Service Reserve Account in the Debt Service Reserve Fund, and (iii) pay certain costs of issuance of the Notes;

WHEREAS, The Notes constitute a series of notes under the Trust Indenture, dated as of December 1, 2012 (the "Trust Indenture"), as supplemented by the First Supplemental Indenture of Trust, dated as of December 1, 2012 (the "First Supplemental Indenture" and together with the Trust Indenture, the "Indenture"), each by and between the Airports Authority and Manufacturers and Traders Trust Company, as trustee (the "Trustee"), designated as Full Funding Grant Agreement Notes, Series 2012;

WHEREAS, The Finance Committee gave consent to the Airports Authority to enter into negotiations with the Bank of America, N.A. (the "Bank") in September 2012 to determine the terms of the Noteholder Agreement (defined herein) pursuant to which the Bank will purchase the Notes from the Airports Authority on the terms and conditions set forth in the Noteholder Agreement;

WHEREAS, There have been presented at this meeting the forms of the following documents that the Airports Authority proposes to execute in connection with the issuance of the Notes, copies of which documents shall be filed with the records of the Airports Authority:

- (a) the Trust Indenture;

- (b) the First Supplemental Indenture;
- (c) the Notes, the form of which is attached as Exhibit B to the First Supplemental Indenture;
- (d) the Noteholder Agreement, dated as of December 1, 2012 (the "Noteholder Agreement"), by and between the Airports Authority and the Bank; and
- (e) the Secured Custodial Agreement, dated as of December 1, 2012 (the "Custodial Agreement"), by and among the Airports Authority, Manufacturers and Traders Trust Company, in its capacity as custodian (the "Custodian") and the Trustee, relating to the Notes, and attached as Exhibit A to the Trust Indenture; and

WHEREAS, The Board of Directors desires to appoint Manufacturers and Traders Trust Company as the Trustee under the Indenture and as Custodian under the Custodial Agreement;

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

RESOLVED, That Manufacturers and Traders Trust Company shall serve as the Trustee under the Indenture and the Custodian under the Custodial Agreement;

2. That the Notes shall be issued pursuant to the First Supplemental Indenture, from time to time, in an aggregate principal amount not to exceed \$200,000,000, as the proceeds thereof are needed to (i) finance a portion of the costs of the Dulles Corridor Metrorail Project; (ii) fund the Series 2012 Debt Service Reserve Account in the Debt Service Reserve Fund, and (iii) pay certain costs of issuance of the Notes;

3. That the Notes shall be repaid primarily from the payments by the FTA to the Airports Authority under the Grant Agreement and from certain other "Pledged Funds" as described in the Trust Indenture and, to the extent that amounts received under the Grant Agreement are insufficient to pay the principal of and interest on the Notes in full, from the proceeds of bonds issued under the Dulles Toll Road Bonds indenture of trust;

4. That the Notes shall be issued in fully registered form as a series of Notes pursuant to the Indenture and purchased by the Bank pursuant to the Noteholder Agreement, all upon the terms and conditions specified herein, in the First Supplemental Indenture and in the Noteholder Agreement;

5. That, when executed, the Trust Indenture, the First Supplemental Indenture, the Notes, the Noteholder Agreement and the Custodial Agreement shall be in substantially the forms submitted to the Board of Directors at this meeting, which are approved, with such completions, omissions, insertions and changes as are necessary or desirable or as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of the approval by the Board of Directors of any such completions, omissions, insertions and changes, subject to the limitations and restrictions set forth in paragraph 7 below;

6. That the Chairman or the Vice Chairman is authorized and directed to execute the Trust Indenture, the First Supplemental Indenture, the Notes, the Noteholder Agreement and the Custodial Agreement, and the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Airports Authority on any or all of such documents as required and to attest to the same;

7. That each of the Chairman and the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President and General Counsel, the Vice President for Finance and Chief Financial Officer and the Manager of Treasury (the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Vice President and General Counsel, the Vice President for Finance and Chief Financial Officer and the Manager of Treasury being collectively referred to herein as the "Executives") is hereby appointed as an "Airports Authority Representative" under the Trust Indenture and each is authorized to take the following actions 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 Notes from time to time:

8. To determine the date of issuance, principal amount, interest rate and maturity of any Note issued hereunder and under the Indenture, all within the parameters and limitations set forth herein and in the Indenture; and

9. To execute and deliver such closing certificates, including a tax certificate and Internal Revenue Service Form 8038 or 8038-G returns and any closing certificates required pursuant to the Noteholder Agreement, and take such actions as shall be necessary or desirable in connection with the closing or issuance from time to time of the Notes.

For consideration by the Finance Committee on November 14, 2012.