



REPORT TO THE FINANCE COMMITTEE

Recommendation to Approve Authorizing an Extension of the Series 2010D Bonds and the Refinancing of the Series 2011B Bonds of the Aviation Enterprise's Variable Rate Portfolio

September 2017



Requested Action

- That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed Resolution that will authorize:
 - Extending the Series 2010D Bonds
 - Refinancing of the Series 2011B Bonds, and
 - Approving substantially complete transaction documents.



Background

- Currently, in addition to a \$200 million Commercial Paper Program, the Airports Authority has \$801.5 million in credit facilities associated with its variable rate program:

Bank Provider	Facility	Program/Series	Amount (\$M)	Costs (bps)	Expiration
Wells Fargo	Indexed Floater	2010D	152.3	32.5*	9-23-2017
PNC	Indexed Floater	2011B	133.7	32.0*	10-2-2017
RBC	Letter of Credit	2011A VRDO	190.5	27.0	9-28-2018
Wells Fargo	Indexed Floater	2003D1	55.9	31.5*	10-1-2018
SMBC	Letter of Credit	2010C VRDO	149.4	34.0	9-21-2020
TD Bank	Letter of Credit	2009D VRDO	119.7	35.0	2-28-2021
ICBC	Letter of Credit	CP: Series Two	200.0	17.0	2-25-2022

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

- Two Direct Purchase Indexed Floater Notes (DPIFs) totaling \$286.0 million will expire in 2017



Background *cont'd*

- At the June 2017 meeting, the Committee concurred with a credit facility solicitation to replace or extend the two expiring DPIFs and the following evaluation criteria to be used in a Request for Proposals (RFP):
 1. Proposed fees and spreads as related to the term of the credit facility,
 2. Credit quality and trading value of securities backed by the responding institution,
 3. Costs to terminate the facility in part or in whole prior to the stated expiration, at the sole option of the Airports Authority,
 4. Willingness to accept the Airports Authority's proposed covenants and indemnification,
 5. Proposed downgrade pricing,
 6. Proposed term out provisions, and
 7. The proposer's ability to retain non-AMT status, where appropriate.



Discussion

- The RFP was issued on June 22 and on July 12 the Airports Authority received 14 proposals from 10 banks which included 6 letter of credit bids and 8 direct purchase indexed floater bids
- The Technical Evaluation Committee identified the following best proposals to replace the current facilities:

Series	Facility		Provider	Cost (bps)	Term
2010D (\$152.3M)	Current	DPIF	Wells Fargo	72% Libor + 32.5	3 years
	Recommended	DPIF	Wells Fargo	72% Libor + 30	3 years
2011B (\$133.7M)	Current	DPIF	PNC	72% Libor + 32	3 years
	Recommended	DPIF	US Bank	72% Libor + 30	2.5 years



Discussion *cont'd*

- The Finance Staff, Financial Advisors and Bond Counsel have successfully negotiated with Wells Fargo and US Bank bankers and their bank counsel and recommend:
 - Accepting the Wells Fargo DPIF proposal to extend the term to September 2020 for the Series 2010D Bonds (\$152.3 million)
 - It will result in fee reduction of 2.5 bps or \$36,300 in annual savings
 - Accepting the US Bank DPIF proposal to extend the term to April 2020 for the Series 2011B Bonds (\$133.7 million)
 - It will result in fee reduction of 2 bps or \$27,500 in annual savings

Total Annual Savings of \$63,800

- The schedule anticipates executing the Series 2010D Bonds on September 22, 2017 and the Series 2011B Bonds on October 2, 2017



Recommendation

- The Finance Committee approve and recommend to the Board the adoption of the proposed Resolution to authorize:
 - Extending the Series 2010D Bonds with Wells Fargo, N.A.,
 - Refinancing of the Series 2011B Bonds with US Bank, N.A.,
 - Approving substantially complete transaction documents:
 - Series 2010D Bonds:
 - Third Amended and Restated Continuing Covenant Agreement between MWAA and Wells Fargo
 - Second Amended and Restated Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust
 - Series 2011B Bonds:
 - Continuing Covenant Agreement between MWAA and US Bank
 - Amendment No. 2 to the Forty-first Supplemental Indenture of Trust



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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 the Amended and Restated Amendment No. 1 thereto, dated as of September 1, 2014 (the “Prior 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 Prior Amendment, for a period that extends to September 23, 2017;

WHEREAS, Wells Fargo Bank, National Association (“Wells”) directly purchased the Series 2010D Bonds pursuant to a Second Amended and Restated Continuing Covenants Agreement, dated September 1, 2014, 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;

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, as amended by Amendment No. 1 thereto, dated as of October 1, 2014 (the “Original Amendment”), and the Series 2011B Bonds bear interest at a rate based on the LIBOR Index Rate Mode in the manner described in the Forty-first Supplemental, as amended by the Original Amendment, for a period that extends to October 2, 2017;

WHEREAS, PNC Bank, National Association, is the Holder of the Series 2011B Bonds during the above period and the Series 2011B Bonds are subject to mandatory tender for purchase at the end of such period;

WHEREAS, The Airports Authority desires to maintain the Series 2011B Bonds in the LIBOR Index Rate Mode and sell the Series 2011B Bonds to U.S. Bank National Association (“U.S. 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 continuation of the Series 2011B Bonds in the LIBOR Index Rate Mode in which U.S. 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) Second Amended and Restated Amendment No. 1 to the Thirty-eighth Supplemental Indenture of Trust (the “Second 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 Third Amended and Restated Continuing Covenants Agreement relating to the Series 2010D Bonds between the Airports Authority and Wells (the “Third Amended Wells Continuing Covenants Agreement”); and

(c) Amendment No. 2 to the Forty-first Supplemental Indenture of Trust (the “Second Amendment to the Forty-first Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2011B Bonds; and

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

RESOLVED, That the Second Amended and Restated Amendment to the Thirty-eighth Supplemental, the Third Amended Wells Continuing Covenants Agreement, the Second Amendment to the Forty-first Supplemental and the U.S. Bank Continuing Covenant 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 Third 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 Second Amended and Restated Amendment to the Thirty-eighth Supplemental;

3. That U.S. Bank shall become the direct purchaser of the Series 2011B Bonds pursuant to, and for the term provided in, the U.S. Bank Continuing Covenant Agreement, and such Series 2011B Bonds shall continue to bear interest in the LIBOR Index Rate Mode in the manner provided in the Forty-first Supplemental as amended by the Second 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 Second Amended and Restated Amendment to the Thirty-eighth Supplemental, the Third Amended Wells Continuing Covenants Agreement, the Second Amendment to the Forty-first Supplemental and the U.S. Bank Continuing Covenant 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, tax certificates 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 20, 2017*

NOTE: Recorded vote is required.