



REPORT TO THE FINANCE COMMITTEE

**Recommendation to Approve the Conversion of
Bonds for the Series 2003D Bonds and the
Substitution Letter of Credit for the Series 2011A
Bonds of the Aviation Enterprise's Variable Rate
Debt Portfolio**

September 2018



Requested Action

- That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed resolution that will authorize:
 - the conversion of the Series 2003D Bonds from the direct purchase Index Floater held by Wells Fargo to variable rate bonds secured by a TD Bank Letter of Credit (LoC);
 - the substitution of the RBC LoC securing the Series 2011A Bonds with an LoC from Sumitomo Mitsui Banking Corporation (SMBC); and
 - approving substantially complete transaction documents.



Background

- Currently, in addition to a \$200 million Commercial Paper Program, the Airports Authority has \$778.7 million in credit facilities associated with its variable rate program:

Bank Provider	Facility	Program/Series	Amount (\$M)	Costs (bps)	Expiration
RBC	LOC	2011A VRDO	\$180.020	27.0	09/28/18
Wells Fargo	Index Floater	2003 D1	\$53.825	38.0*	10/01/18
U.S. Bank	Index Floater	2011B	\$133.715	36.0**	04/01/20
SMBC	LOC	2010 C VRDO	\$145.540	34.0	09/21/20
Wells Fargo	Index Floater	2010 D	\$148.840	37.0*	09/22/20
TD Bank	LOC	2009 D VRDO	\$116.785	35.0	02/28/21
ICBC	LOC	CP: Series Two	\$200.000	17.0	02/25/22

* This is a fixed spread to the 80 percent of LIBOR Index

**This is a fixed spread to the 83 percent of LIBOR Index

- Two credit facilities totaling \$233.85 million will expire in 2018.



Background *cont'd*

- At the June 2018 meeting, the Committee concurred with a credit facility solicitation to replace or extend the two expiring facilities 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; and
 6. Proposed term out provisions.



Discussion

- The RFP was issued on June 21 and on July 9 the Airports Authority received 22 proposals from 15 banks which included 10 LoCs, six direct purchase indexed floaters, and six floating rate notes proposals.
- The Technical Evaluation Committee identified the following best proposals to replace the current facilities:

Series	Facility		Provider	Cost (bps)	Term
2003D (\$53.8M)	Current	Index Floater	Wells Fargo	38.0*	3 years
	Recommended	LOC	TD Bank	26.0	4 years
2011A (\$180.0M)	Current	LOC	RBC	27.0	3 years
	Recommended	LOC	SMBC	30.0	4 years

* Fixed spread to 80 percent of LIBOR Index



Discussion *cont'd*

- The Staff, Financial Advisors and Bond Counsel have successfully negotiated with TD Bank and SMBC and their counsel.
- Acceptance of the TD Bank LoC proposal with a final term of October 2022 for the Series 2003D Bonds reduces costs by 12 basis points from the existing credit facility fee.
- Acceptance of the SMBC LoC proposal with a final term of October 2022 for the Series 2011A Bonds increases costs by 3 basis points from the existing credit facility fee, but mitigates potential fee increases over the next four-year period.
- The aggregate annual credit facility fee will be reduced by approximately \$12,000.
- The schedule anticipates executing the Series 2003D Bonds on October 1, 2018 and the Series 2011A Bonds on September 27, 2018



Recommendation

- The Finance Committee approve and recommend to the Board the adoption of the proposed Resolution to authorize:
 - Refinancing of the Series 2003D Bonds with TD Bank, N.A.,
 - Refinancing of the Series 2011A Bonds with SMBC,
 - Approving substantially complete transaction documents:
 - **Series 2003D Bonds:**
 - Reimbursement Agreement
 - Reoffering Circular
 - Remarketing Agreement
 - Amendment No. 3 to the Second Amended and Restated 16th Supplemental Indenture
 - **Series 2011A Bonds:**
 - Reimbursement Agreement
 - Reoffering Circular
 - First Amendment to the Remarketing Agreement
 - Fee Agreement
 - Custody Agreement
 - Letter of Credit Agreement



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REPORT TO THE FINANCE COMMITTEE

RECOMMENDATION TO APPROVE THE CONVERSION OF BONDS FOR THE SERIES 2003D BONDS AND THE SUBSTITUTION LETTER OF CREDIT FOR THE SERIES 2011A BONDS OF THE AVIATION ENTERPRISE VARIABLE RATE DEBT PORTFOLIO

SEPTEMBER 2018

ACTION REQUESTED

That the Finance Committee approve and recommend to the Board of Directors (Board) the adoption of the proposed resolution that will authorize:

- (1) the conversion of the Series 2003D Bonds from the direct purchase Index Floater held by Wells Fargo to variable rate bonds secured by a TD Bank Letter of Credit (LoC);
- (2) the substitution of the RBC LoC securing the Series 2011A Bonds with an LoC from Sumitomo Mitsui Banking Corporation (SMBC); and
- (3) approving substantially complete transaction documents.

BACKGROUND

In addition to a \$200 million Commercial Paper Program, the Airports Authority has \$778.7 million of credit facilities either providing credit enhancement and liquidity for the Aviation Enterprise's Variable Rate Demand Obligations or serving as direct variable rate loans (Direct Purchase Indexed Floater Notes or DPIFs). Two credit facilities totaling \$233.85 million will expire in 2018 and require replacement or extension. Below is a summary of the current bank facilities.

<i>Bank Provider</i>	<i>Facility</i>	<i>Program/ Series</i>	<i>Amount (\$MM)</i>	<i>Costs (bps)</i>	<i>Expiration Date</i>
RBC	LOC	2011A VRDO	\$180.020	27.0	September 28, 2018
Wells Fargo	Index Floater	2003 D1	\$53.825	38.0*	October 1, 2018
U.S. Bank	Index Floater	2011B	\$133.715	36.0**	April 1, 2020
SMBC	LOC	2010 C VRDO	\$145.540	34.0	September 21, 2020
Wells Fargo	Index Floater	2010 D	\$148.840	37.0*	September 22, 2020
TD Bank	LOC	2009 D VRDO	\$116.785	35.0	February 28, 2021
ICBC	LOC	CP: Series Two	\$200.000	17.0	February 25, 2022

* Fixed spread to 80 percent of LIBOR Index

** Fixed spread to 83 percent of LIBOR Index

At the June 2018 meeting, the Committee concurred with the issuance of a Request for Proposals (RFP) to financial institutions interested in providing (a) an LoC facility, (b) DPIF Notes and/or (c) other variable rate products to replace or extend the two credit facilities expiring in September and October of 2018. The Committee also approved the following

evaluation criteria for the solicitation:

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; and
6. Proposed term out provisions.

DISCUSSION

On June 21, 2018 the Airports Authority issued the RFP. On July 9, 15 banks submitted 22 proposals; 10 offered to provide LoCs, six offered to provide DPIFs; and six offered floating rate notes.

Based on the approved evaluation criteria, the Technical Evaluation Committee identified the following proposals to best replace the expiring facilities.

Recommended Selection					
Series		Type	Current Provider	Current Fee	Expiration
2003D (\$53.8M)	Current	Index Floater	Wells Fargo	38.0*	1-Oct-18
	Selected	LOC	TD Bank	26.0	4-Oct-22
2011A (\$180.0M)	Current	LOC	RBC	27.0	28-Sep-18
	Selected	LOC	SMBC	30.0	4-Oct-22

**Fixed Spread to 80 percent of LIBOR index*

Staff, Financial Advisors, and Bond Counsel have successfully negotiated with TD Bank, N.A. and Sumitomo Mitsui Bank Corp. (SMBC) banks and their counsel.

Acceptance of the TD Bank LoC proposal with a final term of October 2022 for the Series 2003D Bonds reduces costs by 12 basis points from the existing credit facility fee.

Acceptance of the SMBC LoC proposal with a final term of October 2022 for the Series 2011A Bonds increases costs by 3 basis points from the existing credit facility fee. However, the new credit facility provides the benefit of an additional year over the previous facility and mitigates potential fee increases over the four-year term.

As a result of these selections, the Airports Authority's annual credit facility fees will be reduced by approximately \$12,000.

DRAFT DOCUMENTS

Bond Counsel has concluded a detailed legal review of the terms outlined in the proposals. The documents listed below will be executed in connection with the two transactions:

Series 2003D Bonds:

- (1) Reimbursement Agreement
- (2) Reoffering Circular
- (3) Remarketing Agreement
- (4) Amendment No. 3 to the Second Amended and Restated 16th Supplemental Indenture

Series 2011A Bonds:

- (1) Reimbursement Agreement
- (2) Reoffering Circular
- (3) First Amendment to the Remarketing Agreement
- (4) Fee Agreement
- (5) Custody Agreement
- (6) Letter of Credit Agreement

SCHEDULE

The schedule anticipates executing the Series 2003D Bonds on October 1, 2018 and the Series 2011A Bonds on September 27, 2018.

RECOMMENDATION

That the Finance Committee approve and recommend to the Board approval of the proposed Resolution to authorize the LoC with TD Bank, N.A. for the Series 2003D Bonds, the LoC with SMBC for the Series 2011A Bonds, and also approving substantially complete transaction documents.

Prepared by:
Office of Finance
September 2018

PROPOSED RESOLUTION

Authorizing Letters of Credit and, as applicable, Conversion of Bonds for
Airport System Revenue Variable Rate Bonds, Series 2003D-1,
and Airport System Revenue and Refunding Variable Rate Bonds, Series 2011A

WHEREAS, The Metropolitan Washington Airports Authority (the “Airports Authority”) issued its Airport System Revenue Variable Rate Bonds, Series 2003D-1 (the “Series 2003D 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 Sixteenth Supplemental Indenture of Trust, which has been amended and restated by the Second Amended and Restated Sixteenth Supplemental Indenture of Trust, as amended by Amendment No. 2 thereto (the “Sixteenth Supplemental”), between the Airports Authority and Manufacturers and Traders Trust Company (the “Trustee”), and the Series 2003D Bonds bear interest at the LIBOR Index Rate for a period that extends to October 1, 2018 (the “2003D Mandatory Purchase Date”);

WHEREAS, Wells Fargo Municipal Capital Strategies, LLC (“Wells Fargo”) directly purchased the Series 2003D Bonds, which Series 2003D Bonds are subject to mandatory tender for purchase on the 2003D Mandatory Purchase Date, and the Airports Authority desires to convert the Series 2003D Bonds to a Weekly Mode on the 2003D Mandatory Purchase Date;

WHEREAS, Upon conversion to the Weekly Mode, the Series 2003D Bonds will be secured by a direct-pay Letter of Credit (the “TD LOC”) provided by TD Bank, N.A. (“TD”);

WHEREAS, The Airports Authority issued its Airport System Revenue and Refunding Variable Rate Bonds, Series 2011A, consisting of the Subseries 2011A-1 Bonds, the Subseries 2011A-2 Bonds and the Subseries 2011A-3 Bonds (the “Series 2011A Bonds”) under the Master Indenture, as supplemented by a Fortieth Supplemental Indenture of Trust, as amended by Amendment No. 1 thereto (the “Fortieth Supplemental”), between the Airports Authority and the Trustee, and the Series 2011A Bonds bear interest at the Weekly Rate;

WHEREAS, Payment of the Series 2011A Bonds is secured by a direct-pay letter of credit (the “RBC LOC”) issued by Royal Bank of Canada that expires by its terms on September 28, 2018, and the Airports Authority desires to substitute the RBC LOC with a direct-pay letter of credit (the “Sumitomo LOC”) provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (“Sumitomo”); and

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 (i) the mandatory tender of the Series 2003D Bonds and conversion of the Series 2003D Bonds to the Weekly Mode secured by the TD LOC, and (ii) the mandatory tender of the Series 2011A Bonds and substitution of the RBC LOC with the Sumitomo LOC, copies of which documents shall be filed in the records of the Airports Authority:

(a) Amendment No. 3 to the Second Amended and Restated Sixteenth Supplemental Indenture of Trust (the “Amendment to the Sixteenth Supplemental”), between the Airports Authority and the Trustee, relating to the Series 2003D Bonds; and

(b) the Reimbursement Agreement relating to the TD LOC between the Airports Authority and TD (the “TD Reimbursement Agreement”), including the irrevocable, direct-pay Letter of Credit attached as Exhibit A to the TD Reimbursement Agreement; and

(c) the Custody Agreement relating to the TD LOC between TD and the Trustee and accepted and agreed to by the Airports Authority (the “TD Custody Agreement”); and

(d) the Remarketing Agreement relating to the Series 2003D Bonds between the Airports Authority and TD Securities (USA) LLC (the “TD Remarketing Agreement”); and

(e) the Reoffering Circular relating to the Series 2003D Bonds (the “Series 2003D Reoffering Circular”); and

(f) the Reimbursement Agreement relating to the Sumitomo LOC between the Airports Authority and Sumitomo (the “Sumitomo Reimbursement Agreement”), including the irrevocable transferable direct-pay Letter of Credit attached as Appendix I to the Sumitomo Reimbursement Agreement; and

(g) the Fee Agreement relating to the Sumitomo LOC between the Airports Authority and Sumitomo (the “Sumitomo Fee Agreement”); and

(h) the First Amendment to the Remarketing Agreement relating to the Series 2011A Bonds between the Airports Authority and RBC Capital Markets LLC (the “RBC Remarketing Agreement Amendment”); and

(i) the Reoffering Circular relating to the Series 2011A Bonds (the “Series 2011A Reoffering Circular”); and now, therefore, be it

RESOLVED, That the Amendment to the Sixteenth Supplemental, the TD Reimbursement Agreement, the TD Custody Agreement, the TD Remarketing Agreement, the Series 2003D Reoffering Circular, the Sumitomo Reimbursement Agreement, the Sumitomo Fee Agreement, the RBC Remarketing Agreement Amendment and the Series 2011A Reoffering Circular shall be and hereby are approved in substantially the forms 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 upon the tender for mandatory purchase of the Series 2003D Bonds, the Series 2003D Bonds shall bear interest in the Weekly Mode in the manner provided in the Sixteenth Supplemental, as amended by the Amendment to the Sixteenth Supplemental, and TD shall be the provider of the TD LOC pursuant to the TD Reimbursement Agreement;

3. That the Series 2011A Bonds shall be tendered for mandatory purchase and that Sumitomo shall be the provider of the Sumitomo LOC pursuant to the Sumitomo Reimbursement Agreement;

4. That the Chairman and the Vice Chairman of the Board of Directors are each authorized to execute the Amendment to the Sixteenth Supplemental, the TD Reimbursement Agreement, the TD Custody Agreement, the TD Remarketing Agreement, the Series 2003D Reoffering Circular, the Sumitomo Reimbursement Agreement, the Sumitomo Fee Agreement, the RBC Remarketing Agreement Amendment and the Series 2011A Reoffering Circular, 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 Senior Vice President for Finance and Chief Financial Officer are each authorized and directed to execute, deliver and file, as applicable, any necessary tax certificates and all other required notices, certificates and instruments with respect to the actions addressed and authorized by this Resolution, including any necessary 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 Senior 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 18, 2018*

Note: Recorded vote is required