



GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4399

MEMORANDUM

TO: Members of the Finance Committee

FROM: Jacki Churchill, Chairman, Ad Hoc Committee

DATE: May 20, 2015

ITEM DESCRIPTION

Recommendation of the Ad Hoc Committee to Rank Proposals for Line of Credit for \$250 Million

BACKGROUND

On March 5, 2015, the Aviation Authority released a Request for Proposal ("RFP") for Banking Services and Line of Credit for \$250 Million. Financial institutions could respond to provide: (a) general banking services; and/or (b) a revolving line of credit in the amount of \$250 million for a period of three to five years. Financial institutions submitting a response for both banking services and the line of credit had the option to condition the proposal on the award of both the banking services and the line of credit. The recommendation relating to the banking services proposals is presented under a separate memorandum.

The scope of services for the Line of Credit (the "LC") includes providing a revolving line of credit, in the amount of \$250 million, from which the Authority may make tax exempt and taxable draws. The line of credit will be used to provide short term interim financing for the Authority's Capital Program for which permanent financing is expected to come from bond proceeds, grants, Passenger Facility Charges, Customer Facility Charges, or general revenues. The requested LC will potentially replace an existing LC provided by Wells Fargo that expires June 30, 2015

The LC will be subordinate to the Authority's obligations governed by the Airport Facilities Revenue Bond Resolution and on parity with the Authority's obligations under the Subordinate Bonds Master Indenture of Trust and Other Parity Indebtedness now outstanding and hereafter issued. The RFP document informed the banks that the Authority is currently contemplating two sets of changes to its senior lien Bond Resolution. The first set of changes is anticipated to be approved by the Senior Bonds Trustee and be effective sometime in calendar year 2015. At such time, if ever, that these changes become effective, the changes will elevate the payment of Subordinated Indebtedness (including the line of credit) in the Flow of Funds. The second set of changes must be approved by bondholders and is not expected to be effective until fiscal year 2017. These changes create two levels of Subordinated Indebtedness, including in particular Secondary Subordinated Indebtedness. Both Subordinated Indebtedness and Secondary Subordinated Indebtedness are ahead of the current Authority Fund from which Subordinated Indebtedness is paid in the Flow of Funds. At such time, if ever, that the second set of changes becomes effective, the line of credit debt will become Secondary Subordinated Indebtedness.

CONSENT AGENDA ITEM - B -

Proposals were received on April 6, 2015 from the following financial institutions in alphabetical order:

- 1) JPMorgan Chase Bank, N.A. ("JPM")
- 2) PNC Public Finance ("PNC")
- 3) RBC Capital Markets ("RBC")
- 4) Wells Fargo Bank, N.A. ("Wells")

EVALUATION

An Ad Hoc Committee (the "Committee") consisting of the Chief Financial Officer, Senior Director of Administration and Technology and Director of Internal Audit were appointed to evaluate the proposals. Rebecca Geyer and Steve Alexander of PFM Asset Management, Sylvia Dunlap of National Minority Consultants, and Jon Eichelberger of Raymond James provided support with the evaluation process. Doug Starcher of Broad and Cassel provided legal counsel.

The Committee met on April 24 and April 28, 2015 to review the responses to the RFP based on the evaluation criteria, to identify issues requiring clarification and to discuss information obtained through the reference checks.

RBC proposed an alternative structure to the revolving line of credit requested in the RFP Scope of Services and therefore, the Committee deemed the proposal received from RBC as non-responsive. RBC proposed a Bundled Hybrid Line of Credit comprised of two products: 1) an Encumbrance Line in the amount of \$150 million and line of credit; and 2) a Flexible Drawdown Bond in the amount of \$100 million.

The Committee reviewed the remaining proposals with the intent to identify distinguishing factors about the proposals to aid in the selection of the financial institution whose proposal was most advantageous to the Authority based on the evaluation criteria set forth in the RFP and summarized as follows:

Credit approval status

Wells stated in their proposal that credit approval had been received. JPM stated that the proposal was subject to formal credit approval which was expected to be received within ten business days of obtaining all information from the Authority necessary to complete the credit application. PNC stated the bank requires a minimum of two weeks for the formal underwriting process. JPM also stated their proposal would expire May 6, 2015 and PNC stated their proposal would expire June 30, 2015 although the Authority's RFP document stated all proposals would be binding for 120 calendar days following the opening of the proposals (on or about August 4, 2015).

Fees and interest rates

The financial institutions proposed various borrowing rates and fees based on the term of the LC. The rates shown below assume a term of 3 years which was the minimum term requested by the Authority. Legal fees and reimbursable expenses from each of the proposals are as follows:

	<u>Reim, Exp.</u>	<u>Legal Fees</u>
JPM	\$3,000	\$35,000
PNC	-	12,000
Wells	-	15,000

A summary of the proposed schedule of fees as expressed in basis points ("bps") for the unutilized and utilized portions of the LC is shown below. Financial institutions proposed borrowing rates for draws based on the one-month London Interbank Offered Rate ("LIBOR").

	<u>Unutilized</u>	<u>Tax Exempt Draws</u>	<u>Taxable Draws</u>
JPM	40 bps*	70% of LIBOR + 65 bps	LIBOR + 104 bps
PNC	20 bps	70% of LIBOR + 76 bps	LIBOR + 120 bps
Wells	25 bps	70% of LIBOR + 65 bps	LIBOR + 100 bps

*JPM proposed a rate of 56 bps if less than 1% of the LC was drawn or 40 bps if at least 1% of the LC was drawn.

Based on the analysis, Wells was deemed to have the most advantageous rate structure, followed by PNC and then JPM.

Financial institution's credit ratings and financial stability

Credit ratings as disclosed in each proposal are listed below (Moody's, S&P, Fitch):

	<u>Short Term</u>	<u>Long Term</u>
JPM	P-1, A-1, F1	Aa3, A+, A+
PNC	P-1, A-1, F1	A2, A, A+
Wells	P-1, A-1+, F1+	Aa3, AA-, AA-

Information regarding capital balances as of December 31, 2014 was obtained from the proposal respondents by National Minority Consultants. All capital balances appeared to be sufficient.

Wells was considered to have strongest ratings and financial stability.

General qualifications and experience

All of the respondents were considered to have sufficient qualifications and experience with offering the type of product required by the Authority. The Authority requested a list of five clients, with at least three non-profit or governmental entities, that best represents the qualifications and ability to extend the requested line of credit to the Authority. Favorable references were received for JPM and Wells. Only two references responded for PNC and the responses were favorable.

Duration of line of credit

The Authority requested a minimum term of the LC of three years and a maximum of five years. JPM, PNC and Wells proposed a three year term for the Facility as requested by the Authority.

Terms and conditions of LC including flexible draw and repayment schedule

The Authority requested an LC in the amount of \$250 million. The Authority would accept proposals only from a single bank obligated to the Authority for the entire amount of the proposed line of credit; provided, however, that banks may seek participation in the LC from other institutions that are obligated to the proposing bank. PNC offered an LC for only \$125 million. JPM stipulated that the Authority draw at least 1% of the LC on the Closing Date and have no less than that amount drawn for the entire LC term, otherwise the unutilized fee rate would increase to 56 bps. Wells stated that payment of fees and draws would remain consistent with the existing LC agreement between Wells and the Authority.

Conditions to issuance (e.g. required additional documentation)

The Authority requested confirmation by financial institutions of their willingness to execute an agreement substantially similar to the form of the existing Revolving Credit Agreement. JPM stipulated various exceptions to the Revolving Credit Agreement and included clawback provisions. JPM stated that the LC needs to be payable from Pledged Revenues on a basis subordinate only to the senior lien bonds and on parity with subordinate debt. PNC stated the LC would be Subordinated Indebtedness, subordinate to the pledge given under the Authority's senior lien Bond Resolution and conditioned the offer requiring that PNC also provides the primary banking and custody services to the Authority. Wells confirmed their willingness to extend the existing agreement and expressed acceptance of the future sub-subordinate lien level subject to additional reasonable covenants.

ISSUES

As a result of the evaluation of the responses to the RFP, the Committee voted to recommend to the Finance Committee, Wells Fargo Bank, N.A. to provide a \$250 million line of credit to the Authority

ALTERNATIVES

The Finance Committee may accept reject or change the proposed ranking of the financial institutions as recommended by the Ad Hoc Committee. The Finance Committee may schedule interviews and/or presentations with any proposers.

RECOMMENDED ACTION

It is respectfully requested that the Finance Committee (1) accept the Ad Hoc Committee's recommendation to select Wells Fargo Bank, N.A. to provide a \$250 million line of credit; (2) authorize the extension of the existing line of credit with Wells Fargo Bank, N.A.; and (3) provide recommendation to the Authority Board for approval.