



GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Aviation Authority
FROM: Jacki Churchill, Chief Financial Officer
DATE: June 24, 2015

ITEM DESCRIPTION

Recommendation to Approve the Amended and Restated Airport Facilities Revenue Bond Resolution

BACKGROUND

The Greater Orlando Aviation Authority Airport Facilities Revenue Bond Resolution ("Bond Resolution") Authorizing Airport Facilities Revenue Bonds of the City of Orlando was originally adopted June 13, 1978 when the first bonds were issued under this Bond Resolution. The Aviation Authority Staff has been working on updates to the Bond Resolution. The Authority has two primary purposes in proposing the amendments.

First, Phase I of the changes is to clean up and modernize the Bond Resolution by eliminating obsolete and archaic terms from the original resolution adopted June 13, 1978, as amended from time to time and to elevate the payment of Subordinated Indebtedness in the Flow of Funds, thereby improving the credit rating on the Authority's subordinate debt.

Second, Phase II contains substantive changes to Definitions, Section 204 Additional Bonds, 405 Deposit of Revenues, Section 416 Released Revenues and 711 Rates & Charges also for the purpose of improving the credit rating on the Authority's subordinated debt, and numerous other changes to improve the Authority's flexibility and clarify the Authority's rights and obligations in a manner consistent with many modern bond resolutions as summarized below:

1. Additions to defined terms under the resolution:

- a. The terms "Available Revenues", "Available CFC Revenues", "Available PFC Revenues", and "Customer Facilities Charges" relate to PFC and/or CFC revenues, if designated in a supplemental resolution.
- b. The term "Pledged Funds" allows for designation by the Authority of certain funds as pledged only to specific bond issues.
- c. The term "Released Revenues" refers to a category of revenues that are excluded from the definition of "Revenues", and thus excluded from the pledge as a source from which to repay the banks. The definition of "Revenues" is amended to conform to the above new definitions.
- d. The terms "Special Facilities Debt" and "Special Facilities Revenues" allow the authority to pledge specific revenues for projects with owners or operators of certain special facilities.

CONSENT AGENDA ITEM - B -

Section 204 of the Resolution (Additional Bonds Test)

2. The proposed amendments to the additional bonds test add a subordinated indebtedness coverage test to the officer's certificate, and to the engineer's and airport consultant's reports, using a new defined term of "Subordinated Pledged Revenues" (which are not "Revenues"). Additional bonds can be issued based on projections, so long as projected net revenues meet the rate covenant for three fiscal years. Projected revenues may consider revenues from increases to rates and fees, and revenues from new facilities and capital improvements.

Section 405 of the Resolution (Flow of Funds)

3. The proposed amendment to this section 405 results in the creation of a third lien category called Secondary Subordinated Indebtedness, which is lower in priority than payment to Senior Lien Bonds and Subordinated Bonds, but a higher priority than the Capital Expenditures Fund and, the Renewal and Replacement Fund and the Discretionary Fund. Prior to the amendments, Subordinate Debt Service was paid out of the Discretionary Fund payments.

Addition of Section 416 of the Resolution (Released Revenues)

4. The proposed amendments would allow the Authority to exclude revenues from the source of repayment for bonds if an officer's certificate or a consultant's certificate states that the rate covenant will be met for two audited fiscal years, even if excluding these revenues, and using slightly higher coverage tests than stated in Section 711.

Section 711 of the Resolution (Rate Covenant)

5. The proposed amendments to the rate covenant are multi-tiered. As proposed, transfers and subordinated pledged revenues are added to net revenues in computing coverage requirement. The changes add an additional coverage requirement of 100% of the amounts required to be deposited pursuant to Sections 405 (2)-(10), which essentially covers all debt and debt reserve payments for all liens, plus deposits to the Operation and Maintenance (O&M), Repair and Replacement (R&R), and Capital Expenditure Funds.
6. Transfers (which allow the Authority to consider excess cash in the coverage calculation) are limited to no more than 25% of debt service payable in such fiscal year. Additionally, net revenues plus transfers will equal at least 125% of debt service on all outstanding bonds.
7. The Authority further proposes that, in the event coverage requirements stated above are not met, it would retain an airport consultant to make recommendations as to revisions to rates and charges, and to take action it deems appropriate based on such recommendations to become compliant with Section 711 in the next fiscal year.

Aviation Authority Staff has been working with Standard & Poor's (S&P) Rating Evaluation Service to review proposed amendments and provide feedback regarding the anticipated impact on future ratings on senior and subordinate debt. Review of the Phase I amendments has been completed by S&P and all necessary third party approvals have been received. Phase II amendments have been completed by S&P but these amendments will require bondholder consent as per the existing Bond Resolution. A draft copy of the Phase I and Phase II Bond Resolution Amendments are available with the Assistant Secretary.

ISSUES

The Aviation Authority needs to approve the Phase I amendments of the Airport Facilities Revenue Bond Resolution Authorizing Airport Facilities Bonds in order for these amendments to take effect. Subject to required bondholder and other consents, Staff is also requesting approval of Phase II amendments as summarized in this memorandum.

ALTERNATIVES

None being considered.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDED ACTION

It is respectfully requested that the Aviation Authority Board resolve to (1) approve the attached amended Airport Facilities Revenue Bond Resolution Authorizing Airport Facilities Revenue Bonds (Phase I); (2) subject to required bondholder and other consent, approve the Phase II amendments to the Airport Facilities Revenue Bond Resolution Authorizing Airport Facilities Revenue Bonds, with such additional changes and clarifications as the Executive Director may approve in his discretion; and (3) request Orlando City Council approval of the amendments as required by the Bond Resolution.

RECOMMENDED ACTION

It is respectfully requested that the Aviation Authority Board resolve to (1) concur with the recommendation of the Finance Committee and approve the extension of the 2009 Credit Agreement to extend the term through August 31, 2015; (2) approve the Authorizing Resolution for the 2015 Credit Agreement with Wells Fargo Bank, N.A.; (3) request Orlando City Council approval of the Authorizing Resolution for the 2015 Credit Agreement; and (4) authorize the Chairman, Vice Chairman or other Authorized Officer of the Aviation Authority and the Secretary or Assistant Secretary of the Aviation Authority to approve the final form of these and all related documents and execute them accordingly, subject to legal counsel review.