

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF MARCH 19, 2014

Mr. Curto called the March 19 Finance Committee Meeting to order at 8:56 a.m. A quorum was present during the meeting: Ms. Merrick, Co-Chair, Mr. Adams, Mr. Chapman, Mr. Session, Ms. Wells and Mr. Conner, *ex officio*. Mr. Carter, Mr. Davis, Mr. Gates, Mr. Griffin, Ms. Hall, Ms. Lang, Mr. McDermott and Mr. Williams were also present. The Committee first meet in executive session to receive results of the procurement scoring with respect to the recommendation to select Book-running Senior Manager, Co-Senior Manager and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2014A.

Mr. McDermott stated that he had a conflict of interests in this matter because his wife owns a Substantial Financial Interest, as defined in Section 3(e) of the Code of Ethics, in one of the businesses likely to be affected by the action of the Committee on this agenda item [to be discussed in executive session]. He said that he was, therefore, recusing himself from participating in the Committee's consideration, as well as later that day at the Board Meeting, of this matter. Mr. McDermott reported that he had executed a recusal agreement with the Ethics Officer and the Secretary to the Board. He stated that he had asked the Secretary to file his recusal agreement in the Board's official records (copy attached). Mr. McDermott reported that he would step back from the Board table while the matter would be considered. [Mr. McDermott was not present for the executive session discussion.]

Once the Committee moved out of executive session, Mr. Curto reconvened the Meeting in regular session at 9:12 a.m. with a quorum present.

Mr. McDermott stated that he had a conflict of interests in this matter because his wife owns a Substantial Financial Interest, as defined in Section 3(e) of the Code of Ethics, in one of the businesses likely to be affected by the action of the Committee on this agenda item [to be considered immediately after his disclosure]. He said that he was, therefore, recusing himself from participating in the Committee's consideration, as well as later that day at the Board Meeting, of this matter. Mr. McDermott reported that he had executed a recusal agreement with the Ethics Officer and the Secretary to the Board. He stated that he had asked the Secretary to file his recusal agreement in the Board's official records. Mr. McDermott reported that he would step back from the Board table while the matter would be considered.

Recommendation Regarding Selecting Book-running Senior Manager, Co-Senior Manager and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2014A. Andy Rountree, Vice President for Finance and Chief Financial Officer, requested that the Finance Committee define and recommend to the Board of Directors its selection of assigned roles for the investment banking firms within the Aviation Enterprise Underwriting Syndicate for Series 2014 Bonds. Mr. Rountree requested the Finance Committee and the Board select the firms that would provide the roles of Book-running Senior Manager, Co-Senior Manager, which is optional, and the remaining firms as Co-Managers.

Mr. Curto then offered a motion for the Committee to approve Bank of America Merrill Lynch as Book-running Senior Manager; Citigroup Global Markets Inc. as Co-Senior Manager; and Barclays Capital Inc., Davenport & Company LLC, Loop Capital Markets LLC, Raymond James & Associates, Inc., Siebert Brandford Shank & Co., LLC, US Bancorp Municipal Securities Group and Wells Fargo Securities as Co-Managers for the Series 2014A Bonds, which the Committee unanimously approved.

At 9:19 a.m., the Committee recessed its Meeting.

At 11:15 a.m., Mr. Curto reconvened the Finance Committee Meeting; a quorum was present.

Financial Advisors' Report – Aviation Enterprise. Ken Gibbs of Jefferies presented an update for the financing plan and upcoming financing, which reflects an opportunity for greater savings depending on market performance. Mr. Gibbs provided a summary of the current market status on municipal bonds. Initially, the finance team had been using the financing plan as a dual tracking effort between rushing the refunding without the new money or jointly. Mr. Gibbs reported that the current plan would focus on a joint refunding with new money to be authorized by the Committee and Board in May 2014. Mr. Gibbs welcomed the underwriting team to join efforts with the finance team to complete the feasibility study, to work with the rating agencies, and from a timing standpoint, to ensure that the audit is completed before entering the market.

Mr. Gibbs reported that the finance team would provide information to the Committee in the summer regarding variable rate programs. He noted that because it would be prudent not to have exposure to rollover risks, plans would be made to take advantage of the bank interest attracted with the recent replacement facility for the Commercial Paper Program. Mr. Rountree stated that this issue would be almost equally as

important as the refinancing as it could result in substantial savings annually.

Financial Advisors' Report – Dulles Corridor Enterprise. Bryan Grote of Mercator Advisors LLC noted that Mr. Potter had already presented the Transportation Infrastructure Finance and Innovation Act (TIFIA) update. In addition to the TIFIA process, Mr. Grote reported that the finance team continues to prepare transaction documents and rating agency presentations for the issuance of long-term Dulles Toll Road revenue bonds. The finance team will work with the investment banking firms to potentially structure a TIFIA anticipation note. Mr. Grote noted that Loudoun County had officially notified the U.S. Department of Transportation (USDOT) that it intends to finance and construct three parking facilities contingent upon USDOT providing the County with its requested TIFIA assistance.

Doreen Frasca of Frasca & Associates, L.L.C. reviewed details of the upcoming financing transaction. Mr. Rountree noted that the transaction documents for the Dulles Toll Road Revenue Bonds will be presented at the April meeting for approval in substantially completed form to move forward to the Board.

Recommendation to Amend and Restate the Investment Policy. Mr. Rountree was joined by Mark Adams, Deputy Chief Financial Officer, and Nancy Edwards, Manager, Treasury Department. Mr. Rountree stated that the current Investment Policy prohibits participation by regional banks that do not have a Community Reinvestment Act (CRA) rating of "Outstanding", in certificates of deposit. At the January Finance Committee Meeting, Mr. Conner had requested that staff review the current program for opportunities to make investments with regional firms that do not have the CRA rating of outstanding. Mr. Rountree reported that the Investment Committee, which is ultimately responsible for the oversight of the execution of the Investment Policy, recommends investments in regional banking institutions in two separate programs: 1) up to 2/3 of one month of operating reserve can be invested among regional banks that have a CRA rating of outstanding and 2) an annual competitive process would be used to authorize certificates of deposit that must either be insured under FDIC or amounts in excess of FDIC limits fully collateralized to protect the safety of the investment for the remaining 1/3 of one month of operating reserves. He explained that approximately \$9 million could be competitively placed each year with regional banking firms. Mr. Rountree reviewed the proposed implementation timeline.

Mr. Adams asked staff to define regional banks, to which Mr. Rountree responded that they were banks defined by locality using the 100 mile radius. Ms. Edwards explained that national banks were required to have regional branches. She noted by way of example that City First Bank of Washington, DC is a small, participating bank that has an acceptable CRA rating. Additional discussion occurred with respect to jurisdiction guidelines; the procurement process that would be used; outreach efforts; the qualification process used for the CRA rating; and the inability for the Authority to track how banks achieve their CRA ratings.

Directors commended staff for their efforts on the amended Investment Policy. The Committee thereupon approved the recommendation to amend and restate the Investment Policy.

Quarterly Report on Investment Program (Quarter Ending December 31, 2013). Mr. Adams reported that the total portfolio had decreased by \$118.8 million. He noted that the Aviation portfolio had decreased by \$185.3 million, while the Dulles Corridor portfolio had increased by \$66.5 million. Mr. Adams explained that the decrease in the Aviation portfolio had resulted from construction expenses, as well as the payment of the debt service. With regard to the Dulles Corridor portfolio, an increase in funds for construction spending and the interest payment on October 1 had contributed to the increase. Mr. Adams noted that the Authority had also used \$10 million of the \$150 million from the Commonwealth of Virginia on the Dulles Corridor Project.

February 2014 Financial Report - Aviation Enterprise. Mr. Rountree noted that he was joined by Chris Wedding, the Controller. He reported that year-to-date revenue was \$102.7 million, 6.9 percent lower than the prior year-to-date. Mr. Rountree reported that at 16.7 percent through the year (approximately two months), the Authority had achieved 15.3 percent of its annual budgeted revenues. He noted that year-to-date expenses were \$98.8 million, an increase of 4.4 percent over the prior year-to-date. At two months into the year, Mr. Rountree reported that the Authority had expensed 17.5 percent of its annual budget. Mr. Rountree shared statistics for snow accumulations and cancelled flights for the current year-to-date compared to the prior year-to-date. With the substantial increase in snow and subsequent canceled flights in 2014, Mr. Rountree shared the impact to expenses associated with the snow removal costs, including overtime, services, supplies, materials and fuels, and the impact on revenue due to a decrease in landing fees and parking operations. The operating income in February was \$3.9 million. As of February, the debt service coverage estimate was 1.17x. Although Mr.

Rountree reported that the year-to-date estimate is lower than the requirement, he was not greatly concerned because the projected coverage level is an annual estimate rather than a monthly one, and with ten months remaining, staff is still forecasting to have coverage levels above the required levels.

Mr. Adams inquired whether the Authority is paid Passenger Facility Charges (PFCs) when flights are canceled for weather-related events. At the time of the meeting, Mr. Rountree stated that he was uncertain but that he would provide a response. [As promised, Mr. Rountree responded later that day that if a passenger buys a ticket and gets a refund because a flight is canceled, the amount of the PFC paid is included in the refund to a passenger. If the travel is rebooked, the Airport is paid the PFC.]

Mr. Rountree reported that staff is monitoring the 2014 budget requirements to determine where the possible cost savings may exist to absorb snow expenses. He noted that adequate reserves were presently available. Mr. Rountree stated that staff could also reduce discretionary spending, if available, to recover some of the expenses associated with snow removal. As Ms. McKeough had previously reported, Mr. Rountree noted the Authority had the ability to make mid-year rate adjustments to the airlines' rates and charges.

February 2014 Financial Report - Dulles Corridor Enterprise. Mr. Adams reported that the Toll Road revenues year to date were \$22.3 million, an increase of 14.3 percent compared to the prior year as a result of the Toll Road rate increase which took effect January 2014. He stated that Toll Road transactions thus far were 14.4 million. While these transactions were 5.9 percent lower than the prior year-to-date, they are 1.9 percent higher than the 2014 budget year-to-date. Electronic toll collections were 2.1 percent higher than the prior year to date. Toll Road expenditures were \$5 million year-to-date, an increase of 21.1 percent compared to the prior year-to-date. Mr. Adams noted a reserve also existed for the Dulles Corridor Enterprise.

The Meeting was thereupon adjourned at 12:00 p.m.

MWAA Board of Directors Recusal Agreement

FROM: William Shaw McDermott

TO: Naomi Klaus, Ethics Officer

This is to affirm that I am disqualified from participating in the following Authority matter(s) due to my substantial financial interest in the business below:

Authority Transaction or Matter	Disqualifying Interest
Selection of Book-running Senior Manager, Co-Senior Manager, and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2014A	Spouse holds ownership interest greater than \$15,000 in one offeror

In accordance with the Authority's Code of Ethics for Members of the Board of Directors, I am recused from participating in the above-listed matters. My recusal prohibits me from approving, disapproving, making, undertaking, influencing, or attempting to influence any action or decision of the Authority with regard to the above-listed Authority matters, or any other Authority matters that may involve or affect the particular offeror.

For the purpose of this recusal, the Board Secretary has been advised of the identity of the particular entity and to screen incoming matters to ensure that such matters relating to the above-listed interests are not brought to my attention.

I will seek the assistance of the Ethics Officer if I am ever uncertain whether or not I may participate in a particular matter.



Signature of Director

19 March 2014

Date



Signature of Board Secretary

19 March 2014

Date



Signature of Ethics Officer

3/19/14

Date