SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF NOVEMBER 12, 2014

Mr. Curto chaired the November 12 Finance Committee Meeting, calling it to order at 8:48 a.m. A quorum was present: Mr. Adams, Mr. Chapman, Mr. Kennedy, Mr. Session, Ms. Wells and Mr. Conner, *ex officio*. Mr. Carter, Mr. Griffin, Ms. Hall, Ms. Lang and Mr. Williams were also present.

Recommended 2015 Budget. Andy Rountree, Vice President and Chief Financial Officer, reported that he would primarily review the minor differences included in the day's presentation compared to last month's presentation on the Draft 2015 Operation and Maintenance Budget. He also noted that while the changes reviewed during the day's Strategic Development Committee meeting, which would impact 2015, had been identified at the October Finance Committee Meeting, the day' materials included information on the implications of the changes.

Mr. Rountree reported that management is now recommending $3 million for pay for performance (for an average increase of 2.5 percent) and pay adjustments instead of the $2.57 million that had been previously reported in October. With respect to personnel, Mr. Rountree noted that the title for a new position in the Office of the Chief Revenue Officer had been confirmed. Since the Deputy Vice President for Planning and Revenue Development position had been included in the October presentation, there would be no budget implication. Mr. Rountree reported that an 8.6 percent increase is anticipated in aviation operating revenues. He explained that because the airline cost recovery is slightly less than planned, the non-airline revenue would remain as projected. Mr. Rountree stated that the Aviation Capital, Operating & Maintenance Investment Program (COMIP) and the Capital Construction Program (CCP), as well as the Dulles Corridor Renewal and Replacement Program (R&R) and the Capital Improvement Program (CIP) had been under development and had not been provided in October.

Mr. Rountree reviewed the Aviation cost per enplanement (CPE) and coverage, noting that the 2015 Budget estimated an average CPE of $14.68 at Reagan National, up slightly higher than the forecasted amount of $12.36. At Dulles International, the budgeted CPE is $25.48, compared to the forecasted amount of $29.86. Mr. Rountree reported that there is a significant improvement in the debt service coverages at both Airports, which had resulted from the implications of the new Use and Lease Agreement.

Mr. Rountree reviewed the individual budgets that comprised the Aviation Enterprise Fund: Aviation Operation and Maintenance (O&M) Program ($656 million); COMIP (new authorization of $35.2 million); and CCP (new authorization of $1.2 billion). The individual budgets for the Dulles Corridor Enterprise Fund are: Operation and Maintenance (O&M) Program (77.5 million); R&R ($17.6 million); and CIP ($44.3 million).

Mr. Conner inquired whether staff was being conservative with its projection that international enplanements at Dulles International would decline slightly. Mr. Rountree responded that staff had conducted internal due diligence and that it is being very conservative, consistent with the Feasibility Report.

Mr. Chapman acknowledged the increase of the average pay for performance salary adjustment to 2.5 percent. He asked what assumptions had been made relative to the 10-year outlook for capital expenditures. Mr. Rountree explained that the outlook encompassed the projects that had been negotiated under the Use and Lease Agreement and sufficient funds to sustain the Authority's routine expenses.

Mr. Griffin asked whether Uber and other related ground transportation services had impacted the revenue that the Authority collects from its taxicab contracts. Margaret McKeough, Executive Vice President and Chief Operating Officer, responded that outbound dispatches at both Airports continued to increase, but that the inbound dispatches at Dulles International had decreased. She reported that staff planned to make its recommendation to formally incorporate revenue opportunities into the Authority's ground transportation program to the Business Administration Committee and Board of Directors early next year.

Ms. Wells referenced the new Use and Lease Agreement provision which will permit net remaining revenues up to $40 million annually from Reagan National to be used at Dulles International. She inquired how staff would evaluate the financial success of the new provision. Mr. Rountree stated that the financial metrics had been shared with the airlines and built into forecasts. He believed that the provision would produce excellent results. Ms. Wells stated that she would be interested in seeing the figures.

Mr. Session reported that he had been unable to process the implications from the day's presentation on the recommended 2015 Budget and asked if suggestions or recommendations could be submitted at a later time. While the budget could be amended when it was presented to the Board in December, staff indicated that they would appreciate receiving changes in advance.

The Committee approved the recommended 2015 Budget.

Financial Advisors' Report – Aviation Enterprise. Mr. Rountree reported that the investment banks had presented a couple of opportunities to the Authority. He reported specifically on a proposal from an investment bank where it had requested the Authority to potentially modify call dates for a certain section of bonds that it owned, which would normally be callable in 2005 and 2006. In exchange for extending the call dates, the investment bank had offered 1) potentially an up-front payment; or 2) a slight shift in the debt service, very similar to what would occur during a normal refunding process. Mr. Rountree reported that it appeared to be a positive opportunity that would allow the Authority to lock in interest rates and avoid interest rate risks, as well as possibly changing the debt service profile. He asked for the Committee's "nod" to proceed with negotiations and to develop documents once staff determined it made sense to proceed and to make a recommendation to the Committee in December. Mr. Curto reported that while the Finance Committee could not formally concur, it was the consensus of the Committee to proceed and report back in December, at which time it would review the item and proceed.

Financial Advisors' Report – Dulles Corridor Enterprise. In the interest of time, Mr. Curto reported that the Report would be accepted, as submitted.

Budget Reprogrammings for the Third Quarter of 2014. Mr. Rountree reported that two budget reprogrammings had occurred. The first had been within the COMIP Program for bus washing facility equipment. The other had been within Operation and Maintenance Fund to enhance Terminals A, B and C.

Quarterly Report of Investment Program (Quarter Ending September 30, 2014). Mark Adams, Deputy Chief Financial Officer, and Nancy Edwards, Treasurer, reported that the Authority's overall portfolio had increased by $205.3 million. He stated that the Aviation portfolio had increased by $222.2 million and the Dulles Corridor portfolio had decreased by $16.9 million.

Mr. Adams noted that the Board had amended the Investment Policy in April to create a program for the local deposit program, whereby banks within their local region that had a Community Reinvestment Act rating of satisfactory or above could participate. As a result of the solicitation, the Authority had invested approximately $2.7 million in five banks. In an attempt to get more banks involved, Mr. Adams reported that staff is engaging dialogue in an effort to broaden the scope and attract more interest for a future solicitation.

Ms. Hall asked about the process used to determine the amounts that banks would receive. Mr. Adams explained that the Request for Proposals had required that the funds be Federal Deposit Insurance Corporation-insured with a maximum cap of $250,000. Funds beyond that amount up to $1 million were required to be fully collateralized. The amounts the banks had received, therefore, been determined by whether they had fully collateralized their funds.

Director Adams inquired about the established limit for which the Authority planned to invest in local banks. Mr. Adams stated that the Linked Deposit Program permitted the Authority to invest approximately $9 million in local banks that had an outstanding rating.

Mr. Carter inquired about the Authority’s rate of return on its certificate of deposits, to which Ms. Edwards responded .25 percent as the lowest rate and .75 percent as the highest.

The Meeting was thereupon adjourned at 9:30 a.m.