SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF MAY 21, 2014

Mr. Curto called the May 21 Finance Committee Meeting to order at 8:00 a.m. A quorum was present during the meeting: Ms. Merrick, Co-Chair, Mr. Chapman, Mr. Session, Ms. Wells and Mr. Conner, *ex officio*. Mr. Davis, Mr. Griffin, Ms. Hall, Ms. Lang, Ms. McConnell, Mr. McDermott and Mr. Williams were also present.

<u>Recommendation to Approve the Proposed Resolution Authorizing Issuance of Airport System Revenue and Refunding Bonds, Series 2014A</u>. Andy Rountree, Vice President for Finance and Chief Financial Officer, presented the staff recommendation for the Finance Committee to approve and recommend that the Board: 1) approve substantially completed bond documents; 2) authorize the issuance of Airport System Revenue and Refunding Bonds, Series 2014A, in an amount not to exceed $625 million; and 3) provide delegations to the Chairman or Vice Chairman and at least one of the Co-Chairs of the Finance Committee regarding the final bond terms. He noted that the substantially completed documents included an updated report of the Airport Consultant regarding projected activity for both Airports. Mr. Rountree reported that the Authority's bond offering would include approximately $500 million in refunding bonds and approximately $125 million to be used for new money to support capital construction program needs. He explained that the Authority had a substantial savings opportunity for refunding these bonds.

Ken Gibbs of Jefferies recalled that the savings opportunity on this refunding had continued to increase since January, noting an increase of more than $17 million compared to the prior year. Mr. Gibbs stated that staying the course promised a potentially strong execution.

Mr. Rountree reviewed the delegations and the proposed pricing schedule and noted that since the materials for the day's meeting had been distributed that the finance team had recommended that the bond pricing be advanced to either May 28 or 29 to take advantage of interest rate opportunities. He also noted that the Board had previously appointed Bank of America Merrill Lynch for the Senior Book-running Manager and Citigroup Global Markets Inc. as the Co-Senior Manager for the transaction.

Mr. Gibbs stated that the net present value savings from the bond transaction is expected to be approximately $55 million.

The Committee approved the staff recommendation. [Mr. McDermott was not seated at the Board table during the discussion.]

Pre-Solicitation Terms for Bank Facilities for the Aviation Enterprise. Mr. Rountree reported that certain Letter of Credit and/or Direct Funded Indexed Floaters would not expire until 2015, but that staff was presenting the request early to take advantage of an opportunity to reduce costs and save up to $500,000 annually. Mr. Rountree referenced the list of bank facilities supporting the variable rate bonds and noted that the solicitation would be for Citi and Wells Fargo, scheduled to expire on September 17 and December 18, 2015, respectively. He reported that the recommended evaluation criteria, as well as a list of banking institutions that would receive a copy of the Request for Proposals (RFP), had been included in the materials provided for the day's meeting. Mr. Rountree stated that staff planned to present the results of the RFP to the Committee at its July meeting. He reported that the contract would require Committee and Board approval.

Guy Nagahama of Jefferies noted that the process and criteria for the bank facilities that Mr. Rountree had described were very similar, if not exactly the same, as what had been used for the Sumitomo bank facility.

The Committee concurred with the pending procurement.

2013 Comprehensive Annual Financial Report (CAFR). Mr. Rountree was joined by Mark Adams, Deputy Chief Financial Officer. He reported that the CAFR, which encompassed the Authority's final audited financial statements, had been publicly posted on the website. He noted that Authority staff and PricewaterhouseCoopers had worked collaboratively and the CAFR had been issued two weeks before the April 30 legal deadline. Mr. Rountree reported that the only new Governmental Accounting Standards Board (GASB) pronouncement that had impacted the 2013 CAFR, which had to be reflected in the comparative 2012 financials within the CAFR, was the implementation of GASB Statement 65. He explained that Statement 65 impacted the manner in which certain bond issuance costs were required to be expensed in the year they were incurred.

Mr. Rountree then provided the final audited results. For the Aviation Enterprise Fund, operating revenues were $683.6 million for 2013, a 4.6 percent increase compared to 2012 results. Operating expenses were $591.3 million for 2013, a decrease of 6.4 percent compared to 2012.

The operating income was $92.3 million for 2013, compared to $21.9 million in 2012. Mr. Rountree reported that for comparative purposes, the increase was partially attributed to the fact that the Authority had written off an impairment loss totaling $40 million in 2012. Additionally, the operating income for 2013 included increases of $16 million in landing fees and $8 million in concessions. Mr. Rountree reported that the 2013 debt service was 1.40x, which was higher than anticipated.

For the Dulles Corridor Enterprise Fund, Mr. Adams reported that the Dulles Toll Road (DTR) revenues were $127.1 million for 2013, an increase of 25.1 percent compared to 2012. The DTR transactions were 98.7 million for the year, a decrease of 1.2 percent compared to 2012. The DTR expenditures for the year were $26.5 million, an increase of 7.7 compared to 2012 results.

April 2014 Financial Report – Aviation Enterprise. Mr. Rountree reported that year-to-date revenue was $214.7 million, 4.2 percent lower than the prior year-to-date. Year-to-date expenses were $194.1 million, an increase of 4.4 percent compared to the prior year-to-date. The operating income through April was $20.7 million. Mr. Rountree recalled that at last month's meeting he had reported that the operating income through March was $9.3 million and noted the impact of a solid month. The debt service coverage estimate was 1.30x as of April 2014.

Mr. Conner inquired about the cash on hand, to which Mr. Rountree responded that there were 569 days of unrestricted cash on hand as of year end.

April 2014 Financial Report – Dulles Corridor Enterprise. Mr. Adams reported that year-to-date Toll Road revenue was $47.2 million, 16.4 percent higher than the prior year-to-date. Toll Road transactions totaled 30.6 million year-to-date, 4.1 percent lower than prior year-to-date. Electronic toll collections were up 2.6 percent at 83.4 percent. Toll Road expenditures were $9.5 million year-to-date, 10.7 percent higher than prior year-to-date. Mr. Adams stated that snow removal costs had contributed to the increase in expenditures.

Mr. Curto suggested that the Financial Advisors' Reports for the Dulles Corridor and the Aviation Enterprises be accepted as presented in the materials provided for the day's meeting. The Committee expressed no concerns and accepted the Reports.

Mr. Curto requested an update on the recent bond sale. Mr. Rountree was joined by the Financial Advisors for the Dulles Corridor Enterprise. He introduced the scenario for the bond sale and stated that when coupled with the expected Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, which is presently being negotiated, this transaction would complete the financing from revenues of the Dulles Toll Road to fulfill its obligation to fund the Silver Line. Mr. Rountree recalled that the Board had selected J.P. Morgan Securities LLC (JP Morgan) as the Book-running Senior Manager and Loop Capital Markets LLC (Loop) as Co-Senior Manager, as well as many other co-managers as part of the deal. He reported that these firms had served the Authority well in the market. Authority staff and the co-senior managers had conducted significant investor outreach efforts.

Doreen Frasca of Frasca & Associates, L.L.C. reported that 84 institutional investors had ordered the bonds, 29 of which had been part of outreach efforts Mr. Rountree had mentioned; six had had one-on-one meetings with Mr. Rountree; and four had been part of JP Morgan's outreach. She stated that the bonds had been oversubscribed, noting that for every one bond there had been approximately four orders. Ms. Frasca stated that the results had been achieved because of the quality of the product. She commended JP Morgan and Loop for their leadership and the entire syndicate for its strength.

Directors Conner and Curto commended Mr. Rountree and the entire finance team for their remarkable undertaking, hard work and accomplishments.

Mr. Rountree provided a TIFIA update. As previously reported, the Authority, Loudoun and Fairfax Counties had received a confirmation letter on May 9 that the TIFIA applications had been approved. Mr. Rountree stated that the next step would be to finalize the loan terms, which are currently being negotiated and would be brought back to the Committee and the Board for final approval.

<u>Budget Reprogrammings for the first Quarter of 2014</u>. Mr. Rountree reported that no budget reprogrammings had occurred.

<u>Quarterly Report on Investment Program (Quarter Ending March 31, 2014)</u>. The Report was accepted as presented in the materials provided for the day's meeting.

The meeting was thereupon adjourned at 8:32 a.m.