

FINANCE COMMITTEE

Metropolitan Washington Airports Authority Quarterly Report on Investment Program (Quarter Ending December 31, 2013)

March 2014

Investment Program Report

Total Portfolio decreased by \$118.8 million

(in Millions)	Dec 31	Sep 30	Change
Total Aviation	\$1,115.6	\$1,300.9	\$ (185.3)
Total Dulles Corridor	<u>748.1</u>	<u>681.6</u>	<u>66.5</u>
Total	<u><u>\$1,863.7</u></u>	<u><u>\$1,982.5</u></u>	<u><u>\$ (118.8)</u></u>

Investment Program Report

Aviation

Portfolio decreased by \$185.3 million

Aviation (in millions)	Dec 31	Sep 30	Change
Operating	\$ 556.0	\$ 545.2	\$ 10.8
Construction	75.8	100.0	(24.2)
Capitalized Interest	2.0	2.0	-
Cost of Issuance	0.3	1.9	(1.6)
PFC/Grants	58.9	65.2	(6.3)
Debt Service Reserve	322.8	341.6	(18.8)
Debt Service Interest	57.7	106.7	(49.0) *
Debt Service Principal	35.4	131.6	(96.2) **
FAA ATCT Escrow	6.7	6.7	-
Total	\$ 1,115.6	\$ 1,300.9	\$ (185.3)

* \$100.3 million in Interest paid October 1.

** \$130.6 million in Principal paid October 1.

Investment Program Report

Dulles Corridor

Portfolio increased by \$66.5 million

Dulles Corridor (in millions)	Dec 31	Sep 30	Change
Toll Road Revenues	\$ 126.6	\$ 110.2	\$ 16.4
Toll Road Operating	35.4	6.9	28.5
Capital Improvement	43.5	44.5	(1.0)
Construction	193.7	147.3	46.4 *
Cost of Issuance	1.0	0.3	0.7
Debt Service Reserve	133.6	131.8	1.8
Debt Service Interest	17.8	35.5	(17.7) **
Debt Service Principal	17.2	9.0	8.2
Federal Reimbursement Funds	-	6.9	(6.9)
Commonwealth Agreement	140.0	150.0	(10.0)
Escrows	39.3	39.2	0.1
Total	\$ 748.1	\$ 681.6	\$ 66.5

* Issued \$150 million interim notes

** \$35 million in Interest paid October 1



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

REPORT TO THE FINANCE COMMITTEE
QUARTERLY REPORT ON INVESTMENT PROGRAM
MARCH 2014

ACTION REQUESTED

No action is required. A quarterly report presented to the Finance Committee on the results of the investment program.

BACKGROUND

On January 28, the Airports Authority's Management Investment Committee held the quarterly meeting to review the investment program and investment plan for the next quarter. The Committee reviewed each portfolio with regard to liquidity and investment policy compliance. Investment results were compared to the targets and benchmarks established in the Investment Objectives and Procedures. Market conditions and liquidity needs were discussed, and an investment plan was approved. The Committee decided to maintain three months of operating cash (including debt service) in highly liquid investments, including securities scheduled with a 90-day maturity, repurchase agreements and money market mutual funds, and to invest remaining operational funds in securities maturing in 9 to 12 months. The Committee additionally reviewed information on general economic market conditions, the investment portfolios, and evaluated investment results in determining the next quarter investment strategy.

The Investment Committee welcomed Caren Merrick, Director as a new member and discussed the Investment Policy change required to expand the deposits in local banks. The details of the Local Deposit Program will be presented separately as the next agenda item.

The total Airports Authority portfolio increased by \$118.8 million from September 30, 2013, to December 31, 2013. The Aviation portfolio decreased by \$185.3 million after the October 1 interest and principal payments. The Dulles Corridor portfolio increased by \$66.5 million due to the issuance of 2013 Notes to be used for construction spending.

The following is information provided and discussed at the January Investment Committee meeting:

- A. Economic Conditions and Outlook
- B. Minutes of the November 1, 2013 Investment Committee Meeting
- C. Total Portfolio by Account
- D. Total Portfolio by Security Type
- E. Total Portfolio by Days to Maturity
- F. Fund Balances
- G. Investment Results – Targets and Benchmarks

Prepared by: Office of Finance
March 2014

ECONOMIC CONDITIONS AND OUTLOOK AS OF JANUARY 28, 2014

Federal Open Market Committee (FOMC) - The FOMC kept rates at 0-.25 percent at their December 18, 2013 meeting.

Consumer Price Index (CPI) - The cost of living rose 0.3 percent in December as an improving U.S. economy is limiting inflation and firings and lifting consumers' moods. December was the biggest gain in six months.

Producer Price Index (PPI) - Wholesale prices in the U.S. climbed in December for the first time in three months (by 0.4 percent) to cap the smallest annual increase in five years, showing companies face little pressure to charge more.

Retail Sales - Retail sales rose in December as frigid temperatures prodded Americans to buy discounted winter clothing and shop online for the holidays, capping what may have been the strongest quarter for consumer spending in three years. Purchases increased 0.2 percent after a 0.4 percent advance in November.

Consumer Confidence - American consumers turned more confident in December as hiring picked up, brightening the outlook for spending heading into 2014. The Conference Board said its sentiment index climbed to 78.1 from 72 in November, showing the strongest year-end since 2007.

Inventories - Inventories in the U.S. increased in October by 0.8 percent over the September number.

Capacity Utilization - Capacity utilization for total industry moved up 0.1 percentage points to 79.2 percent, a rate 1.0 percentage point below its long-run (1972-2012) average.

Leading Economic Indicators - The index of U.S. leading indicators increased more than forecast in November, underscoring the Federal Reserve's view of an improving U.S. economy. The index, a measure of the outlook for the next three to six months, increased 0.8 percent after rising 0.1 percent in October.

Federal Surplus/Deficit - The U.S. December budget surplus was \$53.2 billion compared to a deficit of \$1.2 billion last year. The year-to-date deficit is \$173.6 billion compared to a deficit of \$293.3 billion last year.

Unemployment - Payrolls in December increased at the slowest pace since January 2011, indicating a pause in the recent strength of the U.S. labor market that may partly reflect the effects of bad weather. The unemployment rate dropped to 6.7 percent, the lowest since October 2008, as more people left the labor force.

SUMMARY

The US economy is forecast to speed up in 2014 to about 3½ percent (Q4-over-Q4 basis). Persistent, below target inflation provides the strongest argument for sustained, highly accommodative monetary policy in 2014. However, the US recovery still is only half way completed. Millions who want full time jobs are still working part time jobs. Many are still unemployed and looking for work. And many more have ceased looking for work in pursuit of alternative options at least for a short while.

MINUTES OF NOVEMBER 1, 2013 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 1:00 p.m. in the President's conference room. Attending the meeting were committee members John Potter, Margaret McKeough, Andy Rountree and Mark Adams. Nancy Edwards and David Tucker of the Treasury Department were also in attendance.

The Committee reviewed the Investment Committee book, and in agenda order discussed:

- **MINUTES** - The minutes from the August 28, 2013 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio increased \$262.5 million from June 30 to September 30, 2013. The Aviation portfolio increased by \$166.7 million and the Dulles Corridor portfolio increased by \$95.8 million.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions that had been reported as of October 25, 2013. With the federal government closing, September index releases are either cancelled or postponed until November.
- **INVESTMENT HORIZON** - The Committee discussed the various economic indexes and agreed to set the investment horizon for the next three months to 9 to 12 months.
- **NEW BROKER/DEALERS** - Ms. Edwards met with the CFO and Deputy CFO on October 23, 2013 to review the Investment Committee book and potential new authorized broker/dealers. The following broker/dealers have been added to the approved list:
 - FTN Financial Capital Markets
 - Samual A. Ramirez & Company
 - Blaylock Robert Van, LLC
 - Multi-Bank Securities
- **ANNUAL BROKER DEALER REVIEW** - The committee reviewed the list of previously approved broker/dealers that have completed the annual information update. The list is available in the September 30, 2013 Investment Committee book under Other Items.
- **EMPLOYMENT COST INDEX** - Two new pages of graphs are included in this book and will be updated quarterly.

QUESTIONS/NEW BUSINESS

MONEY MARKET FUNDS - Ms. Edwards attended the Association for Financial Professionals annual conference in October. While at the conference, she discussed the proposed money market fund changes with several money market fund providers. Of major concern to the Authority is the possibility of changing the municipal money market funds from a set asset value of \$1.00 to a floating net asset value. Many investors are not able to invest in floating Net Asset Value funds which could impair the Authority's ability to sell bonds to Municipal Money Market fund providers. Staff will continue to monitor the proposed changes.

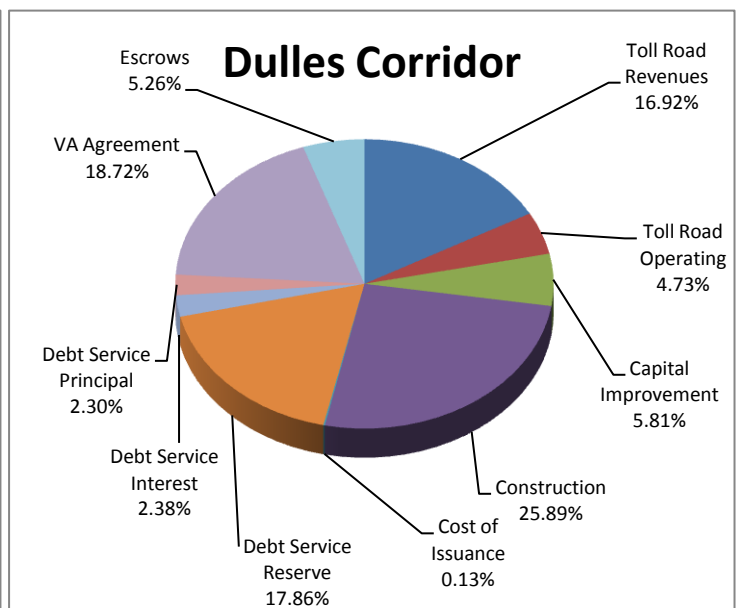
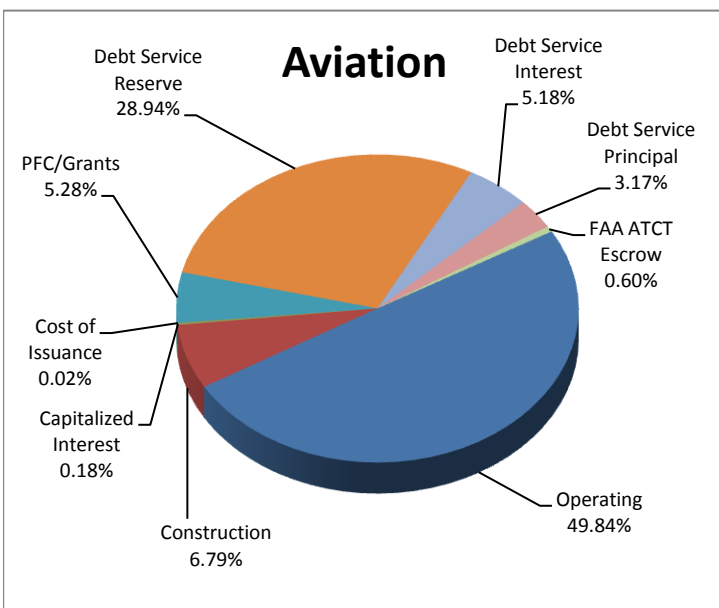
Respectfully Submitted,
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

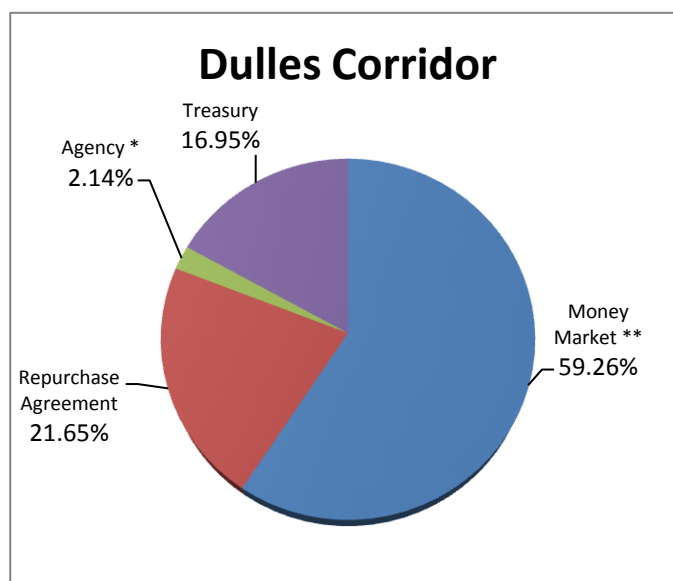
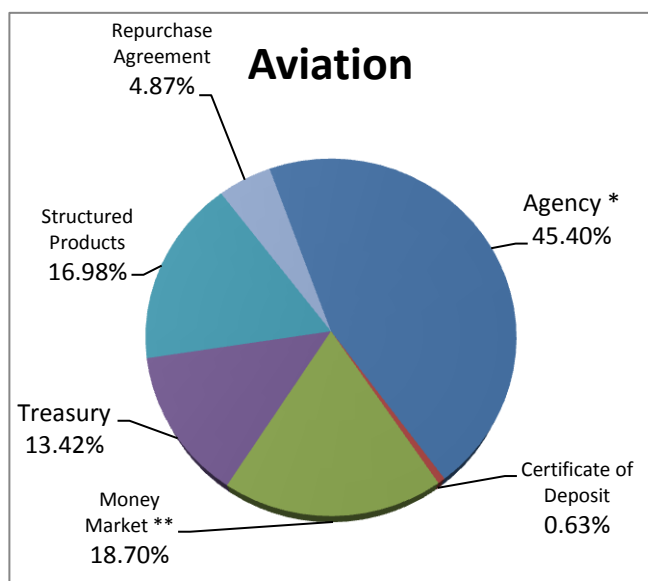
As of December 31, 2013

<u>Aviation</u>	Dec 31	Sep 30	Jun 30
Operating	\$556,005,605	\$545,199,288	\$469,686,796
Construction	75,756,874	99,959,614	55,432,202
Capitalized Interest	2,033,856	2,033,815	3,124,421
Cost of Issuance	260,008	1,899,702	3,118,999
PFC/Grants	58,920,078	65,151,446	77,181,722
Debt Service Reserve	322,836,362	341,642,681	357,479,759
Debt Service Interest	57,736,827	106,713,015	58,032,851
Debt Service Principal	35,406,562	131,588,868	103,523,259
FAA ATCT Escrow	6,651,666	6,651,559	6,651,346
Total Aviation	\$1,115,607,838	\$1,300,839,988	\$1,134,231,355
<u>Dulles Corridor</u>			
Toll Road Revenues	126,571,767	110,198,003	99,411,588
Toll Road Operating	35,376,240	6,894,404	7,186,502
Capital Improvement	43,468,587	44,520,105	60,021,187
Construction	193,724,141	147,342,336	57,243,299
Cost of Issuance	996,367	276,358	284,448
Debt Service Reserve	133,579,057	131,779,167	130,767,629
Debt Service Interest	17,825,278	35,462,839	19,031,808
Debt Service Principal	17,179,154	9,042,057	6,781,460
Federal Reimbursement Funds	3,004	6,930,135	15,801,509
Commonwealth Agreement	140,009,286	150,005,713	150,001,973
Escrows	39,347,526	39,247,731	39,244,438
Total Dulles Corridor	\$748,080,407	\$681,698,848	\$585,775,841
Total Portfolio	\$1,863,688,245	\$1,982,538,836	\$1,720,007,196



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of December 31, 2013

Aviation	Dec 31	Sep 30	Jun 30
Agency *	\$506,515,598	\$390,699,615	\$487,162,173
Certificate of Deposit	7,001,498	7,001,498	7,001,499
Money Market **	208,629,438	486,399,047	241,976,779
Treasury	149,738,815	128,862,822	148,588,535
Structured Products	189,461,262	197,177,262	199,806,134
Repurchase Agreement	54,261,227	90,699,744	49,696,235
Total Aviation	<u>\$1,115,607,838</u>	<u>\$1,300,839,988</u>	<u>\$1,134,231,355</u>
Dulles Corridor			
Money Market **	\$443,324,568	\$423,921,228	\$316,851,244
Repurchase Agreement	161,948,670	130,986,745	127,136,984
Agency *	16,016,294	0	14,996,738
Treasury	126,790,875	126,790,875	126,790,875
Total Dulles Corridor	<u>\$748,080,407</u>	<u>\$681,698,848</u>	<u>\$585,775,841</u>
Total Portfolio	<u>\$1,863,688,245</u>	<u>\$1,982,538,836</u>	<u>\$1,720,007,196</u>



* Agency Split:

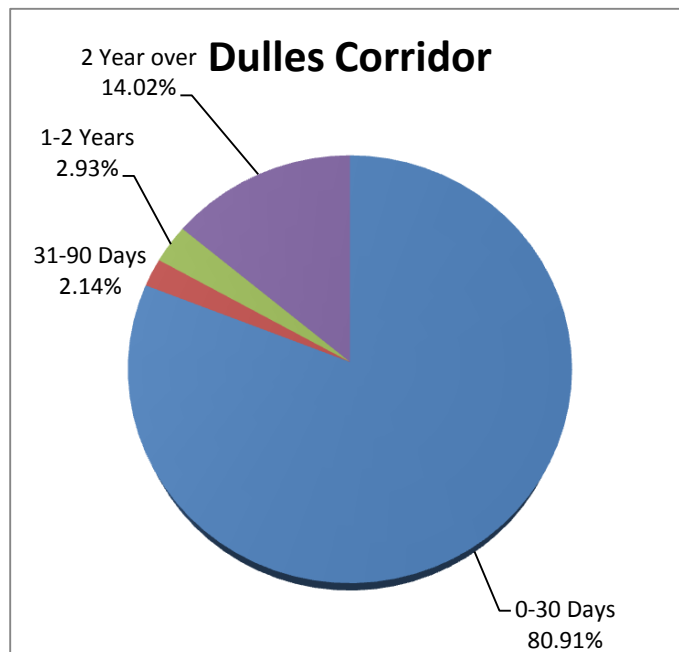
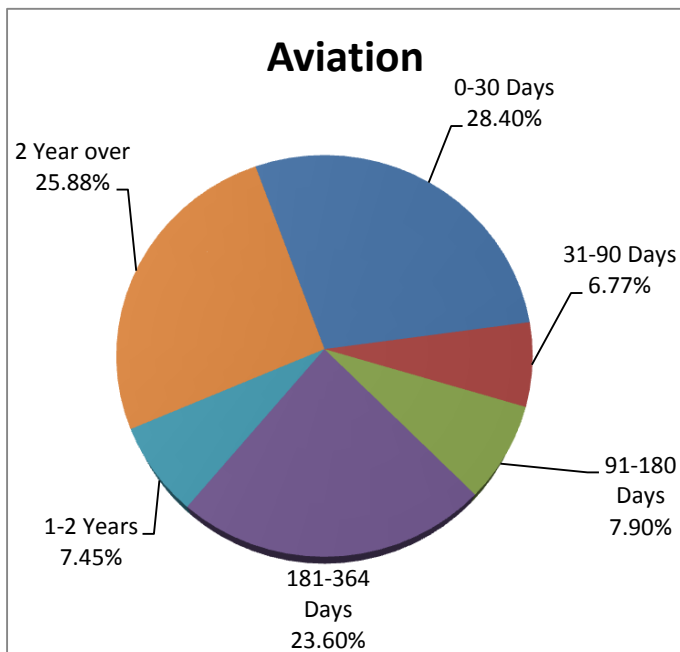
Home Loan	\$ 169,767,476
Freddie Mac	165,186,296
Fannie Mae	137,422,060
Farmer Mac	-
Farm Credit	50,156,060
Total Agencies	<u>\$ 522,531,892</u>

** Money Market Split

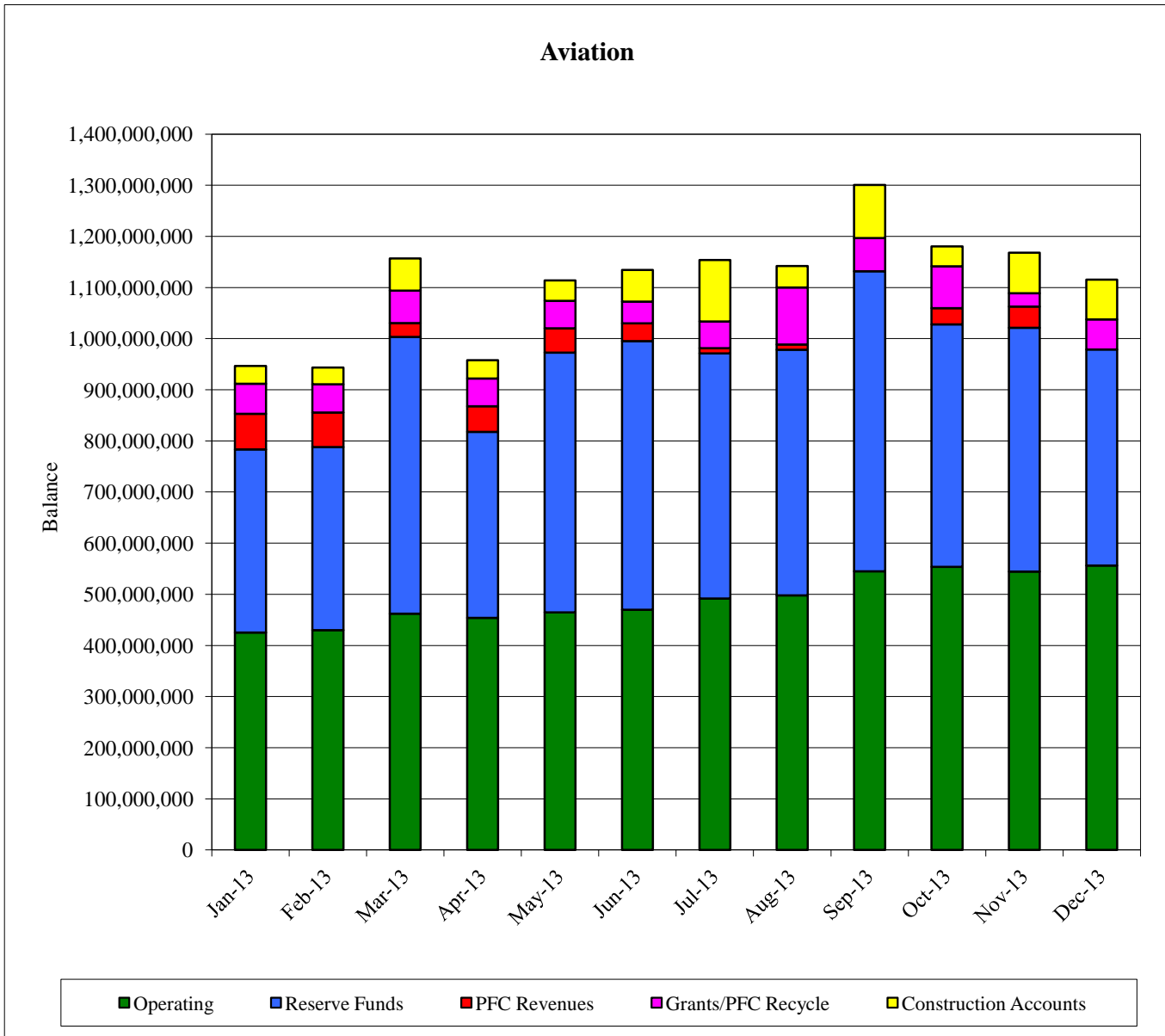
Federated Funds	\$ 8,571,225
Wilmington Trust	627,326,044
Fidelity Funds	6,651,666
NationsFund	9,405,071
	<u>\$ 651,954,006</u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of December 31, 2013

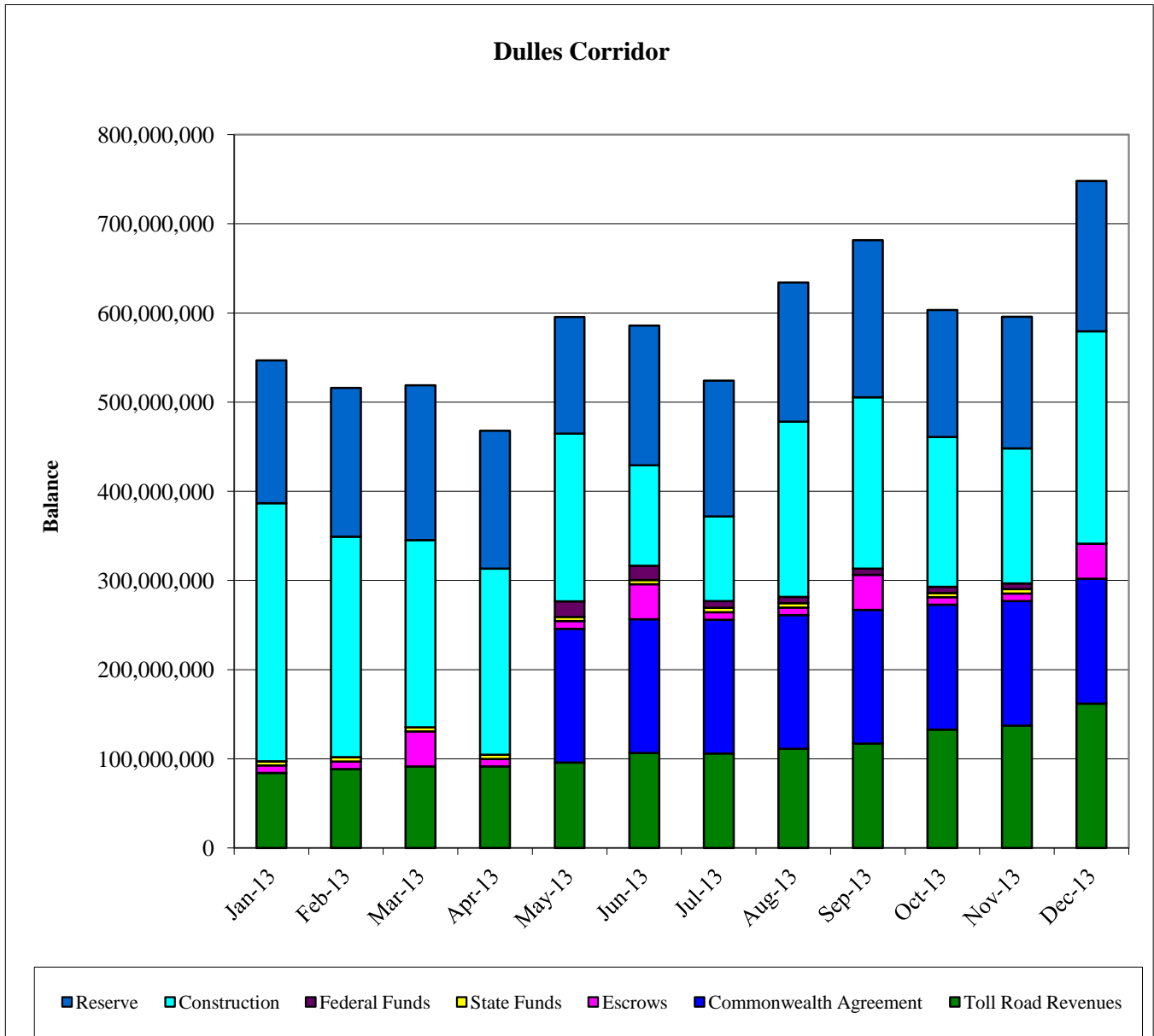
Aviation	Dec 31	Sep 30	Jun 30
0-30 Days	\$316,832,338	\$589,823,042	\$305,894,877
31-90 Days	75,509,695	71,986,938	153,691,472
91-180 Days	88,163,538	83,479,545	105,209,881
181-364 Days	263,248,143	190,868,746	170,643,084
1-2 Years	83,084,753	91,726,330	97,474,954
2 Year over	288,769,371	272,955,387	301,317,087
Total Aviation	\$1,115,607,838	\$1,300,839,988	\$1,134,231,355
Dulles Corridor			
0-30 Days	\$605,273,238	\$554,907,972	\$443,988,229
31-90 Days	16,016,294	-	14,996,737
1-2 Years	21,943,219	21,943,219	21,943,219
2 Year over	104,847,656	104,847,657	104,847,656
Total Dulles Corridor	\$748,080,407	\$681,698,848	\$585,775,841
Total Portfolio	\$1,863,688,245	\$1,982,538,836	\$1,720,007,196



**History of Fund Balances
Aviation
Rolling 12 Months
As of December 31, 2013**



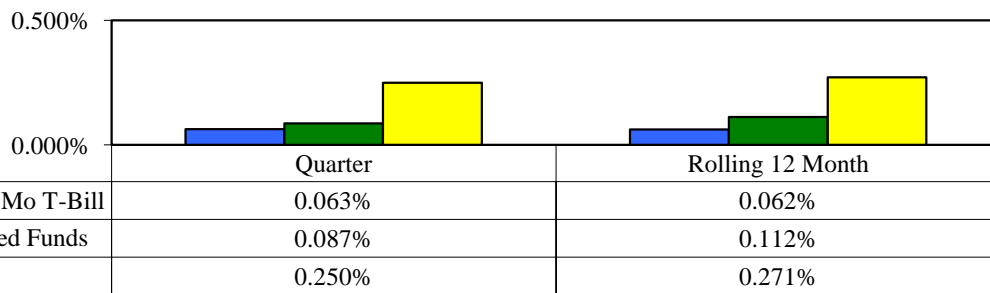
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of December 31, 2013**



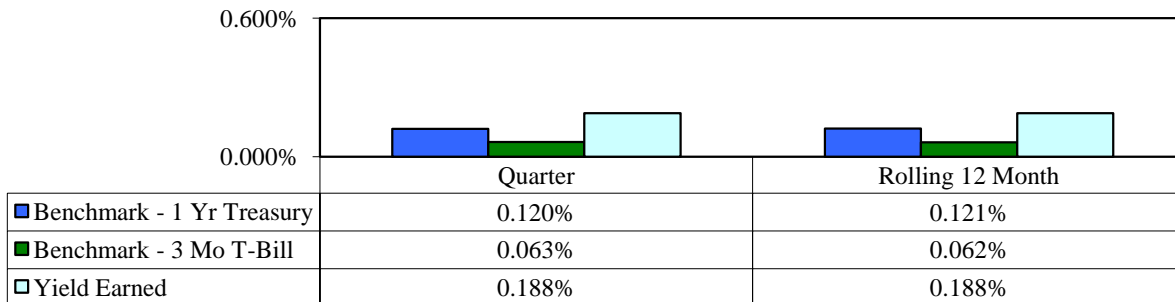
Investment Results - Targets and Benchmarks

December 31, 2013

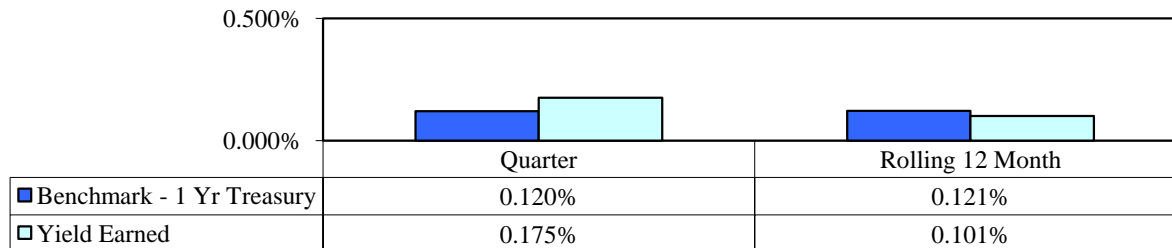
Aviation Operating Funds



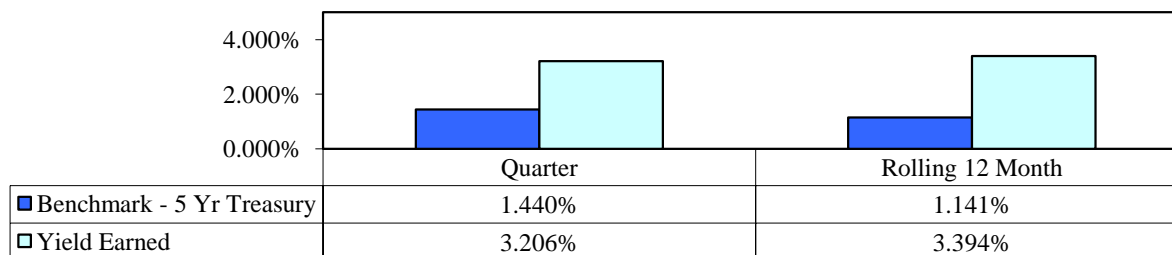
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

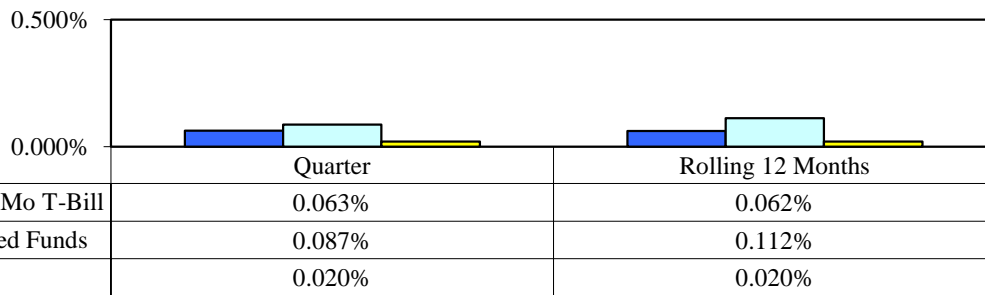


* Blended Arbitrage Rate of 4.691%

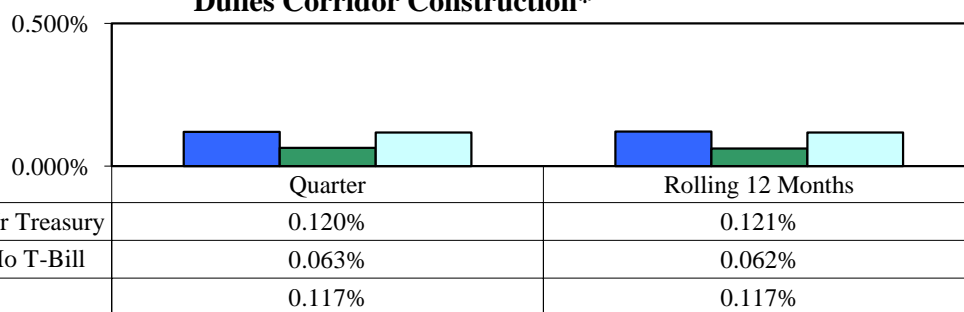
Investment Results - Targets and Benchmarks

December 31, 2013

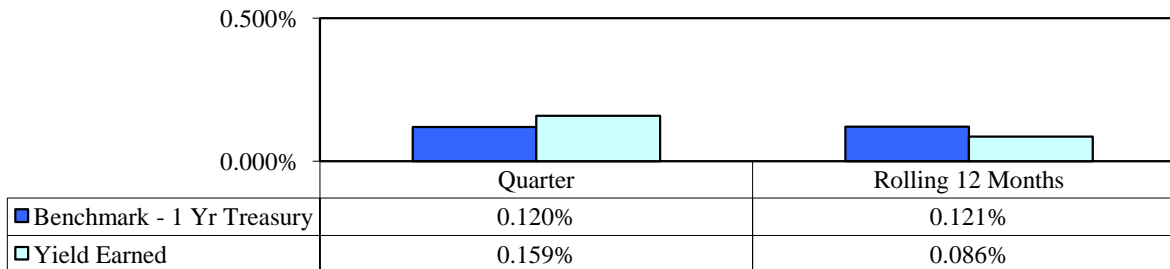
Dulles Corridor Operating



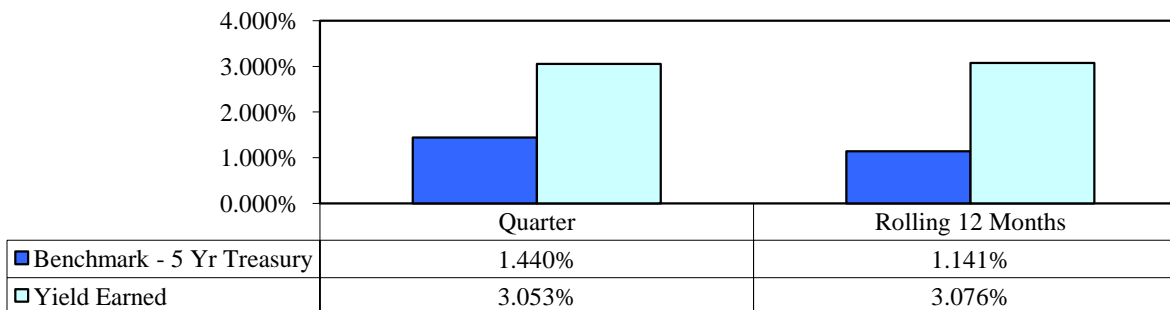
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%