

FINANCE COMMITTEE

Metropolitan Washington Airports Authority Quarterly Report on Investment Program (Quarter Ending March 31, 2015)

May 2015

Investment Program Report

Total Portfolio increased by \$171.7 million

(in Millions)	Mar 31	Dec 31	Change
Total Aviation	\$ 1,339.5	\$ 1,240.8	\$ 98.7
Total Dulles Corridor	781.1	708.1	73.0
Total	<u><u>\$ 2,120.6</u></u>	<u><u>\$ 1,948.9</u></u>	<u><u>\$ 171.7</u></u>

Investment Program Report

Aviation

Portfolio increased by \$98.7 million

Aviation (in millions)	Mar 31	Dec 31	Change
Operating	\$ 659.1	\$ 633.0	\$ 26.1
Construction	125.5	143.6	(18.1)
Cost of Issuance	0.7	0.7	-
PFC Revenue	49.3	42.4	6.9
Debt Service Reserve	324.9	321.9	3.0
Debt Service Interest	102.4	56.5	45.9
Debt Service Principal	70.6	35.7	34.9
FAA ATCT Escrow	6.4	6.4	-
Public Safety Asset Seizure	0.6	0.6	-
Total	<u><u>\$1,339.5</u></u>	<u><u>\$1,240.8</u></u>	<u><u>\$ 98.7</u></u>

Investment Program Report

Dulles Corridor

Portfolio increased by \$73.0 million

Dulles Corridor (in millions)	Mar 31	Dec 31	Change
Toll Road Revenues	\$ 216.7	\$ 215.9	\$ 0.8
Toll Road Operating	7.9	6.5	1.4
Capital Improvement	9.5	12.4	(2.9)
Construction	123.4	124.4	(1.0)
Cost of Issuance	0.8	0.8	-
Debt Service Reserve	186.7	170.6	16.1
Debt Service Interest	49.3	25.8	23.5
Debt Service Principal	34.7	2.2	32.5
Commonwealth Agreement	110.0	110.0	-
Escrows	42.1	39.5	2.6
Total	<u>\$ 781.1</u>	<u>\$ 708.1</u>	<u>\$ 73.0</u>



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
MAY 2015

ACTION REQUESTED

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

BACKGROUND

On May 13, the Airports Authority's Investment Committee held its quarterly meeting via email 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 total Airports Authority portfolio increased by \$171.7 million from December 31, 2014 to March 31, 2015. The Aviation portfolio increased by \$98.7 million. The Dulles Corridor portfolio increased by \$73.0 million.

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

- A. Economic Conditions and Outlook
- B. Minutes of the February 11, 2015 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
May 2015

ECONOMIC CONDITIONS AND OUTLOOK AS OF MAY 6, 2015

Federal Open Market Committee (FOMC) - At the April 29 meeting, the FOMC kept rates at zero to 0.25 percent. The first quarter was weaker than expected with the FOMC stating economic growth "slowed during the winter months" leaving the door open for rate increases later in 2015.

Consumer Price Index (CPI) - The cost of living in the U.S. rose 0.2 percent in March, signaling an increase in inflation. There were broad based increases in rents, medical care, clothing and used vehicles.

Producer Price Index (PPI) - The Producer Price Index for final demand rose 0.2 percent in March. Lower oil prices have helped to keep the PPI down, however expectations are for higher oil prices in the next few months.

Retail Sales - The March rebound in retail sales was less impressive than economists forecast, signaling consumers are in no rush to spend the windfall from cheaper fuel prices. Purchases increased 0.9 percent, the first gain in four months.

Consumer Confidence - Since December 2014, the collision between cooling consumer spending and buoyant consumer confidence has puzzled economists. In April the clash is over as consumer confidence dropped to a four month low of 95.2 after a confident 101.3 in March.

Inventories - Business inventories rose 0.3 percent in February while retail sales inventories rose 0.4 percent.

Capacity Utilization - The weakness in overall industrial production in March meant the capacity utilization rate slipped to 78.4 percent versus 79 percent in February. Capacity utilization is an important determinant of business investment so the decline is a troubling omen for private sector capital outlays in the near-to-medium term.

Leading Economic Indicators - The index of leading indicators rose less than forecast in March, indicating the U.S. will have difficulty gaining traction after the first-quarter slowdown. The index climbed 0.2 percent after a 0.1 percent increase in February.

Federal Surplus/Deficit - The Treasury Department reported that the US budget deficit year to date was \$439.5 billion compared to \$413.3 billion last year.

Unemployment - The employment boom fizzled in March. Payrolls increased by 126,000 workers, the smallest gain since December 2013.

SUMMARY

The implied probability of an FOMC rate increase (as calculated by Bloomberg) shows no chance of an increase at their next meeting on June 17. There is a 5.8 percent probability of an increase to 0.50 percent at its July 29 meeting. At present, the earliest date for a rate increase is September 17.

MINUTES OF FEBRUARY 11, 2015 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 11:00 a.m. in the President's conference room. Attending the meeting were committee members John Potter, Margaret McKeough, Jerome Davis, Andy Rountree, Steve Baker and Mark Adams. Nancy Edwards and Jason Carroll 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 October 28, 2014 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio decreased \$217.3 million from September 30 to December 31, 2014. The Aviation portfolio decreased by \$143.8 million and the Dulles Corridor portfolio decreased by \$73.5 million. Mr. Potter requested a line by line discussion on the types of funds held in the portfolios. Mr. Rountree discussed the type of funds held in the Aviation portfolio and what they are used for. In addition, Mr. Potter has requested an historical review of the cash balances available for operating. Ms. Edwards reviewed what was required with Mr. Rountree and requested a reconciliation of the funds held in the Operating Accounts as of December 31, 2014, from Accounting and Budget. Accounting and Budget will complete the report and provide to Mr. Rountree for discussion with Mr. Potter.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions that had been reported as of February 6, 2015.
- **INVESTMENT HORIZON** - The Committee discussed the various economic indexes and changes in the yield curves and agreed to set the investment horizon for operating funds until the next Investment Committee meeting at 9 to 12 months.
- **LOCAL DEPOSIT PROGRAM** - Staff reported they will begin a new procurement to develop a list of potential new banks to join the program. The present program's certificates of deposit will mature in September.
- **NEW INVESTMENT COMMITTEE MEMBER** - Mr. Potter formally appointed a new member to the Investment Committee, Jerome Davis, Executive VP and Chief Revenue Officer. Ms. Edwards gave Mr. Davis copies of the Board of Directors Investment Policy and the Investment Committees Investment Objectives and Procedures.
- **QUESTIONS/NEW BUSINESS** - None

Respectfully Submitted
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

As of March 31, 2015

<u>Aviation</u>	Mar 31	Dec 31	Sep 30
Operating	\$659,077,493	\$633,018,976	\$551,848,458
Construction	125,462,693	143,585,365	203,344,638
Cost of Issuance	672,097	672,081	672,064
PFC Revenue	49,288,373	42,437,856	48,494,433
Debt Service Reserve	324,909,675	321,862,989	331,051,326
Debt Service Interest	102,413,932	56,452,796	103,365,270
Debt Service Principal	70,641,237	35,748,745	138,619,732
FAA ATCT Escrow	6,397,542	6,373,385	6,721,854
Public Safety Asset Seizure	623,809	625,142	445,072
Total Aviation	\$1,339,486,851	\$1,240,777,335	\$1,384,562,847

Dulles Corridor

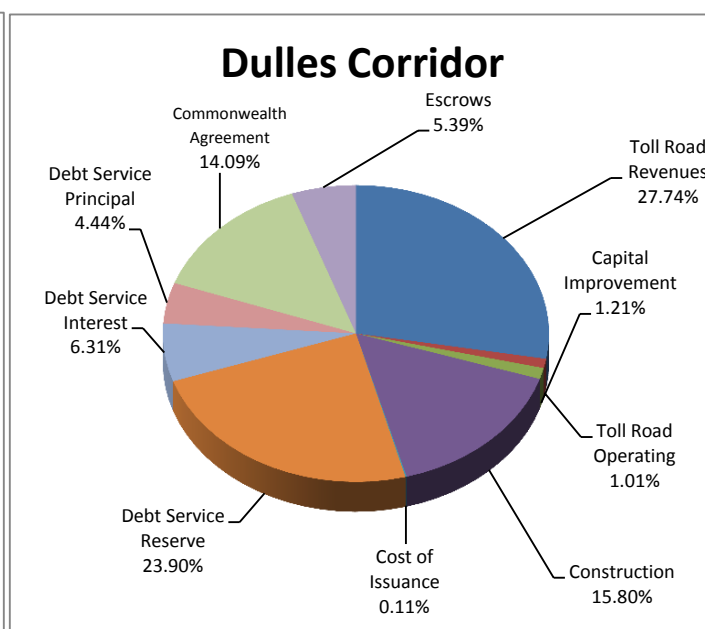
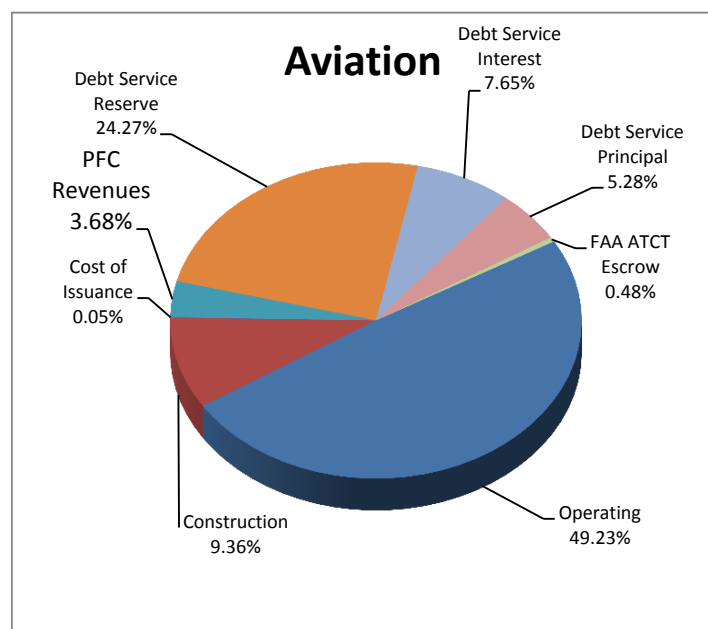
Toll Road Revenues	216,699,762	215,858,325	194,832,996
Toll Road Operating	7,897,090	6,468,506	6,858,996
Capital Improvement	9,483,927	12,424,868	38,890,685
Construction	123,435,614	124,410,021	150,665,995
Cost of Issuance	820,655	820,634	834,312
Debt Service Reserve	186,677,025	170,583,337	174,355,618
Debt Service Interest	49,293,292	25,763,391	46,460,195
Debt Service Principal	34,663,376	2,171,126	4,201,883
Commonwealth Agreement	110,024,535	110,021,811	125,018,950
Escrows	42,139,456	39,549,482	39,448,851
Total Dulles Corridor	\$781,134,732	\$708,071,501	\$781,568,481

Total Portfolio

\$2,120,621,583

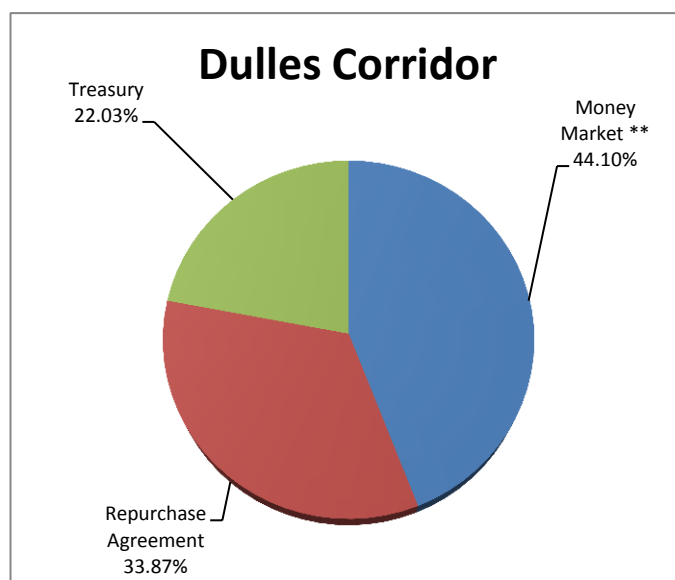
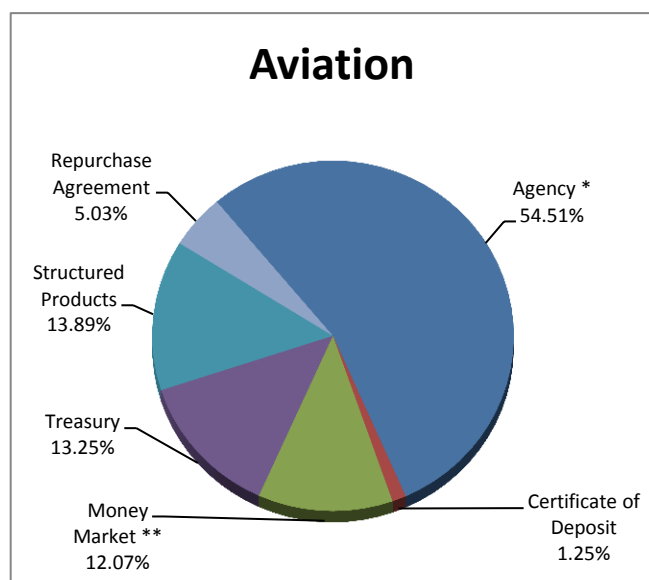
\$1,948,848,836

\$2,166,131,328



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of March 31, 2015

Aviation	Mar 31	Dec 31	Sep 30
Agency *	\$730,187,283	\$594,226,759	\$484,795,204
Certificate of Deposit	16,750,000	15,750,000	8,751,141
Money Market **	161,663,020	207,739,499	494,403,855
Treasury	177,495,629	171,055,534	148,739,284
Structured Products	186,020,416	189,461,261	189,461,262
Commercial Paper	-	0	0
Repurchase Agreement	67,370,503	62,544,281	58,412,101
Total Aviation	\$1,339,486,851	\$1,240,777,334	\$1,384,562,847
Dulles Corridor			
Money Market **	\$326,280,820	\$245,951,957	\$390,999,132
Repurchase Agreement	250,578,921	277,078,991	227,598,982
Agency *	41,304,624	22,070,186	0
Treasury	162,970,367	162,970,367	162,970,367
Commercial Paper	0	0	0
Total Dulles Corridor	\$781,134,732	\$708,071,501	\$781,568,481
Total Portfolio	\$2,120,621,583	\$1,948,848,835	\$2,166,131,328



*** Agency Split:**

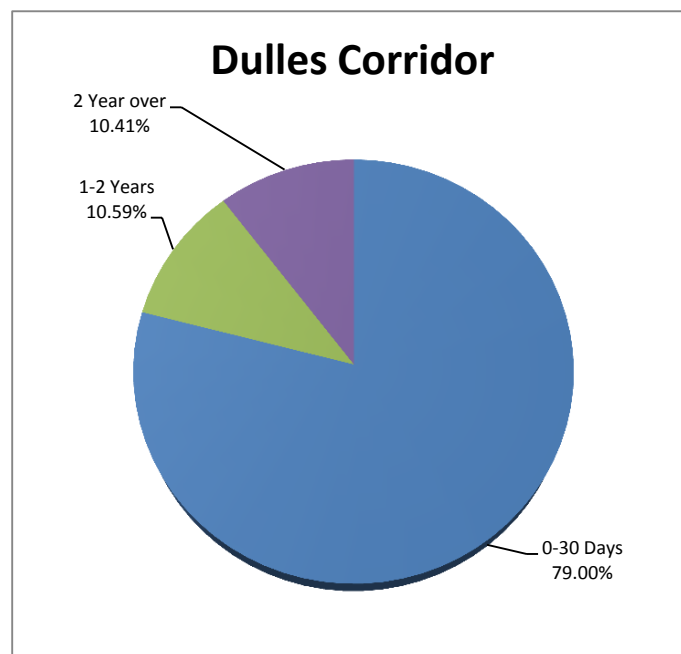
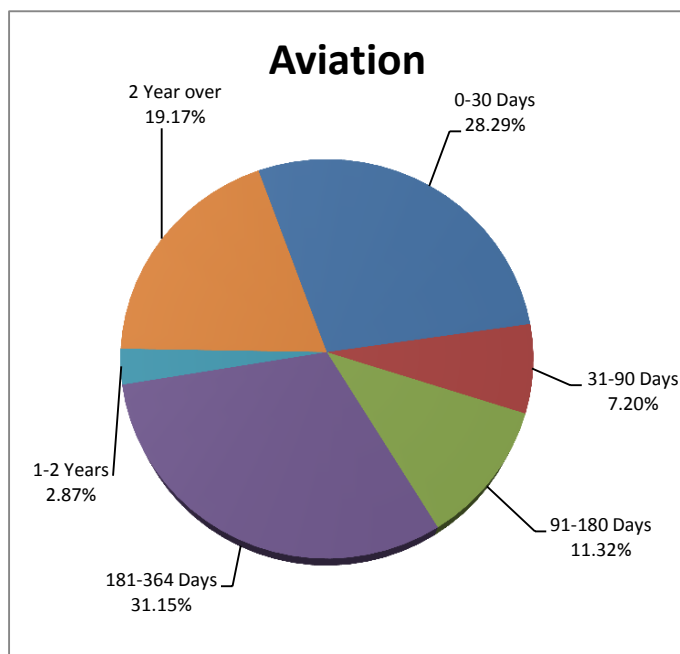
Home Loan	\$ 312,490,519
Freddie Mac	77,328,640
Fannie Mae	151,071,081
Farmer Mac	230,601,667
Farm Credit	-
Total Agencies	\$ 771,491,907

**** Money Market Split**

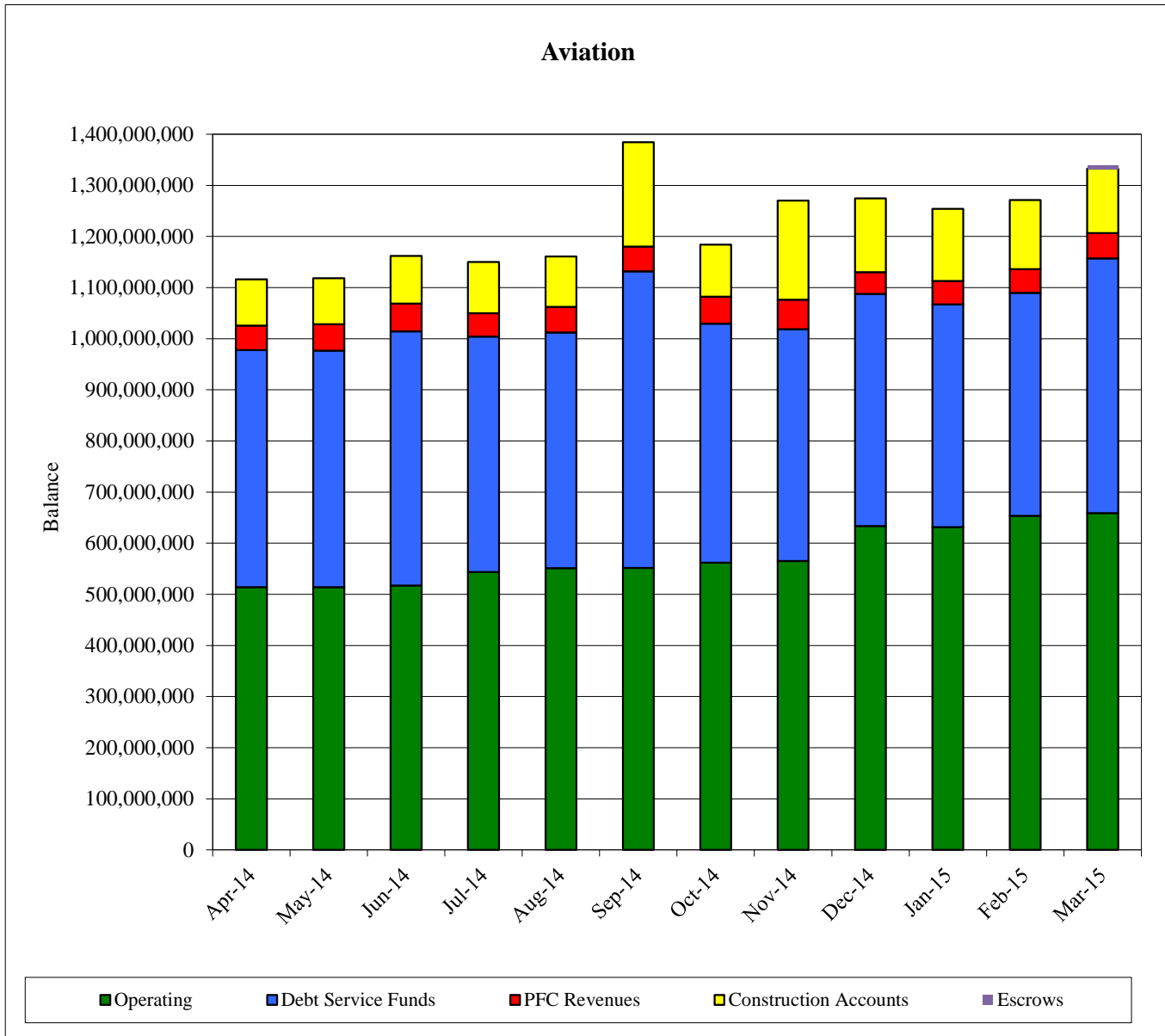
Wilmington Trust	\$ 472,140,090
Fidelity Funds	6,397,542
NationsFund	9,406,208
Federated Funds	-
	\$ 487,943,840

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of March 31, 2015

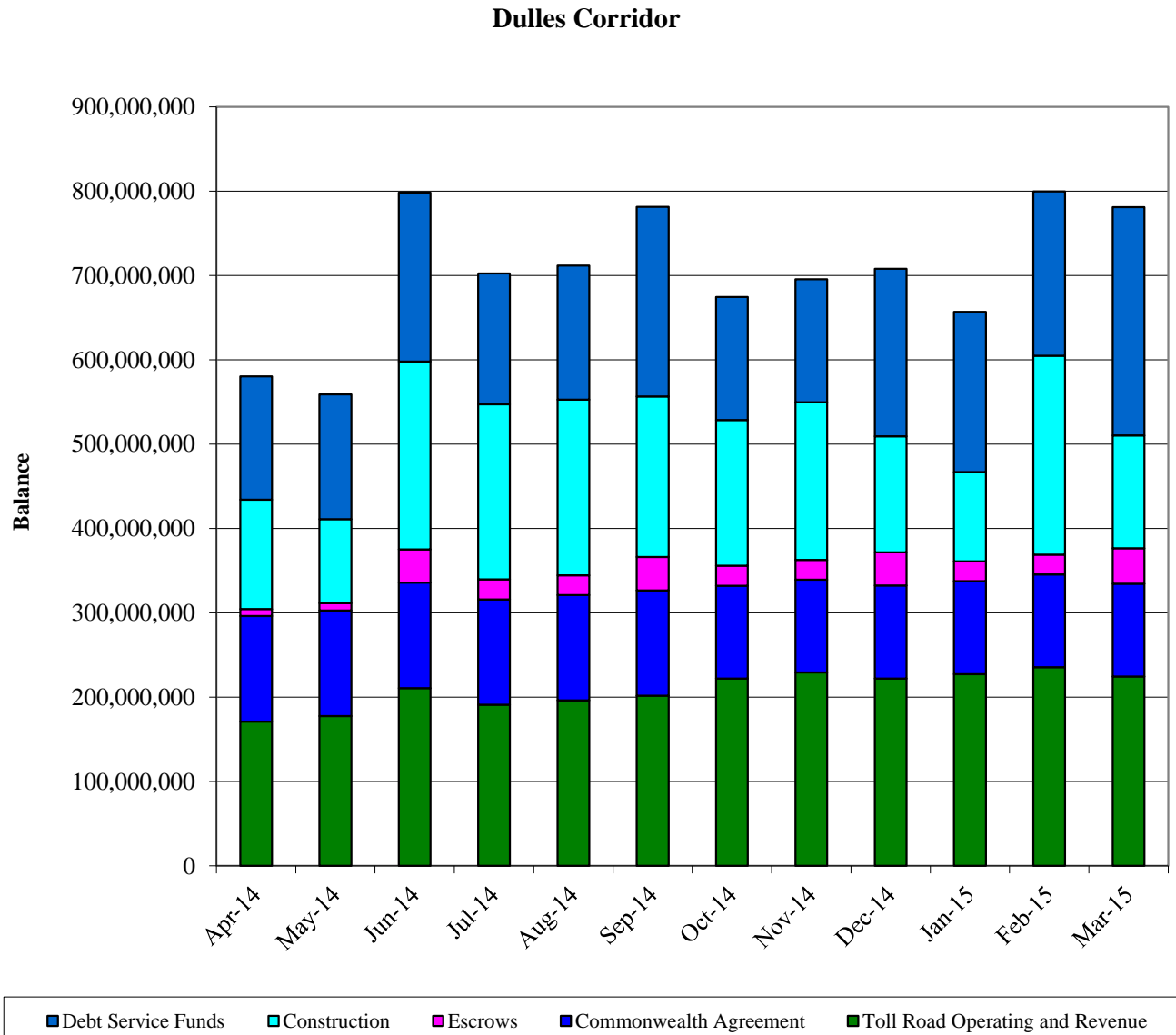
Aviation	Mar 31	Dec 31	Sep 30
0-30 Days	\$378,876,785	\$312,934,209	\$603,968,830
31-90 Days	96,468,447	160,829,209	104,385,791
91-180 Days	151,665,281	188,418,060	128,644,817
181-364 Days	417,240,156	290,826,018	259,793,569
1-2 Years	38,397,500	38,397,500	38,397,500
2 Year over	256,838,682	249,372,340	249,372,340
Total Aviation	\$1,339,486,851	\$1,240,777,336	\$1,384,562,847
Dulles Corridor			
0-30 Days	\$613,148,820	\$523,030,948	\$618,598,114
31-90 Days	-	-	-
91-180 Days	-	21,391,428	-
181-364 Days	5,015,545	678,758	-
1-2 Years	82,158,375	82,158,375	82,158,375
2 Year over	80,811,992	80,811,992	80,811,992
Total Dulles Corridor	\$781,134,732	\$708,071,501	\$781,568,481
Total Portfolio	\$2,120,621,583	\$1,948,848,837	\$2,166,131,328



History of Fund Balances
Aviation
Rolling 12 Months
As of March 31, 2015



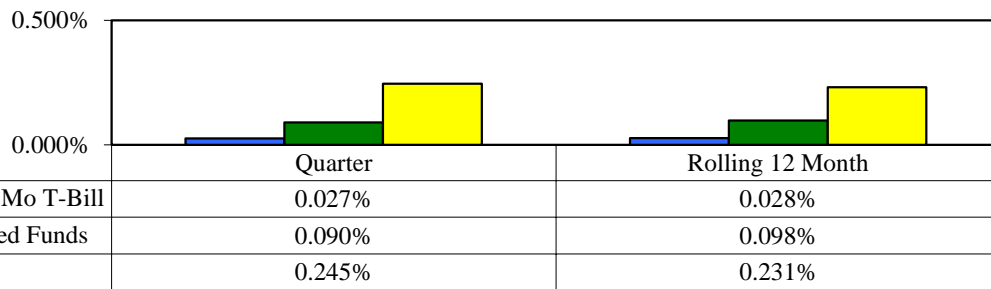
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of March 31, 2015**



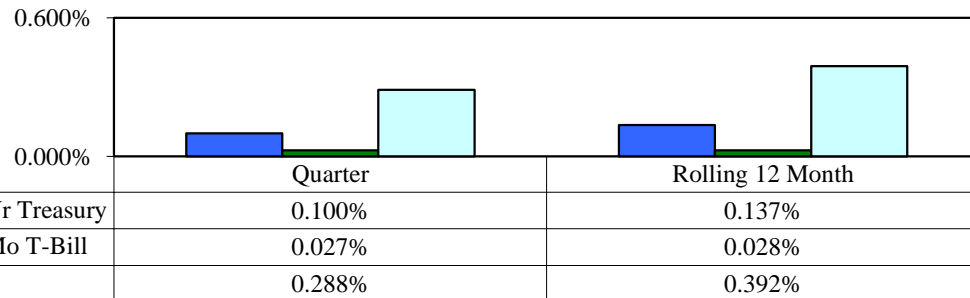
Investment Results - Targets and Benchmarks

March 31, 2015

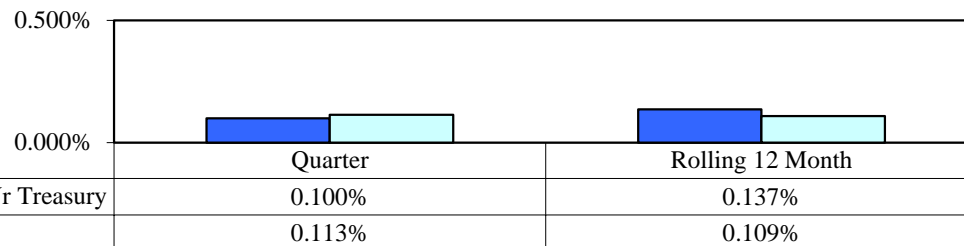
Aviation Operating Funds



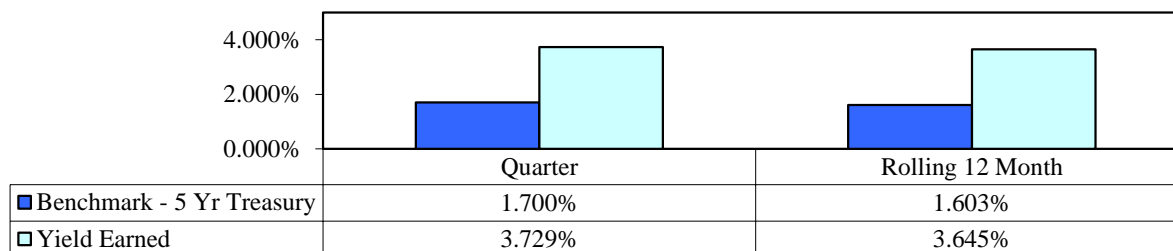
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

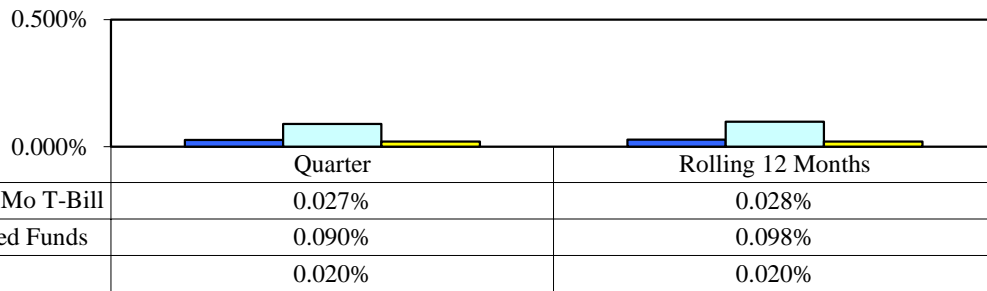


* Blended Arbitrage Rate of 4.691%

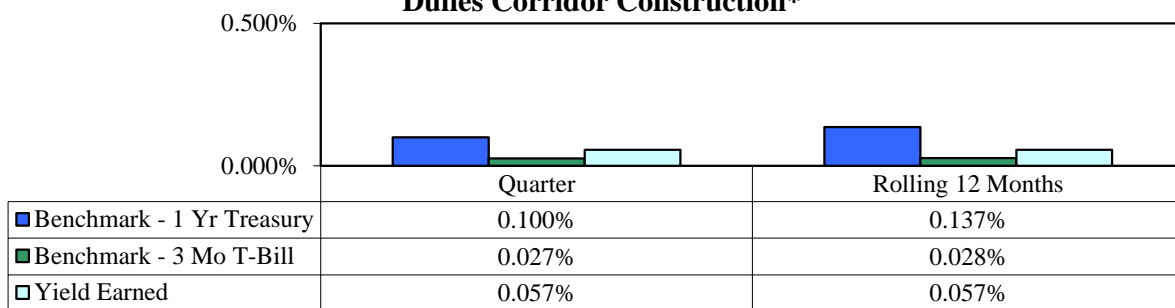
Investment Results - Targets and Benchmarks

March 31, 2015

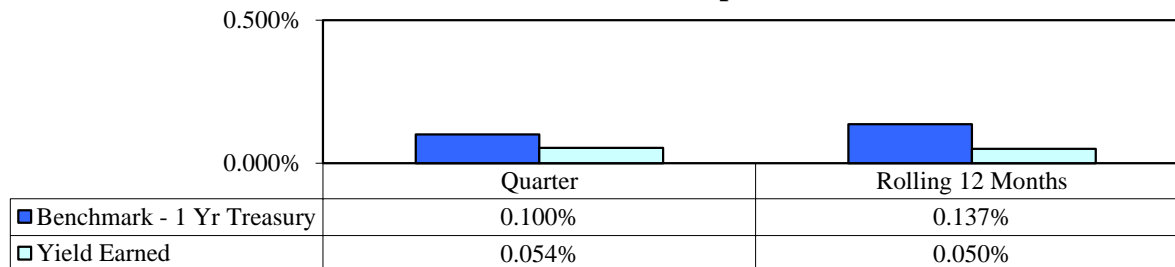
Dulles Corridor Operating



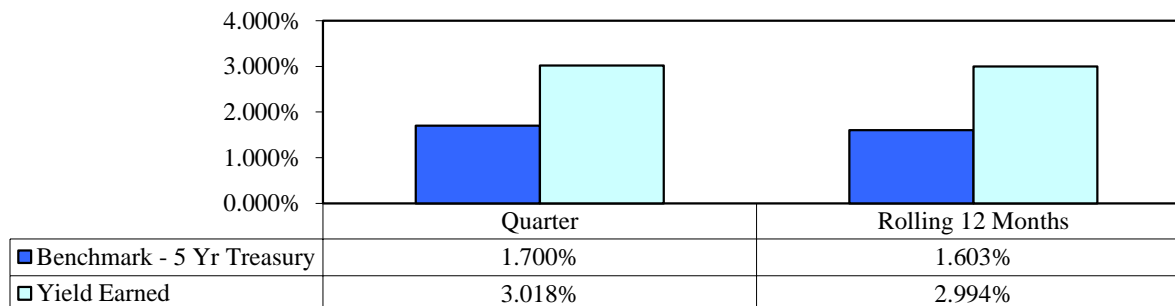
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%