SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF SEPTEMBER 17, 2014

Mr. Curto called the September 17 Finance Committee Meeting to order at 9:12 a.m. A quorum was present during the meeting: Ms. Merrick, Co-Chair, Mr. Adams, Mr. Chapman, Mr. Kennedy, Mr. Session, Ms. Wells and Mr. Conner (*ex officio*). Mr. Carter, Mr. Gates, Mr. Griffin, Ms. Hall, Ms. Lang, Mr. McDermott and Mr. Williams were also present.

Recommendation to Approve the Proposed Resolution Authorizing Direct Purchase of Bonds for the Airport System Revenue Variable Rate Bonds, Series 2010D and the Airport System Revenue and Refunding Variable Rate Bonds, Series 2011B. Andy Rountree, Vice President for Finance and Chief Financial Officer, stated that he was joined by Guy Nagahama of Jefferies. He presented the recommendation to replace two bank liquidity facilities totaling $335 million that will expire in 2015. He noted that the transaction would provide an opportunity to replace the bank facilities without penalty and result in cost savings to the Authority. In response to the solicitation, the Authority had received 16 proposals from 11 banks. Mr. Rountree reported that the largest and most important benefit of the transaction would be $1.3 million in annual debt service savings. Mr. Rountree stated that the Authority's Bond Counsel had reviewed the terms outlined in the proposals and had prepared related transaction documents.

The Committee voted unanimously to approve the recommendation. Mr. Curto noted that he would present the recommendation to the Board later that morning.

The Committee recessed its meeting at 9:15 a.m.

Mr. Curto reconvened the Committee Meeting at 9:25 a.m. with a quorum present.

Financial Advisors' Report – Aviation Enterprise. Mr. Nagahama explained that the $1.3 million in annual debt service savings represented a reduction of approximately 50 percent or more on the amount currently paid on the existing facilities.

Mr. Nagahama reported that the Finance Staff and Financial Advisors would meet later that day to review unsolicited proposals from Aviation Enterprise underwriters. He noted that 2015 financing ideas would include investment strategies, alternative short-term products and recommendations related to $275 million in callable bonds. The results of the proposals would be presented to the Board.

July and August 2014 Financial Reports – Aviation Enterprise. Mr. Rountree provided results for August 2014. He reported that the year-to-date revenue was $447.6, which was 2.2 percent lower than the prior year-to-date. Year-to-date expenses were $379 million, an increase of 1.4 percent compared to the prior year-to-date. The operating income was $68.6 million, compared to the prior year operating income of $83.7 million. The debt service coverage estimate was 1.42x compared to July at 1.39x, and Mr. Rountree noted that the estimate is expected to be 1.39x by the end of the year.

Financial Advisors' Report – Dulles Corridor Enterprise. Mr. Rountree noted that he was joined by Bryan Grote of Mercator Advisors LLC and Marvin Sun of Frasca & Associates, L.L.C. Mr. Rountree reported that the Authority had closed on a $1.3 billion Transportation Infrastructure Finance and Innovation Act (TIFIA) loan on behalf of the Dulles Toll Road credit supporting the Dulles Corridor Metrorail Project (Project). He reported that the 3.21 percent interest rate associated with the Authority's TIFIA loan was one of the lowest in any TIFIA financings. Mr. Grote reiterated that the Authority had initiated the loan process in 2009 when it had issued $3 billion of debt associated with the Dulles Toll Road to help finance the Project. He explained that the process to access the TIFIA loan is comparable to that of a Federal Funding Grant Agreement, where staff worked closely with the Department of Transportation (DOT) and prepared invoices to determine eligibility.

Mr. Curto asked Mr. Grote to provide specific details of the TIFIA loan program. Mr. Grote stated that $1.3 billion, which is the Authority's share of the TIFIA loan, is the second largest that the DOT had ever awarded. He noted that the largest award had been the Tapanzee Bridge project in New York of $1.6 billion. Including the $600 million TIFIA loans for Loudoun and Fairfax Counties that are still being negotiated, the TIFIA loan for the Project would total $1.9 billion. Since the TIFIA loan program began 16 years ago, DOT had awarded 49 loan commitments.

In response to questions from Directors, Mr. Rountree reported that the first draw on the TIFIA loan for approximately $115 million is expected to occur in November provided that Fairfax and Loudoun Counties have closed on their loans as part of the complete TIFIA loan package in October. He further reported that certain conditions within the TIFIA document required the Authority to establish a debt service reserve fund equal to 10 percent of the outstanding loan balance, which would be set aside to make a debt service payment and used if a catastrophic event occurred.

Budget Reprogrammings for the Second Quarter of 2014 (Quarter Ended June 30, 2014). Mr. Rountree was joined by Rita Alston, Budget Manager. Mr. Rountree noted that the net impact of any budget reprogrammings had to equal zero. He reported that two reprogrammings had occurred within the Aviation Capital, Operating and Maintenance Investment Program and Aviation Operating and Maintenance for $900,000 (outbound baggage handling system refurbishment and Air Service Inentive Program reprogrammed to Terminal B/C consolidation and automated passport control sytem) and $406,462 (non-capitalized Projects and supplies reprogrammed to non-capitalized equipment; services and rental and lease), respectively.

July and August 2014 Financial Reports – Dulles Corridor Enterprise. Mr. Rountree was joined by Mark Adams, Deputy Chief Financial Officer, and Chris Wedding, Controller. Mr. Adams provided results for August 2014. He reported that year-to-date Toll Road revenue was $99.2 million, 17.2 percent higher than the prior year-to-date. Toll Road transactions totaled 64.3 million year-to-date, 2.7 percent lower than prior year-to-date. Electronic toll collections were up 2.6 percent at 82.8 percent. Toll Road expenditures were $17.7 million year-to-date. Mr. Adams reported that Phase 1 of the Project had been transferred to the Washington Metropolitan Area Transit Authority when service began on July 26. As a result of the transfer, he noted that relative Project transactions had been recorded in the July financials and would be reflected in an audit resulting in an approximate $3 billion reduction of assets on the Authority's balance sheet.

Quarterly Report on Investment Program (Quarter Ending June 30, 2014). Mr. Adams reported that the total portfolio had increased by $106.1 million. He stated that the Aviation portfolio had decreased by $19 million, the result of the April 1 debt interest payment and funds that had been set aside for the October debt interest payment. The Dulles Corridor portfolio had increased by $125.1 million, the result of a $100 million payment from the Commonwealth of Virginia. Mr. Adams noted that the debt interest payment for April 1 had been split between two accounts -- debt service interest for $10 million and the Commonwealth of Virginia for $15 million.

The meeting was thereupon adjourned at 9:44 a.m.