

FINANCE COMMITTEE

Metropolitan Washington Airports Authority Investment Program Report Quarter Ending June 30, 2013

September 2013

Investment Program Report

Total Portfolio increased by \$44.2 million

(in Millions)	<u>Jun 30</u>	<u>Mar 31</u>	<u>Change</u>
Total Aviation	\$1,134.2	\$1,157.0	\$ (22.8)
Total Dulles Corridor	<u>585.8</u>	<u>518.8</u>	<u>67.0</u>
Total	<u><u>\$1,720.0</u></u>	<u><u>\$1,675.8</u></u>	<u><u>\$ 44.2</u></u>

Investment Program Report Aviation

Portfolio decreased \$22.8 million

Aviation (in millions)	<u>Jun 30</u>	<u>Mar 31</u>	<u>Change</u>
Operating	\$ 469.7	\$ 462.1	\$ 7.6
Construction	55.4	55.4	-
Capitalized Interest	3.1	4.6	(1.5)
Cost of Issuance	3.1	3.1	-
PFC/Grants	77.2	90.5	(13.3)
Debt Service Reserve	357.5	356.6	0.9
Debt Service Interest	58.0	108.8	(50.8) *
Debt Service Principal	103.5	69.2	34.3 **
FAA ATCT Escrow	6.7	6.7	-
Total	<u>\$ 1,134.2</u>	<u>\$ 1,157.0</u>	<u>\$ (22.8)</u>

* Interest Paid April 1

** Accumulation of Principal Funds for the October 1 Payment

Investment Program Report

Dulles Corridor

Portfolio increased by \$67.0 million

Dulles Corridor (in millions)	<u>Jun 30</u>	<u>Mar 31</u>	<u>Change</u>	
Toll Road Revenues	\$ 99.4	\$ 86.5	\$ 12.9	
Toll Road Operating	7.2	4.9	2.3	
Capital Improvement	60.0	60.2	(0.2)	
Construction	52.5	107.4	(54.9)	*
Cost of Issuance	0.3	0.3	-	
Debt Service Reserve	130.8	133.7	(2.9)	
Debt Service Interest	19.0	35.3	(16.3)	**
Debt Service Principal	6.8	4.5	2.3	
State Funds	4.7	4.7	-	
Federal Reimbursement Funds	15.8	-	15.8	
Commonwealth Agreement	150.0	-	150.0	***
Fairfax Funds	-	42.1	(42.1)	
Escrows	39.2	39.1	0.1	
Total	\$ 585.8	\$ 518.8	\$ 67.0	

* Construction Spending

** Interest Paid April 1

*** Commonwealth Agreement Funds Received

REPORT TO THE FINANCE COMMITTEE
QUARTERLY REPORT ON
INVESTMENT PROGRAM
SEPTEMBER 2013

ACTION REQUESTED

None. A quarterly report presented to the Finance Committee on the results of the investment program.

BACKGROUND

On August 28, 2013, 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 12 to 15 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 \$44.2 million from March 31, 2013, to June 30, 2013. The Aviation portfolio decreased by \$22.8 million due to the April 1 debt interest payment. The Dulles Corridor portfolio increased by \$67.0 million due to the receipt of the Commonwealth Agreement funds and construction spending.

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

- A. Economic Conditions and Outlook
- B. Minutes of the May 2, 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
September 2013

ECONOMIC CONDITIONS AND OUTLOOK AS OF JULY 30, 2013

Federal Open Market Committee (FOMC) - The FOMC is meeting on July 30 and 31. Expectations are for keeping rates at 0-.25 percent.

Consumer Price Index (CPI) - The cost of living rose in June by the most in four months as gasoline prices increased, a sign inflation is advancing.

Producer Price Index (PPI) - Wholesale prices in the U.S. increased in June, reflecting higher costs for energy and automobiles.

Retail Sales - American consumers kept their buying in check for goods other than automobiles in June, exercising a measure of self-restraint that indicates the economy ended the second quarter on a weak note.

Consumer Confidence - Confidence among U.S. consumers declined in July from a five-year high as higher borrowing costs and gasoline prices tempered Americans' outlook for the economy, even as their assessment of current conditions improved.

Inventories - Inventories in the U.S. increased at a slower pace in May as companies turned to existing stockpiles to meet demand.

Capacity Utilization - Capacity utilization for total industry climbed to 77.8 percent in June from 77.7 percent in May.

Leading Economic Indicators - The index of U.S. leading indicators was unchanged in June, indicating the world's largest economy will follow a fitful path in shaking off the effects of federal spending cuts and tax increases that slowed growth in the first half of 2013.

Federal Surplus/Deficit - The U.S. June budget surplus was \$116.5 billion compared to a deficit of \$59.7 billion last year.

Unemployment - Employment roared ahead in June, indicating the U.S. economy is poised for faster growth as it shakes off the impact of tax increases and budget cuts.

STRATEGY

In the July 26 "Weekly Insights on Markets and the Economy" published by JP Morgan Chase, the economy was summarized as follows:

"The pace of the recovery over the past four years has been slow. But it could have been worse. If the economy has really been growing as slowly as the preliminary estimates of GDP (Gross Domestic Product) indicate, there would have been no recovery in the job market. The only other explanation is that labor productivity has been dead and that businesses have been complacent about cutting costs and boosting efficiencies. That defies common sense. Jobs data are credible and GDP estimates are preliminary. Let's hope eventual revisions to the nation's economic measurement system make the picture a little more coherent."

MINUTES OF MAY 2, 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, Steve Baker, 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 January 25, 2013 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio decreased only slightly from December 31, 2012 to March 31, 2013 (\$8.6 million). The Aviation portfolio increased by \$91.2 million and the Dulles Corridor portfolio decreased by \$99.8 million primarily due to construction spending.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy.
- **INVESTMENT HORIZON** - The Committee discussed the various economic indexes and agreed to set the investment horizon for the next three months to 12 to 15 months.
- **NEW BROKER/DEALERS** - Ms. Edwards reported she had met with the CFO and Deputy CFO and they had determined recommended criteria for approval of broker/dealers and were working on formatting the procedure as another Finance Department policy. There is no backlog of Broker/Dealer applications so the changes will be made and discussed at the next Investment Committee meeting.
- **BANKING RFP** - M&T Bank was awarded the contract of Demand Account Services (payroll and other stand alone accounts) and Bank of America was awarded the contract for Banking Services (all other banking accounts) with a performance period start of June 1. They are two-year contracts with three one-year options.
- **OPERATING CASH** - Ms. Edwards analyzed the amount of funds kept in very short-term securities and determined the Airports Authority could change from 150 days to 90 days in cash and cash equivalents allowing for potential increased interest earnings. The Investment Committee voted to allow the change.

QUESTIONS/NEW BUSINESS

- No questions or new business.

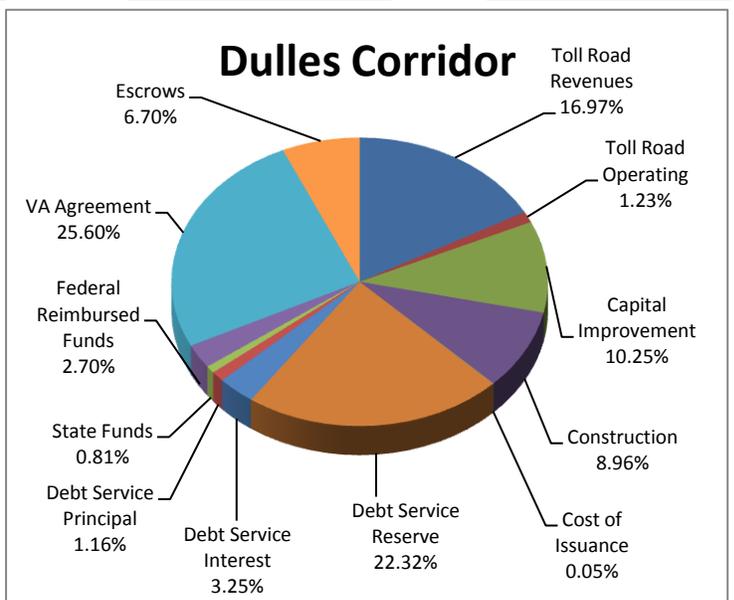
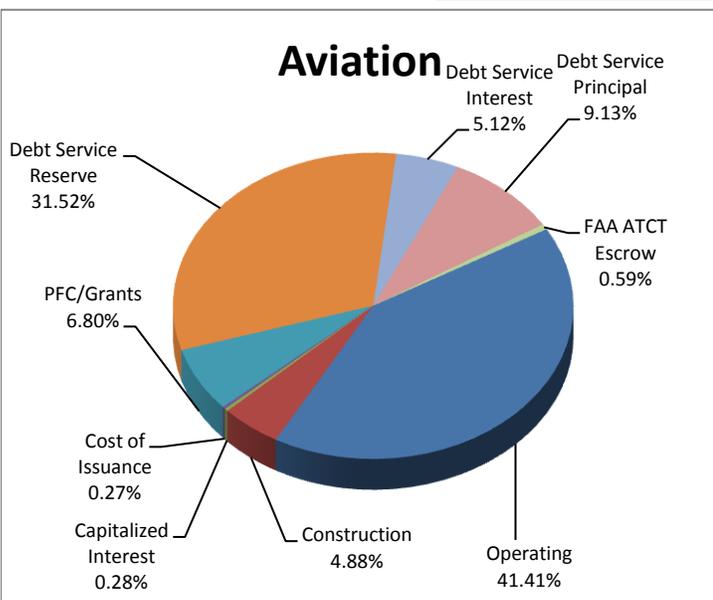
Respectfully submitted,
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

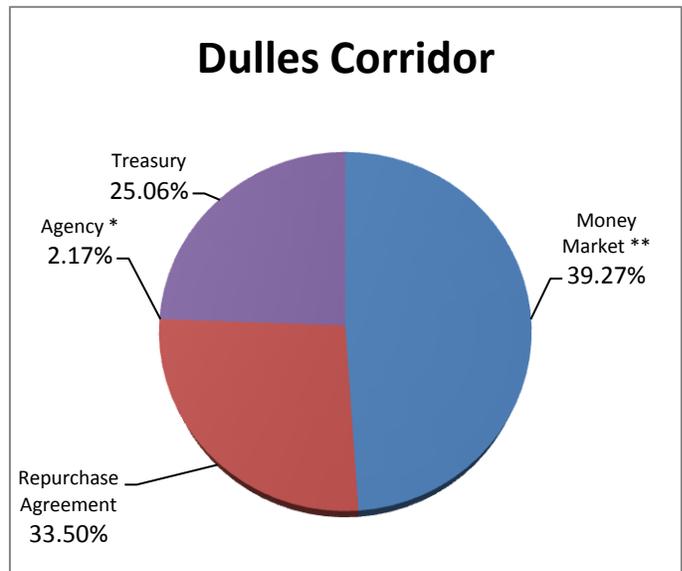
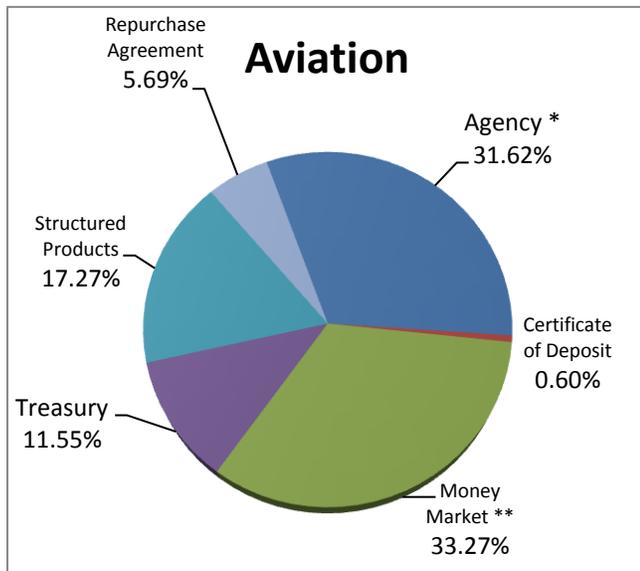
As of June 30, 2013

<u>Aviation</u>	Jun 30	Mar 31	Dec 31
Operating	\$469,686,796	\$462,051,123	\$426,795,111
Construction	55,432,202	55,430,791	75,246,644
Capitalized Interest	3,124,421	4,632,050	6,160,084
Cost of Issuance	3,118,999	3,118,919	3,266,710
PFC/Grants	77,181,722	90,517,569	101,267,402
Debt Service Reserve	357,479,759	356,563,982	352,142,997
Debt Service Interest	58,032,851	108,860,025	59,506,742
Debt Service Principal	103,523,259	69,156,871	34,791,282
FAA ATCT Escrow	6,651,346	6,651,239	6,651,031
Total Aviation	\$1,134,231,355	\$1,156,982,569	\$1,065,828,003
<u>Dulles Corridor</u>			
Toll Road Revenues	99,411,588	86,547,511	75,845,500
Toll Road Operating	7,186,502	4,902,889	4,789,413
Capital Improvement	60,021,187	60,244,775	61,347,181
Construction	52,503,570	107,364,971	233,005,979
Cost of Issuance	284,448	284,440	610,000
Debt Service Reserve	130,767,629	133,708,467	132,696,912
Debt Service Interest	19,031,808	35,294,078	18,278,905
Debt Service Principal	6,781,460	4,520,918	2,260,428
State Funds	4,739,729	4,739,624	4,739,512
Federal Reimbursement Funds	15,801,509	3,004	3,004
Commonwealth Agreement	150,001,973	42,095,141	45,926,738
Escrows	39,244,438	39,144,631	39,137,203
Total Dulles Corridor	\$585,775,841	\$518,850,449	\$618,640,775
Total Portfolio	\$1,720,007,196	\$1,675,833,018	\$1,684,468,778



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of June 30, 2013

	Jun 30	Mar 31	Dec 31
Aviation			
Agency *	\$487,162,173	\$365,744,042	\$315,217,216
Certificate of Deposit	7,001,499	7,000,000	6,250,000
Money Market **	241,976,779	384,924,253	330,990,445
Treasury	148,588,535	133,628,668	153,733,356
Structured Products	199,806,134	199,806,134	199,806,134
Repurchase Agreement	49,696,235	65,879,472	59,830,852
Total Aviation	<u>\$1,134,231,355</u>	<u>\$1,156,982,569</u>	<u>\$1,065,828,003</u>
Dulles Corridor			
Money Market **	\$316,851,244	\$253,773,749	\$360,548,075
Repurchase Agreement	127,136,984	138,285,825	131,301,825
Agency *	14,996,738	0	0
Treasury	126,790,875	126,790,875	126,790,875
Total Dulles Corridor	<u>\$585,775,841</u>	<u>\$518,850,449</u>	<u>\$618,640,775</u>
Total Portfolio	<u><u>\$1,720,007,196</u></u>	<u><u>\$1,675,833,018</u></u>	<u><u>\$1,684,468,778</u></u>



* Agency Split:

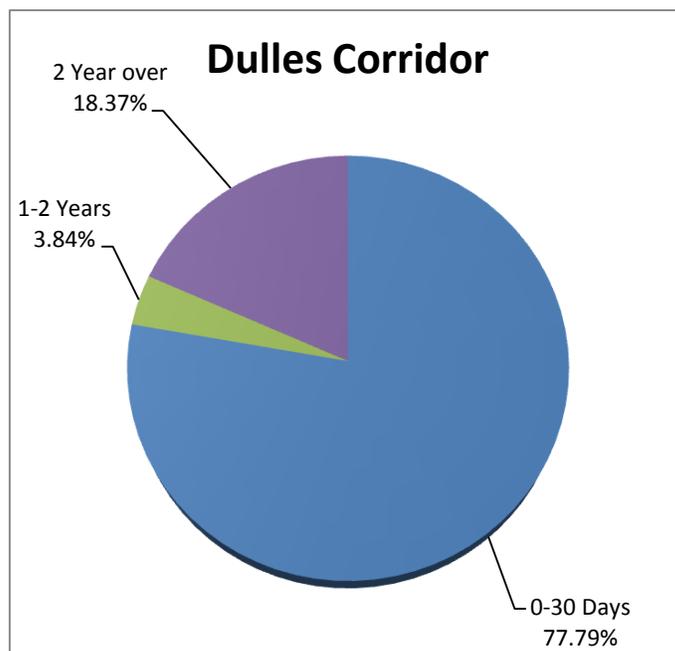
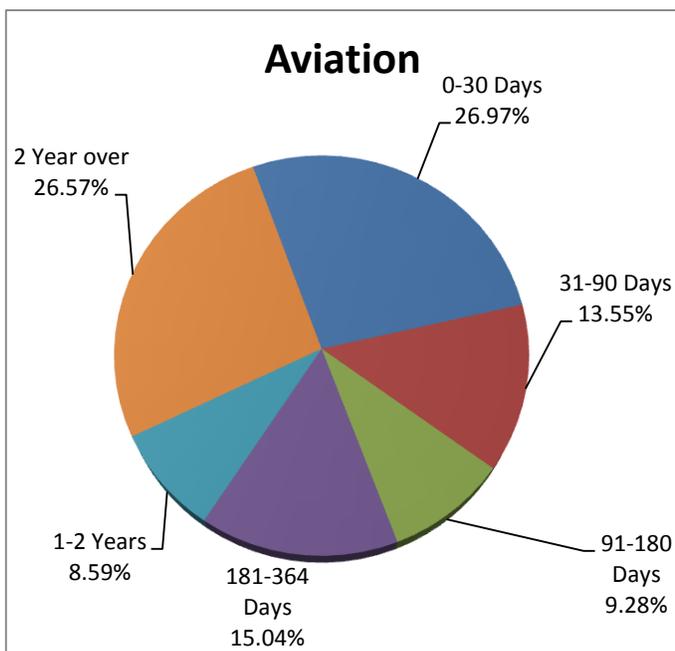
Home Loan	\$ 129,373,488
Freddie Mac	118,009,447
Fannie Mae	214,819,325
Farmer Mac	19,961,111
Farm Credit	19,995,540
Total Agencies	<u><u>\$ 502,158,911</u></u>

** Money Market Split

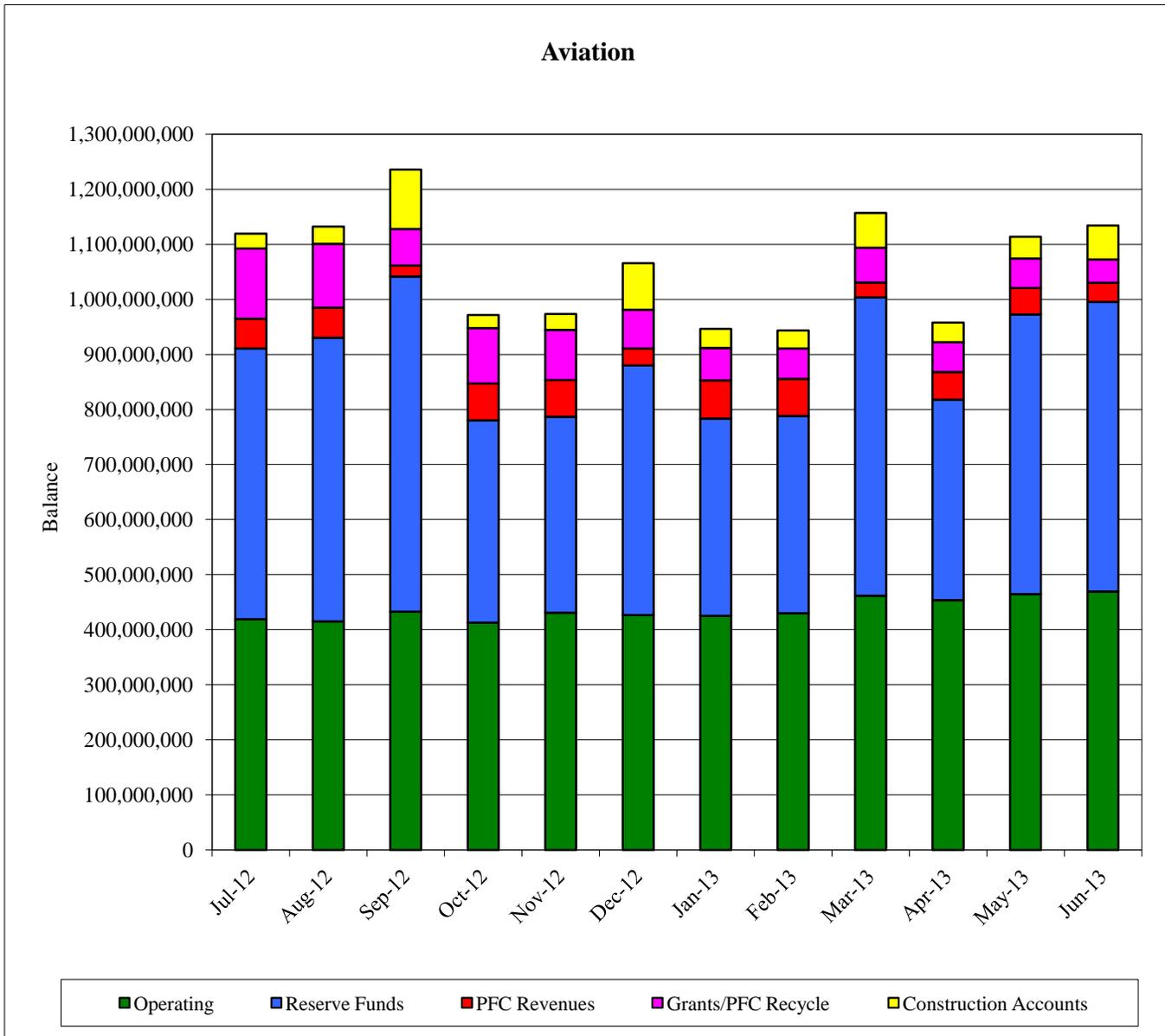
Federated Funds	\$ -
Wilmington Trust	542,772,069
Fidelity Funds	6,651,346
NationsFund	9,404,608
	<u><u>\$ 558,828,023</u></u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of June 30, 2013

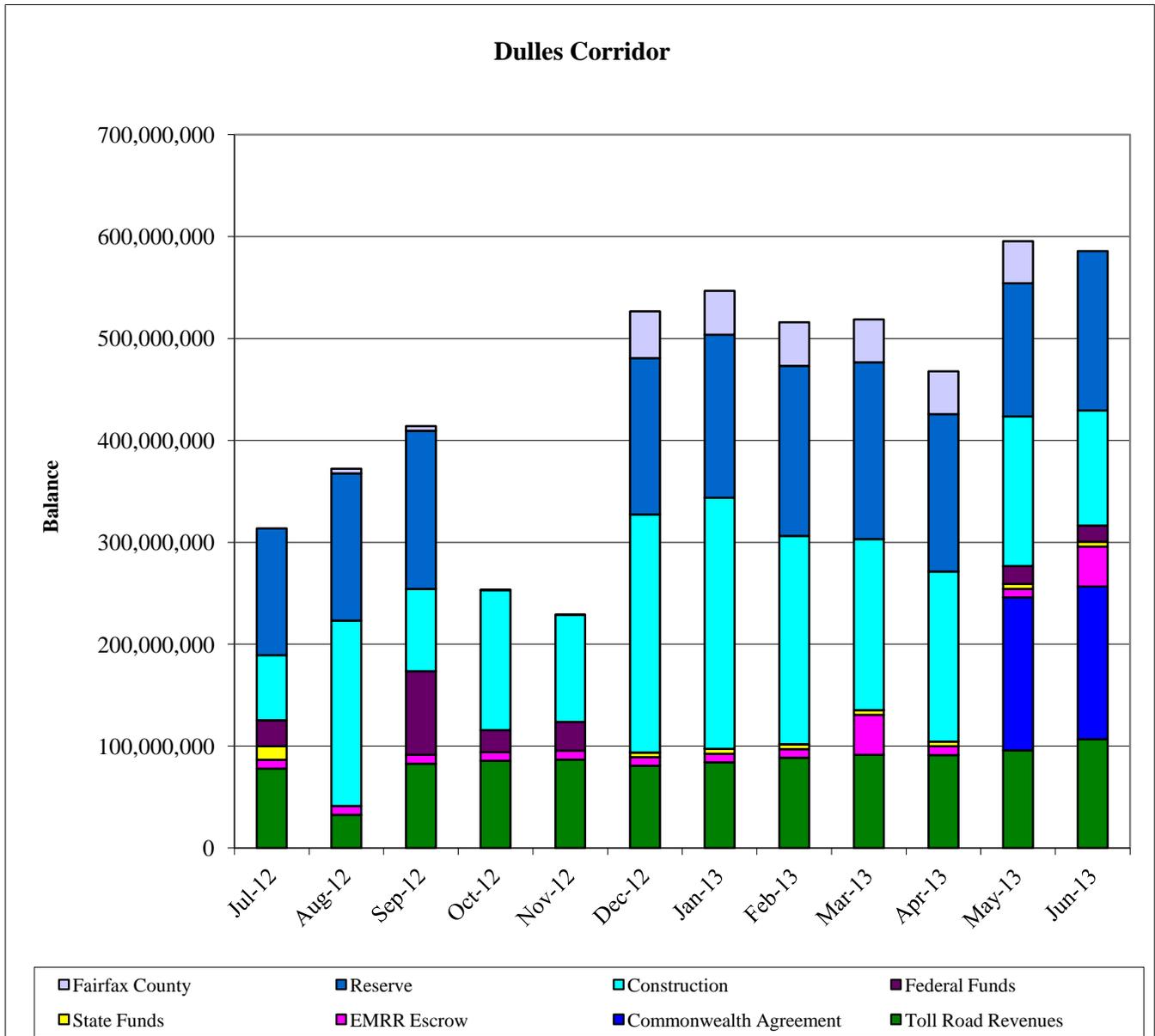
Aviation	Jun 30	Mar 31	Dec 31
0-30 Days	\$305,894,877	\$466,245,025	\$391,071,297
31-90 Days	153,691,472	84,338,802	62,212,188
91-180 Days	105,209,881	92,916,750	125,661,982
181-364 Days	170,643,084	172,729,559	171,181,703
1-2 Years	97,474,954	25,051,600	0
2 Year over	301,317,087	315,700,833	315,700,833
Total Aviation	\$1,134,231,355	\$1,156,982,569	\$1,065,828,003
Dulles Corridor			
0-30 Days	\$443,988,229	\$392,059,574	\$491,849,900
1-2 Years	21,943,219	21,943,219	21,943,219
2 Year over	104,847,656	104,847,656	104,847,656
Total Dulles Corridor	\$585,775,841	\$518,850,449	\$618,640,775
Total Portfolio	\$1,720,007,196	\$1,675,833,018	\$1,684,468,778



**History of Fund Balances
Aviation
Rolling 12 Months
As of June 30, 2013**



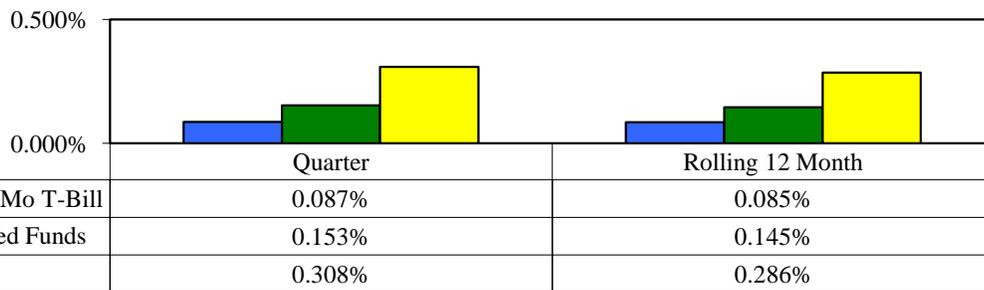
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of June 30, 2013**



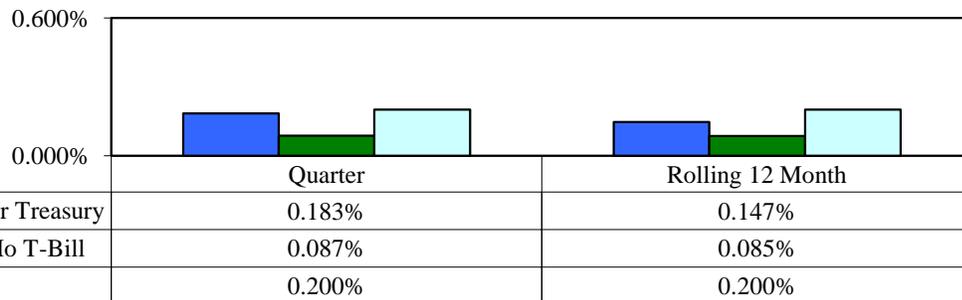
Investment Results - Targets and Benchmarks

June 30, 2013

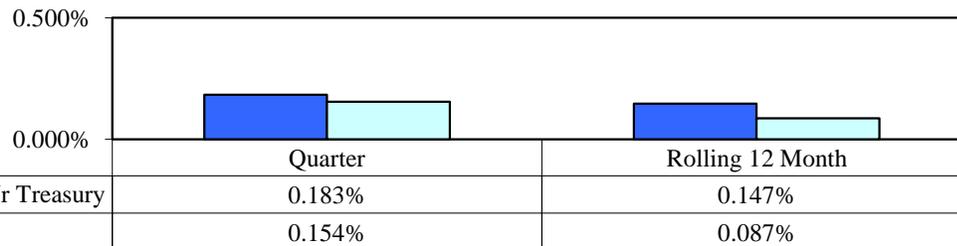
Aviation Operating Funds



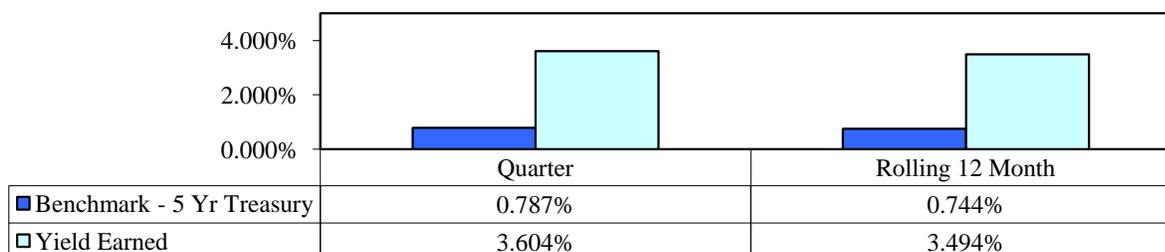
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

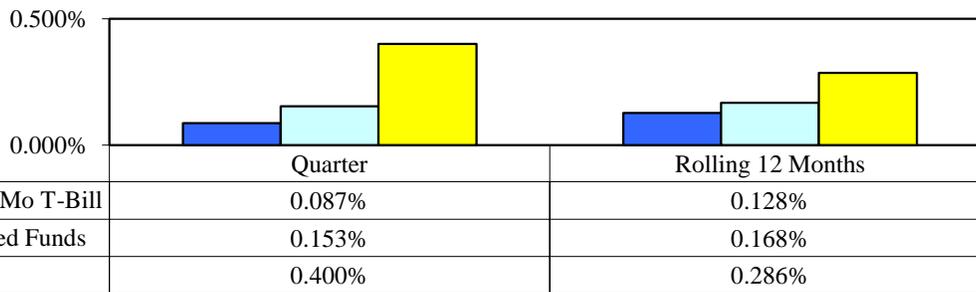


* Blended Arbitrage Rate of 4.691%

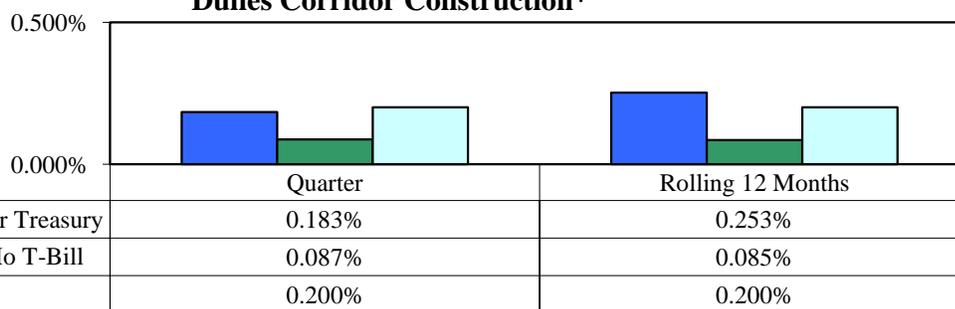
Investment Results - Targets and Benchmarks

June 30, 2013

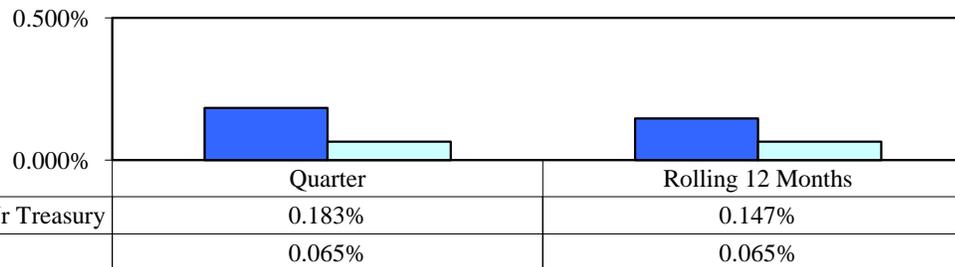
Dulles Corridor Operating



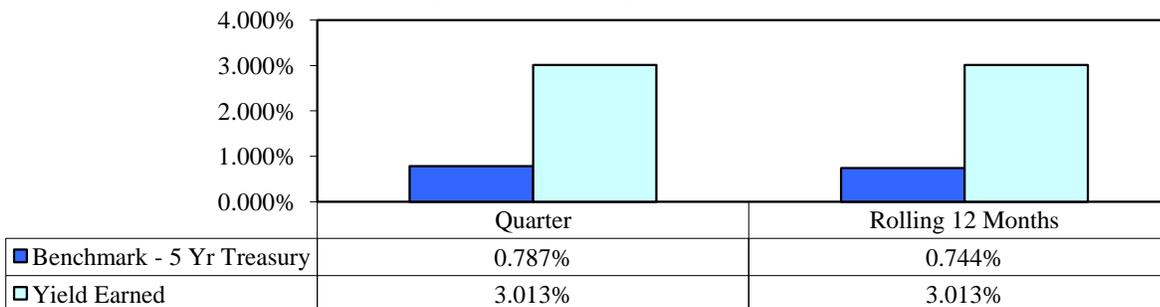
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%