

FINANCE COMMITTEE

Metropolitan Washington Airports Authority Quarterly Report on Investment Program (Quarter Ending December 31, 2014)

February 2015

Investment Program Report

Total Portfolio decreased by \$217.3 million

(in Millions)	Dec 31	Sep 30	Change
Total Aviation	\$1,240.8	\$1,384.6	\$ (143.8)
Total Dulles Corridor	<u>708.1</u>	<u>781.6</u>	<u>(73.5)</u>
Total	<u><u>\$1,948.9</u></u>	<u><u>\$2,166.2</u></u>	<u><u>\$ (217.3)</u></u>

Investment Program Report

Aviation

Portfolio decreased by \$143.8 million

Aviation (in millions)	Dec 31	Sep 30	Change
Operating	\$ 633.0	\$ 551.8	\$ 81.2
Construction	143.6	203.3	(59.8)
Cost of Issuance	0.7	0.7	0.0
PFC	42.4	48.5	(6.1)
Debt Service Reserve	321.9	331.1	(9.2)
Debt Service Interest	56.5	103.4	(46.9)
Debt Service Principal	35.7	138.6	(102.9)
FAA ATCT Escrow	6.4	6.7	(0.3)
Public Safety Asset Seizure	0.6	0.4	0.2
Total	<u>\$ 1,240.8</u>	<u>\$ 1,384.6</u>	<u>\$ (143.8)</u>

Investment Program Report

Dulles Corridor

Portfolio decreased by \$73.5 million

Dulles Corridor (in millions)	Dec 31	Sep 30	Change
Toll Road Revenues	\$ 215.9	\$ 194.8	\$ 21.0
Toll Road Operating	6.5	6.9	(0.4)
Capital Improvement	12.4	38.9	(26.5)
Construction	124.4	150.7	(26.3)
Cost of Issuance	0.8	0.8	(0.0)
Debt Service Reserve	170.6	174.4	(3.8)
Debt Service Interest	25.8	46.5	(20.7)
Debt Service Principal	2.2	4.2	(2.0)
Commonwealth Agreement	110.0	125.0	(15.0)
Escrows	39.5	39.4	0.1
Total	<u>\$ 708.1</u>	<u>\$ 781.6</u>	<u>\$ (73.5)</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
FEBRUARY 2015

ACTION REQUESTED

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

BACKGROUND

On February 11, the Airports Authority's Investment Committee held its 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 total Airports Authority portfolio decreased by \$217.3 million from September 30, 2014 to December 31, 2014. The Aviation portfolio decreased by \$143.8 million. The Dulles Corridor portfolio decreased by \$73.5 million.

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

- A. Economic Conditions and Outlook
- B. Minutes of the October 28, 2014 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
February 2015

ECONOMIC CONDITIONS AND OUTLOOK AS OF FEBRUARY 6, 2015

Federal Open Market Committee (FOMC) - At the January 28 meeting, the FOMC kept rates at zero to 0.25 percent. Expect the FOMC to closely watch the labor market and inflation rates and remove the accommodations sooner than expected.

Consumer Price Index (CPI) - The cost of living in the U.S. declined in December by the most in six years, reflecting a plunge in energy costs. The index dropped 0.4 percent after falling 0.3 percent in November.

Producer Price Index (PPI) - The Producer Price Index for final demand fell 0.3 percent in December, minus food and energy, the index rose 0.3 percent from November.

Retail Sales - The optimism surrounding the outlook for U.S. consumers was taken down a notch as retail sales slumped in December by 0.9 percent.

Consumer Confidence - Consumer confidence trounced expectations in January as it pushed to a new, post-recession high of 102.9 from 93.1 in December. Household attitudes are being lifted by falling gas prices and stronger job prospects.

Inventories - Business inventories rose 0.2 percent in November. Retail sales inventories declined 0.3%.

Capacity Utilization - Capacity Utilization, which measures the amount of a plant in use, continues to skim just below 80 percent. The December number of 79.7 percent was driven by a drop in utility output consistent with an unusually temperate December after a cold November.

Leading Economic Indicators - The index of leading indicators rose in December, extending the rise to four straight months. The outlook for the next three to six months increased 0.5 percent in December.

Federal Surplus/Deficit - The Treasury Department reported that the US budget deficit year to date was \$176.7 billion compared to \$172.6 billion last year.

Unemployment - The U.S. economy leaped forward in January, capping the greatest three-month jobs gain in 17 years and delivering the biggest wage increase since 2008. Unemployment in January was 5.7 percent.

SUMMARY

In the PiperJaffrey Fixed Income Market Update they noted, "Yields rose significantly this week as the market has started to price in the strength of the U.S. economy. Week-over-week, yields from the 3-year to the 30-year part of the curve rose around 20 basis points. During a sell-off there is a tendency for investors to take a wait and see approach to investing in an effort to avoid buyer's remorse. However, we recommend being disciplined and putting some money to work at these more attractive levels as it is difficult to successfully time the market."

MINUTES OF OCTOBER 28, 2014 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 4:00 p.m. in the President's conference room. Attending the meeting were committee members John Potter, Margaret McKeough, Caren Merrick, 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 August 27, 2014 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio increased \$205.3 million from June 30 to September 30, 2014. The Aviation portfolio increased by \$222.2 million and the Dulles Corridor portfolio decreased by \$16.9 million.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions that had been reported as of October 27, 2014. There were no significant economic index changes.
- **INVESTMENT HORIZON** - The Committee discussed the various economic indexes and changes in the yield curves and agreed to set the investment horizon for the next three months at 9 to 12 months.
- **LOCAL DEPOSIT PROGRAM** - Staff reported on the results of the procurement of banks for the Local Deposit Program. Five banks asked to participate with total deposits in certificates of deposit of \$2,750,000. Staff anticipates follow up procurements in the first or second quarter of 2015 to increase participation. Results of the process will be presented to the Finance Committee of the Board of Directors at their November meeting.
- **LINKED DEPOSIT PROGRAM** - In conducting the research for the Local Deposit Program, two local banks were found with "outstanding" Community Reinvestment Act ratings and were contacted and invited to participate. Industrial Bank of Washington agreed and is now in the Linked Deposit Program.
- **FORWARD PURCHASE AGREEMENTS** - In discussing the principal and interest payments that were to be made on October 1, 2014, the day after this report, the Investment Committee discussed briefly the structured investment product. Staff will be working with the financial advisers on the possible procurement of this product in 2015.
- **QUESTIONS/NEW BUSINESS** - None

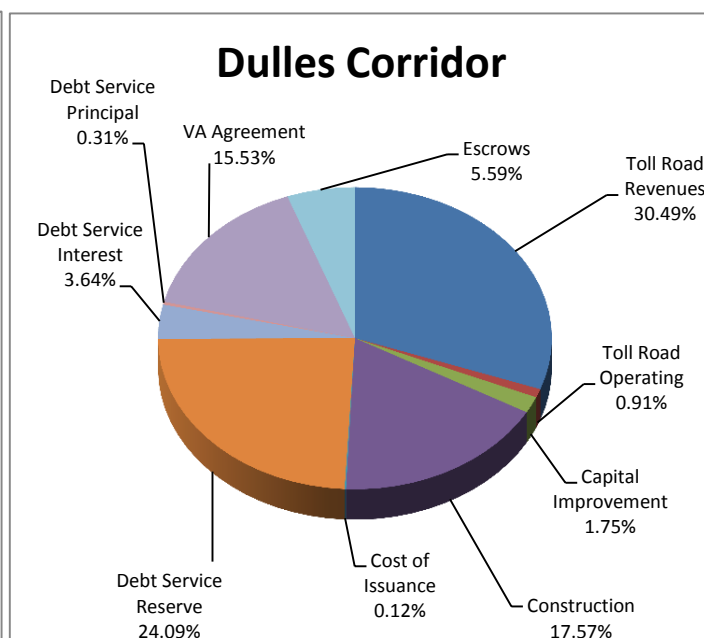
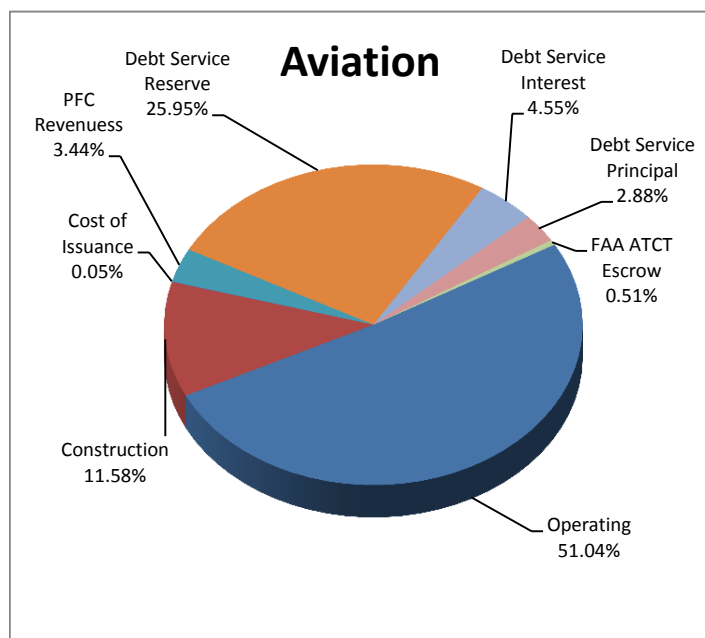
Respectfully Submitted,
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

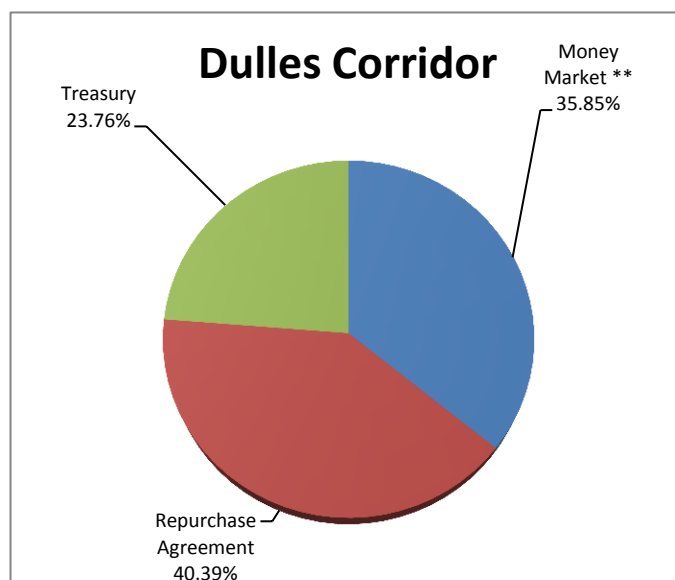
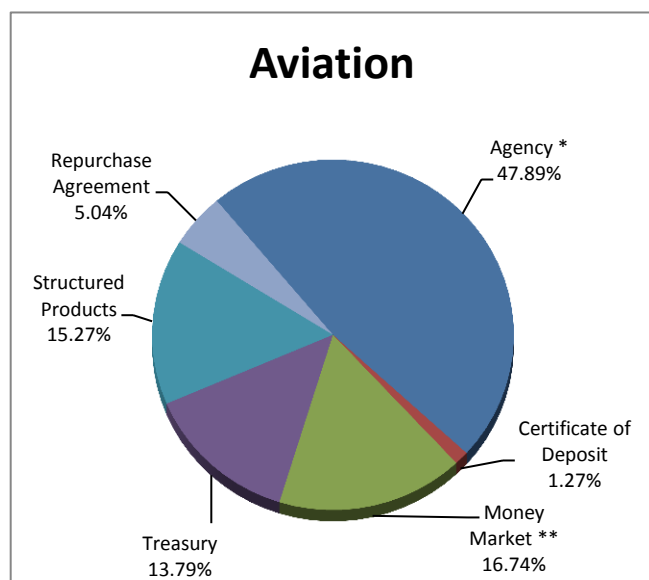
As of December 31, 2014

Aviation	Dec 31	Sep 30	Jun 30
Operating	\$633,018,976	\$551,848,458	\$517,050,286
Construction	143,585,365	203,344,638	93,365,799
Capitalized Interest	0	0	131,163
Cost of Issuance	672,081	672,064	0
PFC	42,437,856	48,494,433	54,036,385
Debt Service Reserve	321,862,989	331,051,326	329,236,982
Debt Service Interest	56,452,796	103,365,270	57,289,443
Debt Service Principal	35,748,745	138,619,732	104,113,701
FAA ATCT Escrow	6,373,385	6,721,854	6,721,747
Public Safety Asset Seizure	625,142	445,072	433,221
Total Aviation	\$1,240,777,335	\$1,384,562,847	\$1,162,378,727
Dulles Corridor			
Toll Road Revenues	215,858,325	194,832,996	178,981,953
Toll Road Operating	6,468,506	6,858,996	31,945,617
Capital Improvement	12,424,868	38,890,685	40,341,561
Construction	124,410,021	150,665,995	180,758,326
Cost of Issuance	820,634	834,312	1,660,823
Debt Service Reserve	170,583,337	174,355,618	172,902,427
Debt Service Interest	25,763,391	46,460,195	24,241,312
Debt Service Principal	2,171,126	4,201,883	3,151,296
Commonwealth Agreement	110,021,811	125,018,950	125,015,799
Escrows	39,549,482	39,448,851	39,448,064
Total Dulles Corridor	\$708,071,501	\$781,568,481	\$798,447,178
Total Portfolio	\$1,948,848,836	\$2,166,131,328	\$1,960,825,905



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of December 31, 2014

Aviation	Dec 31	Sep 30	Jun 30
Agency *	\$594,226,759	\$484,795,204	\$486,133,418
Certificate of Deposit	15,750,000	8,751,141	7,001,141
Money Market **	207,739,499	494,403,855	255,446,393
Treasury	171,055,534	148,739,284	155,458,683
Structured Products	189,461,261	189,461,262	189,461,262
Repurchase Agreement	62,544,281	58,412,101	68,877,830
Total Aviation	\$1,240,777,334	\$1,384,562,847	\$1,162,378,727
Dulles Corridor			
Money Market **	\$245,951,957	\$390,999,132	\$419,938,951
Repurchase Agreement	277,078,991	227,598,982	210,928,232
Agency *	22,070,186	0	0
Treasury	162,970,367	162,970,367	167,579,995
Commercial Paper	0	0	0
Total Dulles Corridor	\$708,071,501	\$781,568,481	\$798,447,178
Total Portfolio	\$1,948,848,835	\$2,166,131,328	\$1,960,825,905



*** Agency Split:**

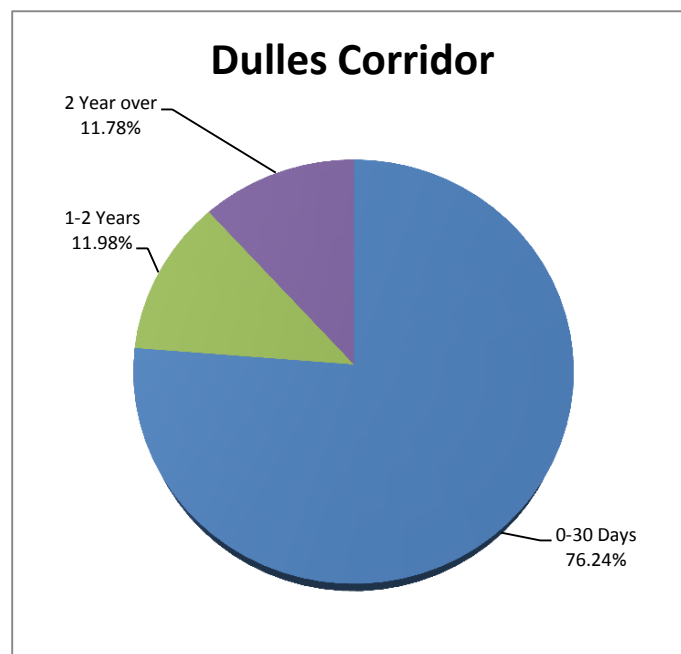
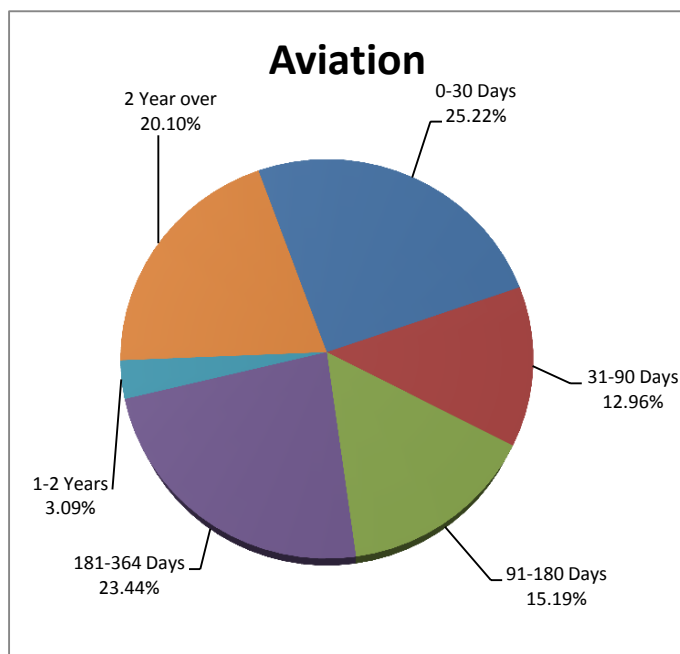
Home Loan	\$ 273,764,214
Freddie Mac	58,378,426
Fannie Mae	171,066,970
Farmer Mac	113,087,335
Farm Credit	-
Total Agencies	\$ 616,296,945

**** Money Market Split**

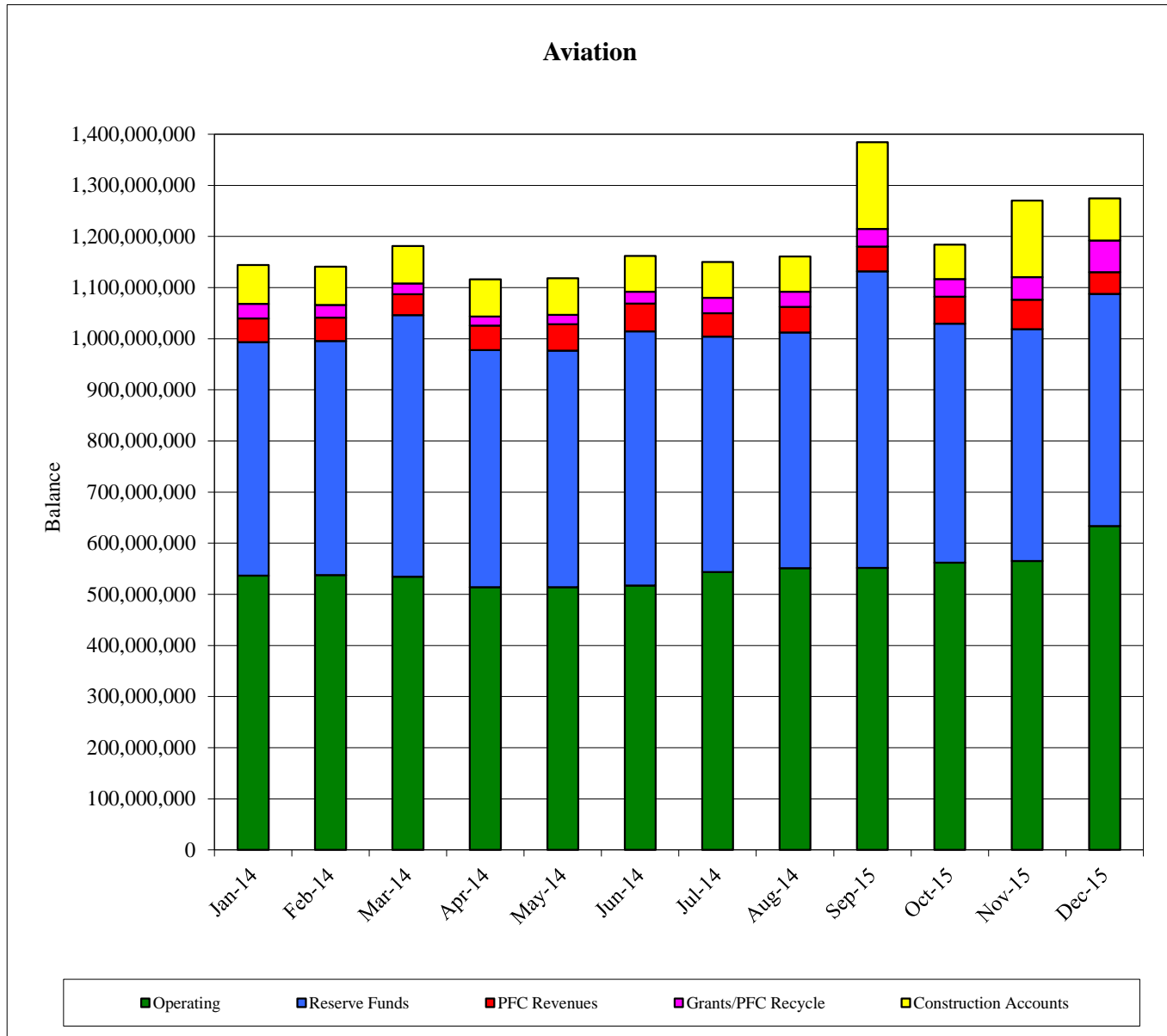
Federated Funds	\$ 8,572,251
Wilmington Trust	429,339,817
Fidelity Funds	6,373,385
NationsFund	9,406,004
	\$ 453,691,457

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of December 31, 2014

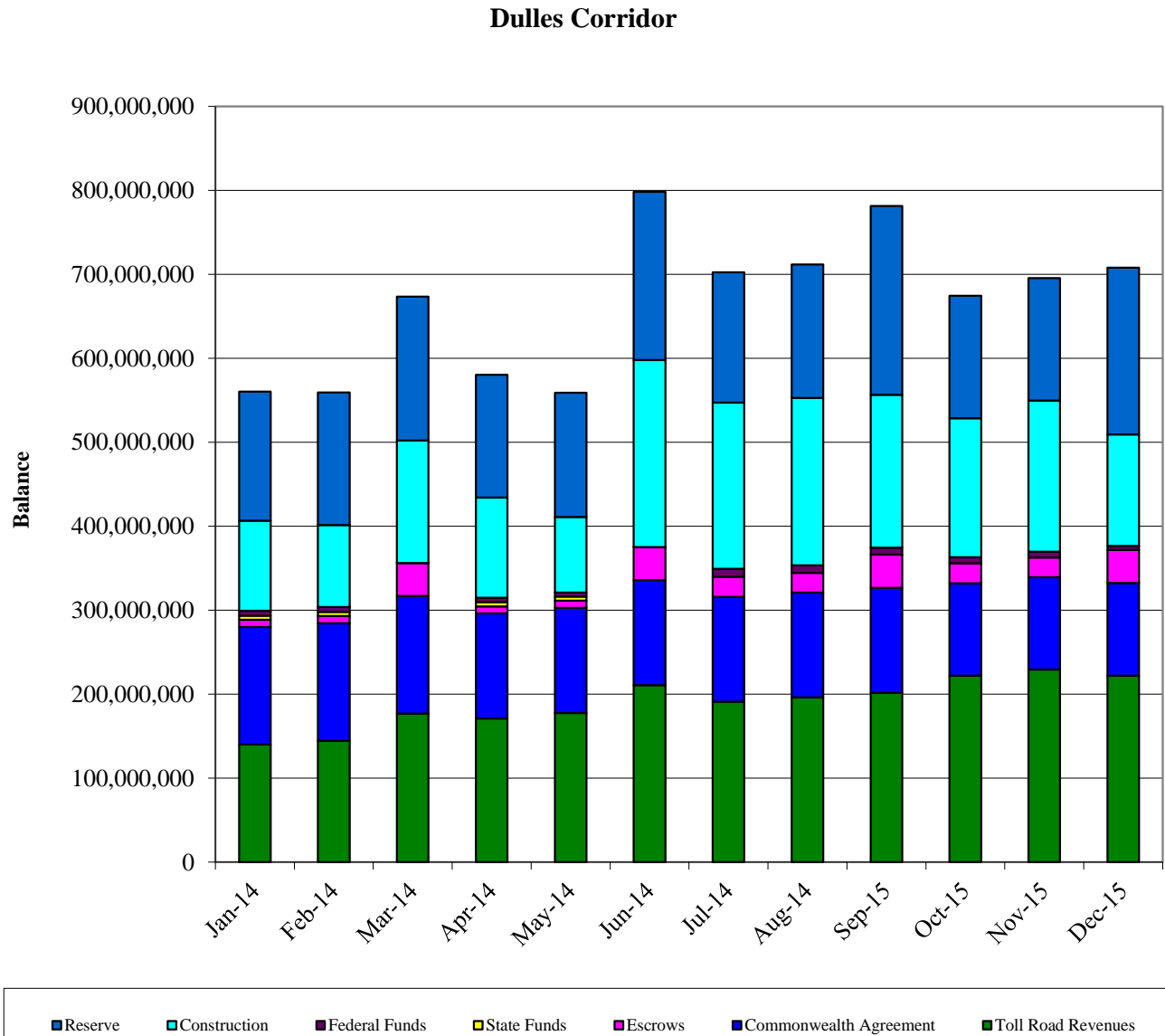
Aviation	Dec 31	Sep 30	Jun 30
0-30 Days	\$312,934,209	\$603,968,830	\$384,668,411
31-90 Days	160,829,209	104,385,791	140,766,811
91-180 Days	188,418,060	128,644,817	135,542,772
181-364 Days	290,826,018	259,793,569	193,070,034
1-2 Years	38,397,500	38,397,500	58,958,359
2 Year over	249,372,340	249,372,340	249,372,340
Total Aviation	\$1,240,777,336	\$1,384,562,847	\$1,162,378,727
Dulles Corridor			
0-30 Days	\$523,030,948	\$618,598,114	\$630,867,184
31-90 Days	-	-	4,609,627
91-180 Days	21,391,428	-	-
181-364 Days	678,758	-	-
1-2 Years	82,158,375	82,158,375	46,090,875
2 Year over	80,811,992	80,811,992	116,879,492
Total Dulles Corridor	\$708,071,501	\$781,568,481	\$798,447,178
Total Portfolio	\$1,948,848,837	\$2,166,131,328	\$1,960,825,905



History of Fund Balances
Aviation
Rolling 12 Months
As of December 31, 2014



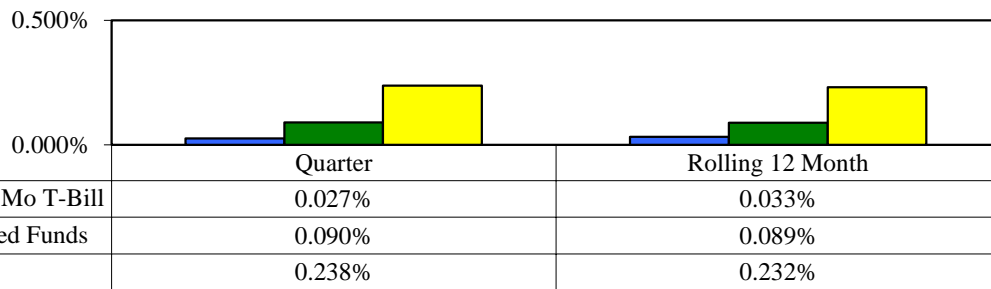
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of December 31, 2014**



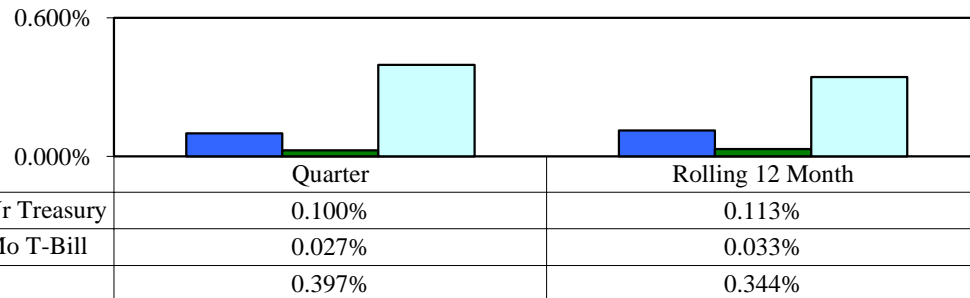
Investment Results - Targets and Benchmarks

December 31, 2014

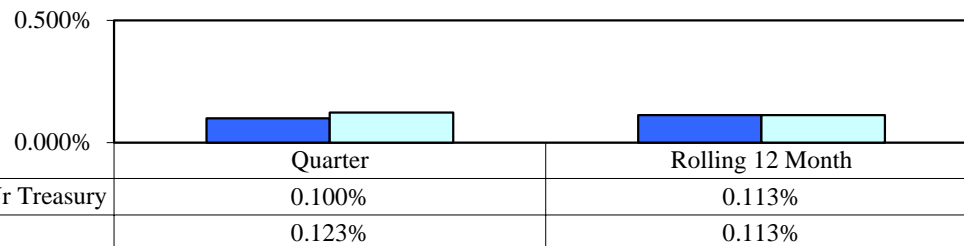
Aviation Operating Funds



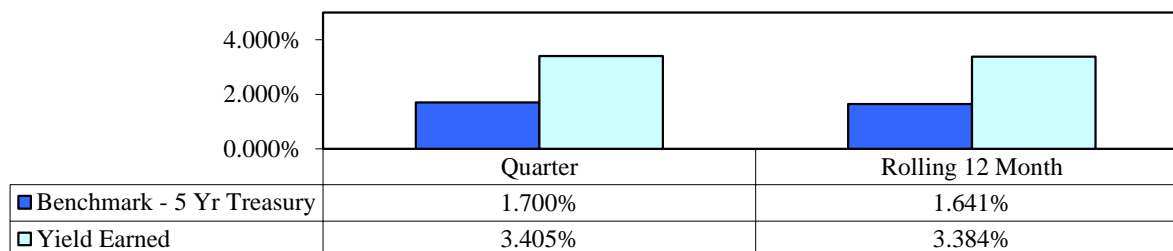
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

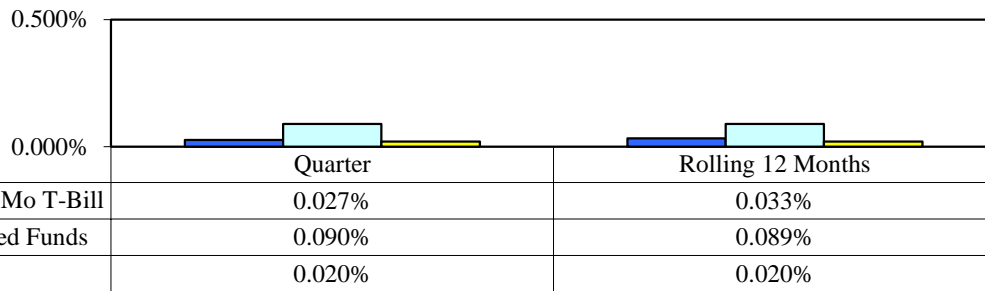


* Blended Arbitrage Rate of 4.691%

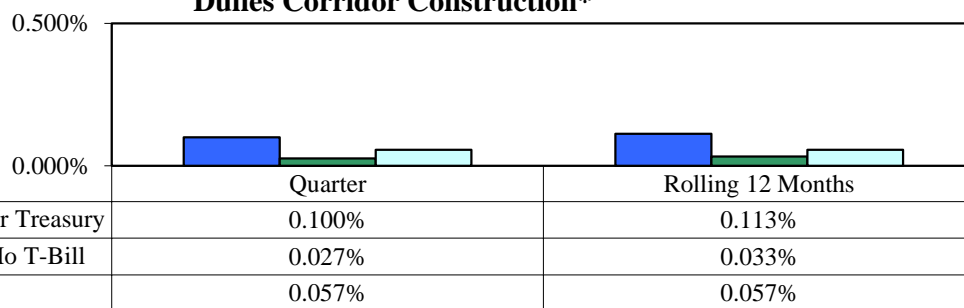
Investment Results - Targets and Benchmarks

December 31, 2014

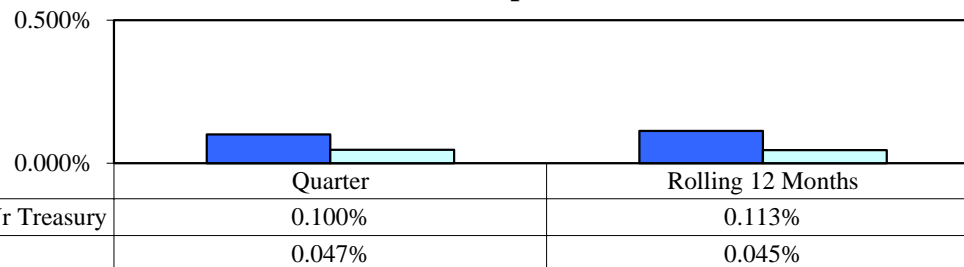
Dulles Corridor Operating



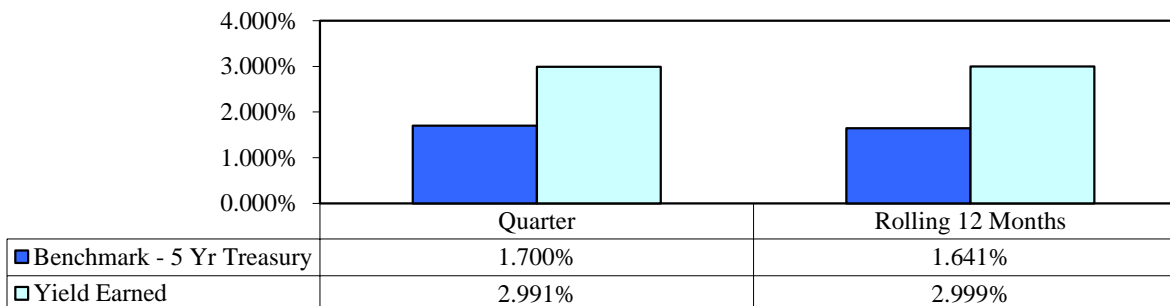
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%