

# FINANCE COMMITTEE

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

May 2014

## Investment Program Report

Total Portfolio decreased by \$9.0 million

(in Millions)	Mar 31, 2014	Dec 31, 2013	Change
Total Aviation	\$1,181.3	\$1,115.6	\$ 65.7
Total Dulles Corridor	<u>673.4</u>	<u>748.1</u>	<u>(74.7)</u>
<b>Total</b>	<u><u>\$1,854.7</u></u>	<u><u>\$1,863.7</u></u>	<u><u>\$ (9.0)</u></u>

# Investment Program Report Aviation

Portfolio increased by \$65.7 million

Aviation (in millions)	Mar 31, 2014	Dec 31, 2013	Change
Operating	\$ 534.2	\$ 556.0	\$ (21.8)
Construction	71.7	75.8	(4.1)
Capitalized Interest	1.5	2.0	(0.5)
Cost of Issuance	0.1	0.3	(0.2)
PFC/Grants	62.0	58.9	3.1
Debt Service Reserve	328.2	322.8	5.4
Debt Service Interest	107.2	57.7	49.5 *
Debt Service Principal	69.7	35.4	34.3 **
FAAATCT Escrow	6.7	6.7	-
<b>Total</b>	<b>\$ 1,181.3</b>	<b>\$ 1,115.6</b>	<b>\$ 65.7</b>

\* \$100.3 million in Interest due April 1, 2014.

\*\* Accumulating Principal for October 1 Payment.

# Investment Program Report Dulles Corridor

Portfolio decreased by \$74.7 million

Dulles Corridor (in millions)	Mar 31, 2014	Dec 31, 2013	Change
Toll Road Revenues	\$ 144.9	\$ 126.6	\$ 18.3
Toll Road Operating	32.1	35.4	(3.3)
Capital Improvement	41.3	43.5	(2.2)
Construction	103.8	193.7	(89.9) *
Cost of Issuance	0.8	1.0	(0.2)
Debt Service Reserve	134.5	133.6	0.9
Debt Service Interest	34.5	17.8	16.7 **
Debt Service Principal	2.1	17.2	(15.1)
Commonwealth Agreement	140.0	140.0	-
Escrows	39.4	39.3	0.1
<b>Total</b>	<u>\$ 673.4</u>	<u>\$ 748.1</u>	<u>\$ (74.7)</u>

\* Construction Payments

\*\* \$26M Interest Payment due April 1, 2014



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 2014

ACTION REQUESTED

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

BACKGROUND

On April 30, the Airports Authority's Management 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 \$9 million from December 31, 2013, to March 31, 2014. The Aviation portfolio increased by \$65.7 million. The Dulles Corridor portfolio decreased by \$74.7 million.

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

- A. Economic Conditions and Outlook
- B. Minutes of the January 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  
May 2014

**ECONOMIC CONDITIONS AND OUTLOOK AS OF APRIL 30, 2014**

**Federal Open Market Committee (FOMC)** - The FOMC kept rates at zero to 0.25 percent at their March 19, 2014 meeting. Growth slowed in the winter months reflecting adverse weather conditions. The next FOMC meeting will take place on April 30, and expectations are for holding rates at 0.0 to 0.25 percent.

**Consumer Price Index (CPI)** - The cost of living rose 0.2 percent in March as Americans paid a bit more for food and rent, a signal of improving demand that will ease the Federal Reserve concerns about too low inflation.

**Producer Price Index (PPI)** - The Producer Price Index for final demand rose 0.5 percent in March. The larger-than-expected gain was driven by a 0.7 percent jump in prices for services. PPI inflation remains low on a year to year basis, but has picked up to a 2.2 percent three month annualized rate.

**Retail Sales** - Retail sales rose a greater than forecast 1.1 percent in March, the biggest gain since September 2012. Ten of 13 categories, from auto dealers to furniture and clothing stores, showed a pick-up.

**Consumer Confidence** - Consumer Confidence unexpectedly climbed in March to the highest level in six years, propelled by improved optimism about the economy's prospects, signaling growth will strengthen after a weather-related slowdown.

**Inventories** - Manufacturer's inventories posted the largest increase in February, up 0.7 percent, but factory sales increased even faster, adding 0.9 percent on the month. Retail inventories were flat in February, as retail sales increased 0.7 percent.

**Capacity Utilization** - Capacity utilization for total industry moved up 0.1 percentage points to 79.2 percent, from a revised 78.8 percent in February.

**Leading Economic Indicators** - the index of leading indicators, a gauge of the outlook for the next three to six months, climbed 0.5 percent in February, after a 0.1 percent advance in January. Five of the ten indicators contributed to the increase, led by a jump in building permits. Weaker consumer confidence limited the gain.

**Federal Surplus/Deficit** - The U.S. posted its smallest March budget deficit in 14 years as an improving labor market boosted tax receipts and federal government spending declined from a year earlier.

**Unemployment** - Private employment exceeded the pre-recession peak for the first time in March, showing the kind of progress Federal Reserve officials look for to maintain their current policy course.

**SUMMARY**

As of now, the economy is not too hot, not too cold. The March employment report struck just about the right chord for an economy still reeling from harsh winter weather and still a bit apprehensive of the Fed backing away from its monetary policy.

**MINUTES OF JANUARY 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, Steve Baker, Andy Rountree and Mark Adams. Caren Merrick attended by phone. Nancy Edwards and Jason Carroll of the Treasury Department were also in attendance.

Mr. Potter introduced Caren Merrick as the Board appointed member of the Investment Committee. The Committee reviewed the Investment Committee book, and in agenda order discussed:

- **MINUTES** - The minutes from the November 1, 2013 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio decreased \$118.8 million from September 30 to December 31, 2013. The Aviation portfolio decreased by \$185.2 million and the Dulles Corridor portfolio increased by \$66.4 million. Mr. Rountree commented on the closing of several Aviation cost of issuance accounts. Funds not spent were transferred to construction funds for spending on projects. The portfolios as of December 31, 2013 showed favorable earnings compared to the appropriate benchmarks. Ms. Edwards will revise the Weighted Average Cost of Capital to include the hedged cost of some of the variable rate bonds.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions that had been reported as of January 28, 2014. There were no significant economic index changes.
- **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.
- **LOCAL DEPOSIT PROGRAM** - The Committee discussed the proposed changes to the Investment Policy to allow for a greater diversity in depository banks used by the Authority. Proposed changes to the Policy will be presented to the Finance Committee at their March 2014 meeting, for approval by the Board at the April meeting. The changes include implementing a Local Deposit Program to allow up to 1/3 of the operating reserves to be invested through a procurement process in certificate of deposits with regional banks. Once the policy changes are approved by the Board, the Investment Committee will update the Investment Objectives and Procedures with the program details. Mr. Potter requested an analysis of the \$1 million limit presently placed on participants in the Linked Deposit Program.

**QUESTIONS/NEW BUSINESS**

- **NONE**

Respectfully Submitted,  
Nancy L. Edwards

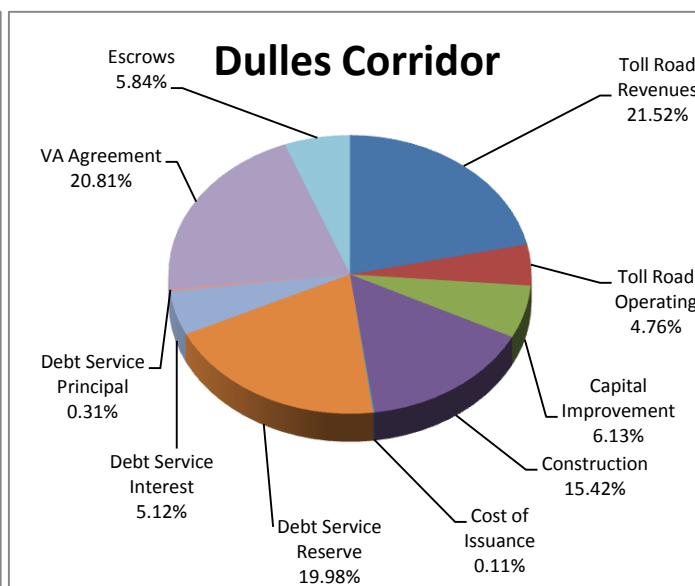
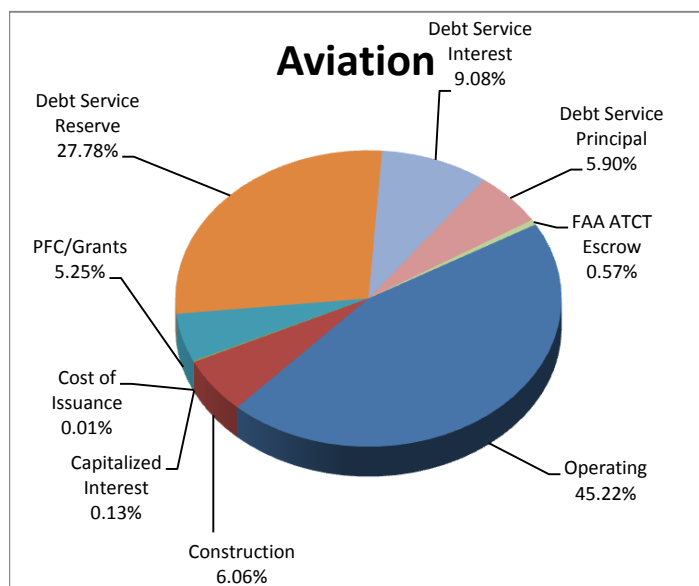


## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Account

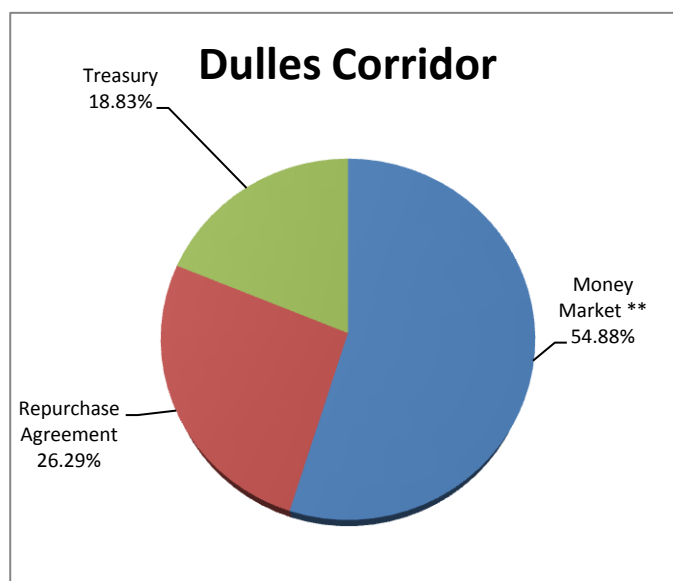
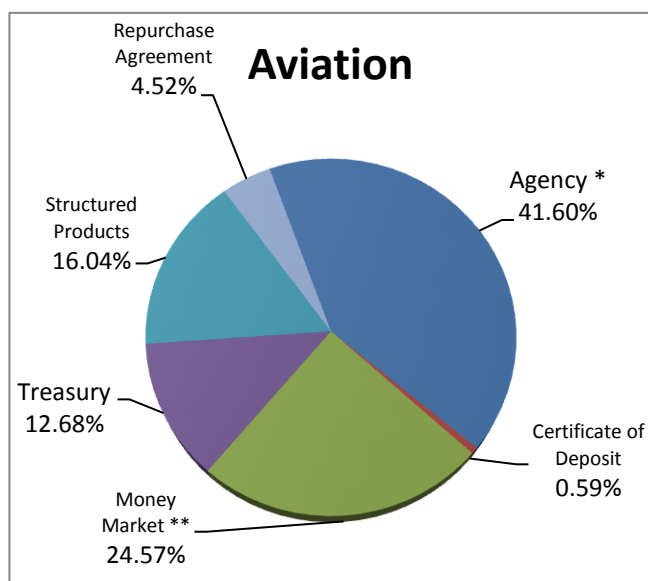
As of March 31, 2014

<u>Aviation</u>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>
Operating	\$534,192,064	\$556,005,605	\$545,199,288
Construction	71,653,935	75,756,874	99,959,614
Capitalized Interest	1,504,896	2,033,856	2,033,815
Cost of Issuance	117,702	260,008	1,899,702
PFC/Grants	62,027,574	58,920,078	65,151,446
Debt Service Reserve	328,210,335	322,836,362	341,642,681
Debt Service Interest	107,241,786	57,736,827	106,713,015
Debt Service Principal	69,675,523	35,406,562	131,588,868
FAA ATCT Escrow	6,721,585	6,651,666	6,651,559
<b>Total Aviation</b>	<b>\$1,181,345,400</b>	<b>\$1,115,607,838</b>	<b>\$1,300,839,988</b>
<u>Dulles Corridor</u>			
Toll Road Revenues	144,947,594	126,571,767	110,198,003
Toll Road Operating	32,078,568	35,376,240	6,894,404
Capital Improvement	41,280,363	43,468,587	44,520,105
Construction	103,829,824	193,724,141	147,342,336
Cost of Issuance	763,860	996,367	276,358
Debt Service Reserve	134,547,238	133,579,057	131,779,167
Debt Service Interest	34,482,879	17,825,278	35,462,839
Debt Service Principal	2,100,766	17,179,154	9,042,057
Federal Reimbursement Funds	3,004	3,004	6,930,135
Commonwealth Agreement	140,012,678	140,009,286	150,005,713
Escrows	39,348,293	39,347,526	39,247,731
<b>Total Dulles Corridor</b>	<b>\$673,395,067</b>	<b>\$748,080,407</b>	<b>\$681,698,848</b>
<b>Total Portfolio</b>	<b>\$1,854,740,467</b>	<b>\$1,863,688,245</b>	<b>\$1,982,538,836</b>



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

<b>Aviation</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>
Agency *	\$491,404,062	\$506,515,598	\$390,699,615
Certificate of Deposit	7,001,498	7,001,498	7,001,498
Money Market **	290,280,305	208,629,438	486,399,047
Treasury	149,738,815	149,738,815	128,862,822
Structured Products	189,461,262	189,461,262	197,177,262
Repurchase Agreement	53,459,458	54,261,227	90,699,744
<b>Total Aviation</b>	<b>\$1,181,345,400</b>	<b>\$1,115,607,838</b>	<b>\$1,300,839,988</b>
<b>Dulles Corridor</b>			
Money Market **	\$369,577,368	\$443,324,568	\$423,921,228
Repurchase Agreement	177,026,824	161,948,670	130,986,745
Agency *	0	16,016,294	0
Treasury	126,790,875	126,790,875	126,790,875
<b>Total Dulles Corridor</b>	<b>\$673,395,067</b>	<b>\$748,080,407</b>	<b>\$681,698,848</b>
<b>Total Portfolio</b>	<b>\$1,854,740,467</b>	<b>\$1,863,688,245</b>	<b>\$1,982,538,836</b>



## \* Agency Split:

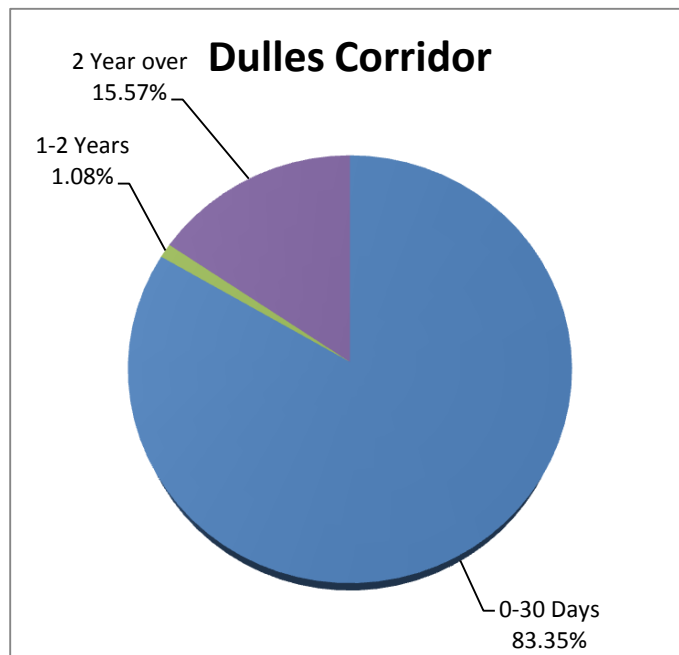
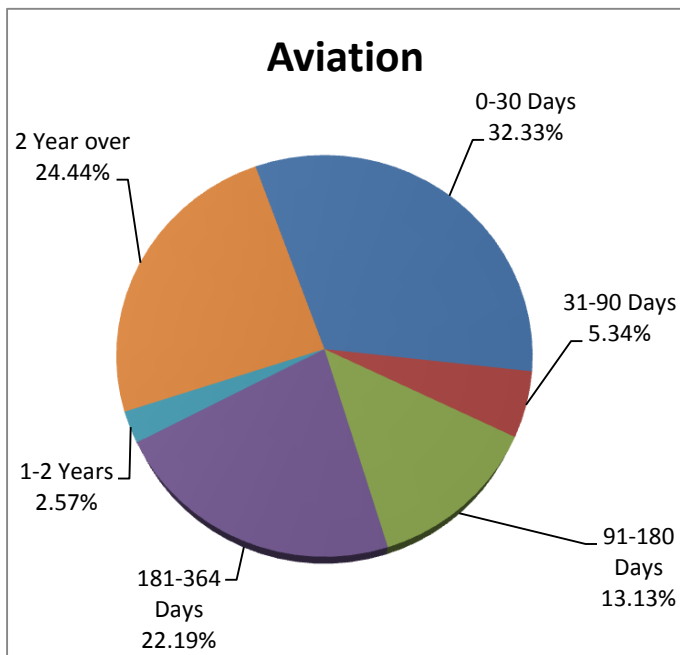
Home Loan	\$ 225,136,354
Freddie Mac	99,189,988
Fannie Mae	116,921,660
Farmer Mac	-
Farm Credit	50,156,060
<b>Total Agencies</b>	<b>\$ 491,404,062</b>

## \*\* Money Market Split

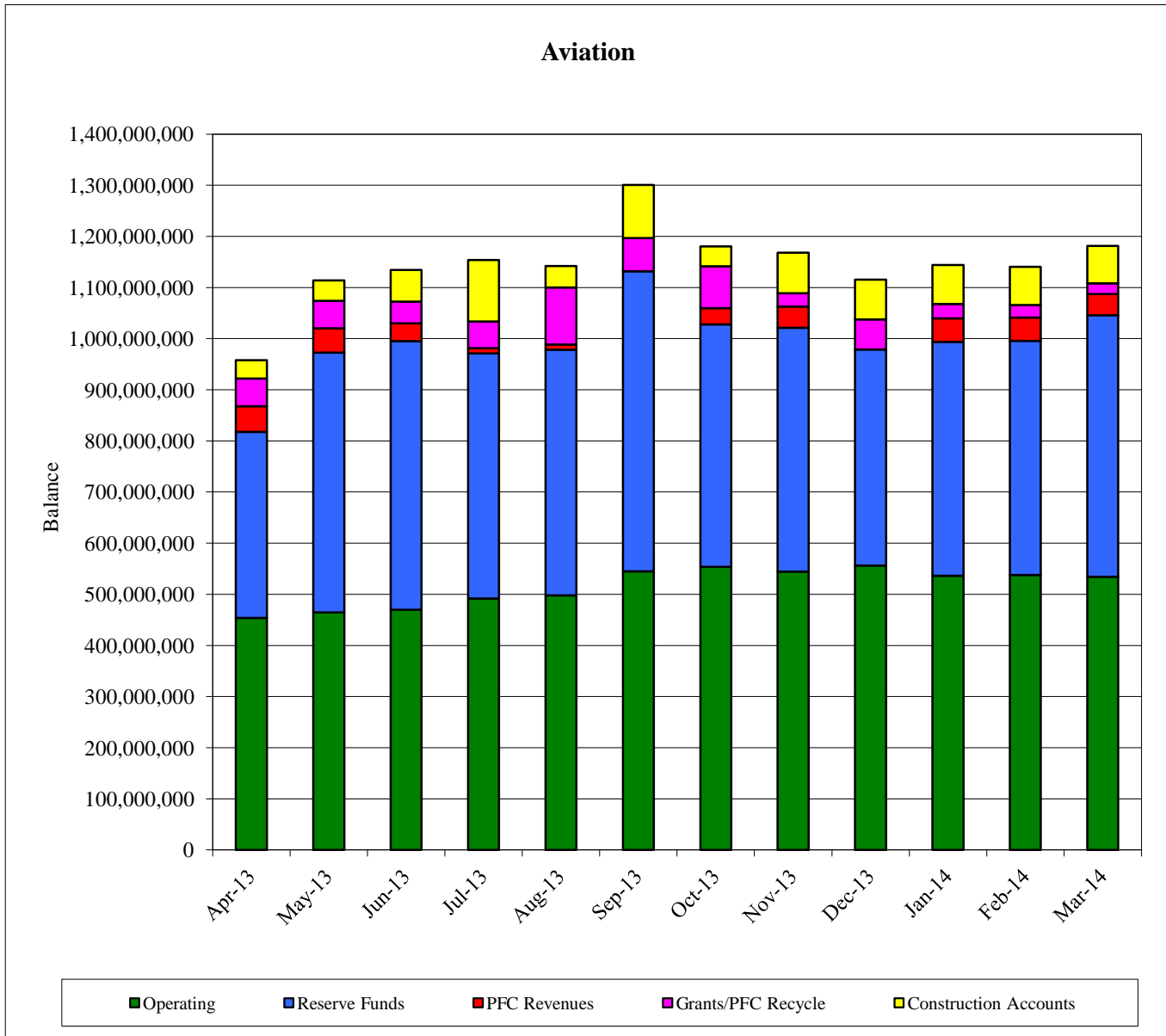
Federated Funds	\$ 9,433,345
Wilmington Trust	634,297,390
Fidelity Funds	6,721,585
NationsFund	9,405,353
	<b>\$ 659,857,673</b>

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

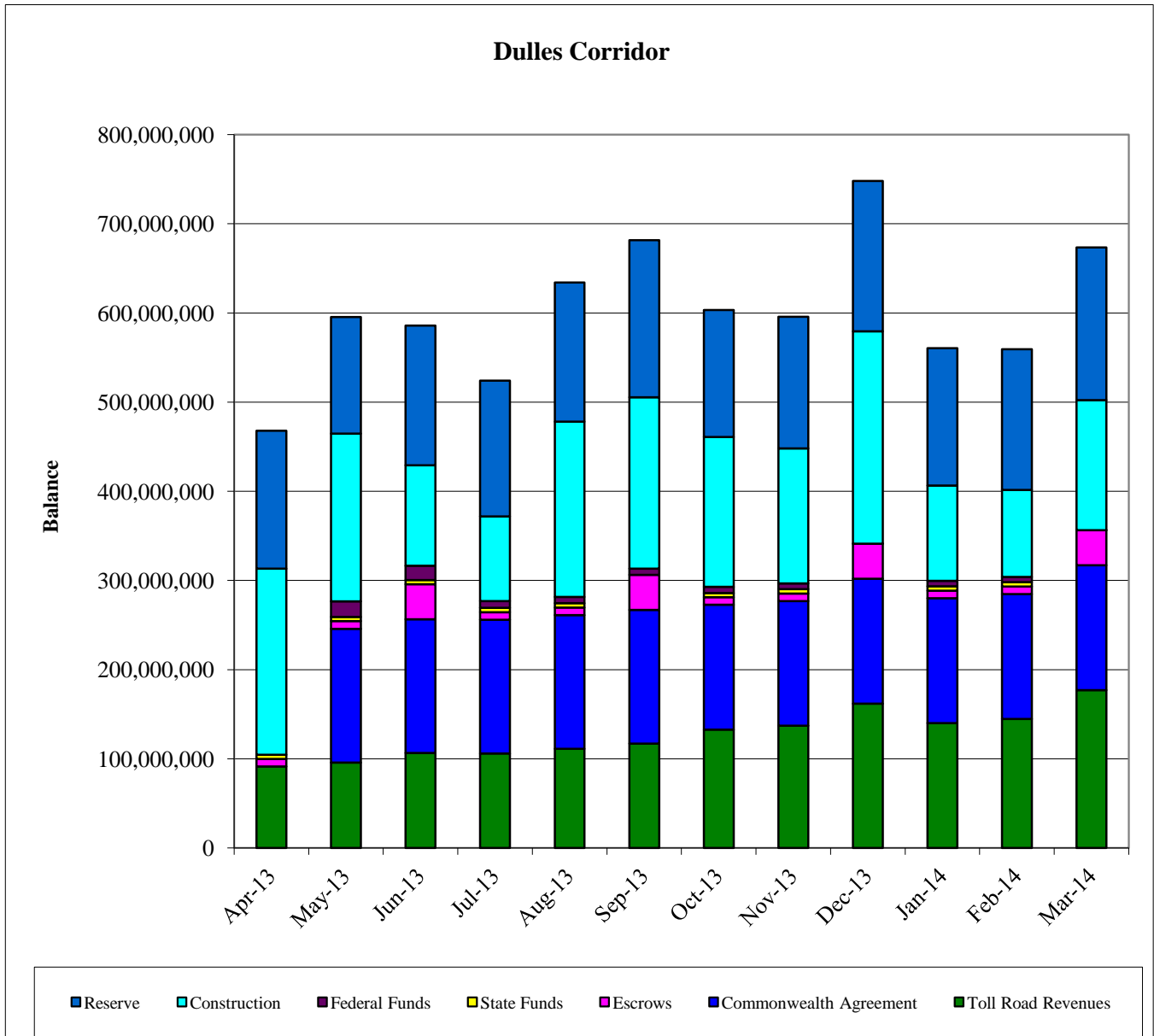
<b>Aviation</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>
0-30 Days	\$381,791,151	\$316,832,338	\$589,823,042
31-90 Days	63,111,938	75,509,695	71,986,938
91-180 Days	155,073,852	88,163,538	83,479,545
181-364 Days	262,190,258	263,248,143	190,868,746
1-2 Years	30,408,830	83,084,753	91,726,330
2 Year over	288,769,371	288,769,371	272,955,387
<b>Total Aviation</b>	<b>\$1,181,345,400</b>	<b>\$1,115,607,838</b>	<b>\$1,300,839,988</b>
<b>Dulles Corridor</b>			
0-30 Days	\$561,287,786	\$605,273,238	\$554,907,972
31-90 Days	-	16,016,294	-
1-2 Years	7,259,625	21,943,219	21,943,219
2 Year over	104,847,656	104,847,656	104,847,657
<b>Total Dulles Corridor</b>	<b>\$673,395,067</b>	<b>\$748,080,407</b>	<b>\$681,698,848</b>
<b>Total Portfolio</b>	<b>\$1,854,740,467</b>	<b>\$1,863,688,245</b>	<b>\$1,982,538,836</b>



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



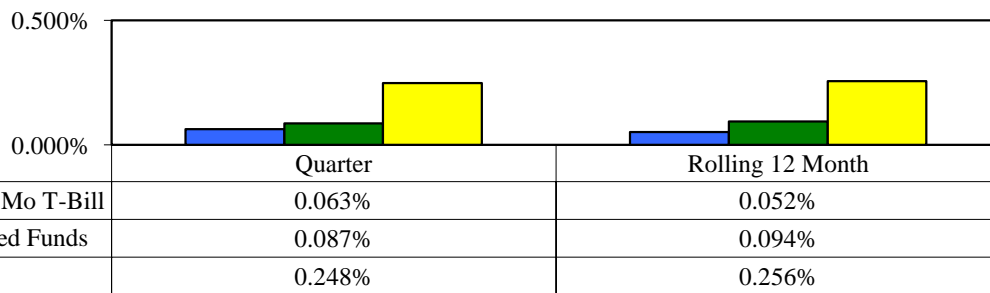
**History of Fund Balances  
Dulles Corridor Enterprise  
Rolling 12 Months  
As of March 31, 2014**



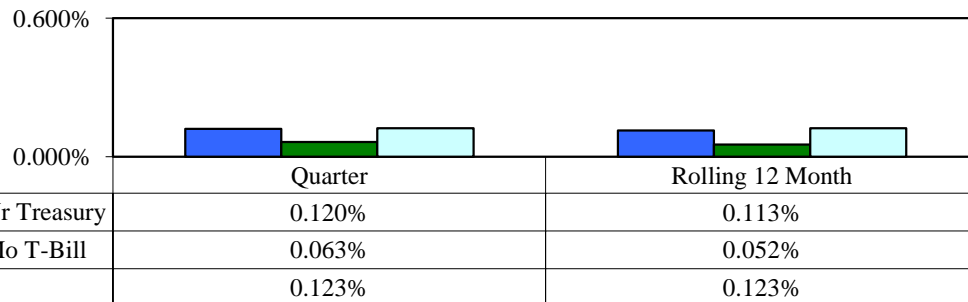
Investment Results - Targets and Benchmarks

March 31, 2014

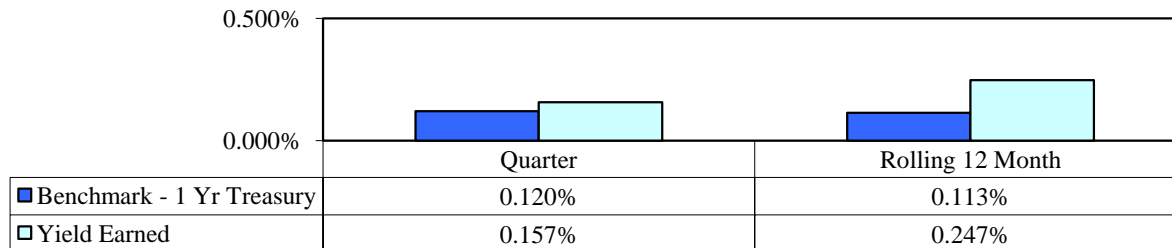
Aviation Operating Funds



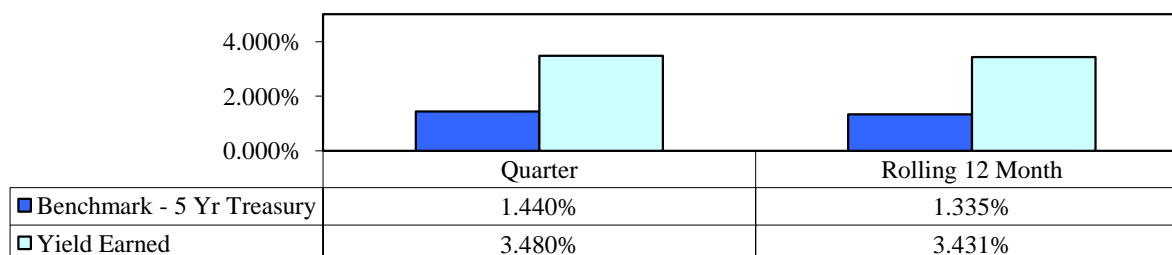
Aviation Construction Funds\*



Aviation Debt Service Principal and Interest Funds\*



Aviation Debt Service Reserve Funds\*

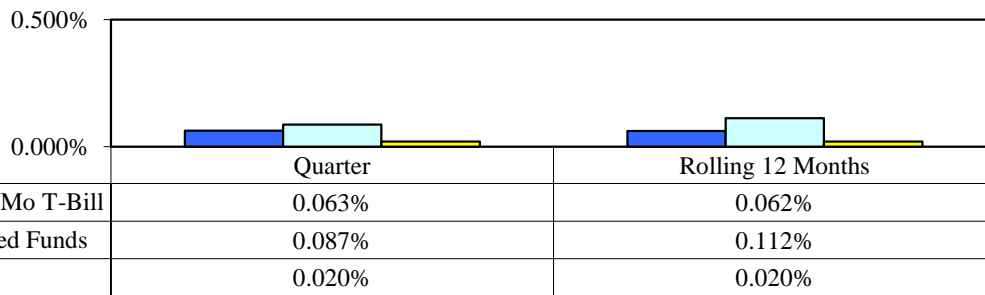


\* Blended Arbitrage Rate of 4.691%

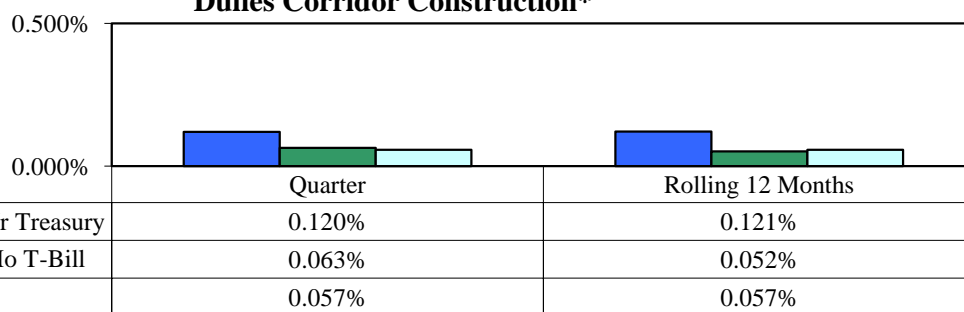
Investment Results - Targets and Benchmarks

March 31, 2014

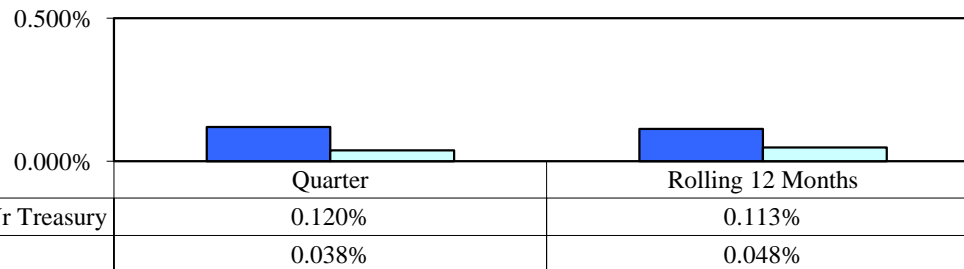
**Dulles Corridor Operating**



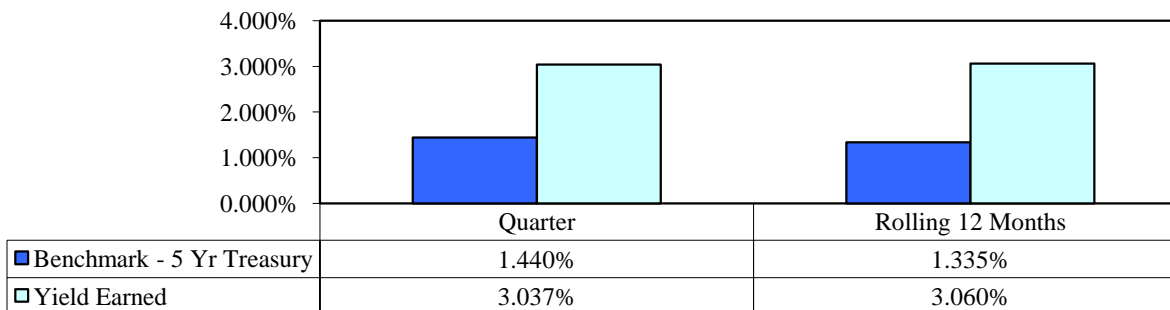
**Dulles Corridor Construction\***



**Dulles Corridor Debt Service Principal and Interest\***



**Dulles Corridor Debt Service Reserve\***



\* Blended Arbitrage Rate of 6.636%