

REPORT TO THE FINANCE COMMITTEE

**SEMI-ANNUAL REPORT ON
BANKING RELATIONS**

MAY 2012

ACTIVE BUSINESS BANKING ACCOUNTS *

Bank

Bank of America

Bank of America

Capital One

Capital One

M&T Bank

Wells Fargo

Wells Fargo

Wells Fargo

Accounts

Aviation Operating, Disbursement, Receipts

DCE Operating, Disbursement, Receipts, Payroll

DCA Agent Cashier

DCA Taxicab Deposits

Bond Checking

Aviation Payroll Account

IAD Parking Account

DCA Parking Account

* RFP of all Business Banking accounts in 2012

Community Reinvestment Act (CRA)

The CRA was enacted by Congress in 1977 to assess an institution's record of helping to meet the credit needs of the local communities in which the institution is chartered. Institutions are assigned one of the four statutory ratings:

- Outstanding
- Satisfactory
- Need to improve
- Substantial Noncompliance

Airports Authority Linked Deposit Program

- For those banks with a Kroll Rating Agency rating of “B” or better, the Airports Authority can deposit \$1 million.
- For those banks with a rating lower than “B”, the Airports Authority can deposit the FDIC limit of \$250,000. Any amounts above the limit must be collateralized.

Airports Authority Linked Deposit Program

Board Investment Policy allows Certificate of Deposits with banks having an “Outstanding” Community Reinvestment Act rating.

Participating Banks:

Kroll Rating 2011

Bank	Dec	Sep	Jun
Bank of America	B+	B+	B+
BB&T Bank	C+	B-	B-
City First Bank of DC	C+	C	C+
PNC Bank	B+	B+	B+
SunTrust Bank	C+	C+	C+
TD Bank	B-	B-	B
Wells Fargo	B	B	B

**REPORT TO THE FINANCE COMMITTEE
SEMI-ANNUAL REVIEW OF THE AUTHORITY'S COMMERCIAL
BANKING RELATIONS
MAY 2012**

ACTION REQUESTED

None; for information only.

BACKGROUND

In conducting its business, the Airports Authority has established commercial and investment banking relations with several institutions. While the Airports Authority has reported on commercial banking relations in the past, with the changes in the financial environment, the Airports Authority is adding all banks to the report.

COMMERCIAL BANKS

The Airports Authority uses several banks for depository and transfer services. Balances are kept under the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000, with the exception of the Linked Deposit Program described below. Any excess available balances are invested in overnight repurchase agreements, thereby collateralizing the Airports Authority's funds. The following banks are presently being used by the Airports Authority:

Bank	Accounts
Bank of America	Aviation Operating, Disbursement, Receipts
Bank of America	DCE Operating, Disbursement, Receipts, Payroll
Capital One	DCA Agent Cashier
Capital One	DCA Taxicab Deposits
M&T Bank	Bond Checking
Wells Fargo	Aviation Payroll Account
Wells Fargo	IAD Parking Account
Wells Fargo	DCA Parking Account

LINKED DEPOSIT PROGRAM

Staff monitors the Community Reinvestment Act (CRA) rating of banks. The CRA was enacted by Congress in 1977 to assess an institution's record of helping to meet the credit needs of the local communities in which the institution is chartered. Institutions are assigned one of the four statutory ratings:

- Outstanding
- Satisfactory
- Need to improve
- Substantial noncompliance

The Airports Authority, in compliance with the Investment Policy, has established a linked-

deposit program that allows for investments in Certificate of Deposits (CD) in banks with an Outstanding CRA rating. These deposits may be up to \$1 million or \$750,000 more than the FDIC insurance limit of \$250,000. If there are uncollateralized funds in the CD, the policy is to stay current on the various fiscal and management aspects of the banks to assure the safety of these funds. In order to maintain a regular review of the banks with these cash balances, the Airports Authority subscribes to the Kroll Bond Rating Agency formally known as the LACE Quarterly Financial Institution Ratings service.

The Kroll Rating System uses two methods to derive a financial rating. The first method derives a rating within a peer group based on key financial ratios representing Liquidity, Asset quality, Capital, and Earnings. A rating is derived for each bank, savings and loan or credit union within its peer group ranging from “A+” to “E” with an “E” rating indicating a higher than average probability of failure. The second method tests for deteriorating peer groups or for the major shifts within each respective industry. Current ratios are checked against ratio values of a normal banking period and if there are any significant differences, the rating is changed accordingly.

Until recently, most banks, savings and loans, and credit unions fell into the “B” rating categories and had good overall financial conditions. With the problems in the banking industry, high and steady “A” or “B+” ratings are rare. Most of the larger banks fall in the “C” rating. According to Kroll criteria, all financial institutions with ratings of “C” to “E” are considered below investment grade and should continue to be monitored closely. Any bank participating in the Linked Deposit Program that falls below the “B” rating requires that the Airports Authority reduce the CD to the \$250,000 FDIC limit or request collateralization of the \$750,000. The Linked Deposit Program participants are:

Bank	Kroll Rating		
	Dec 11	Sep 11	Jun 11
Bank of America	B+	B+	B+
BB&T Bank	C+	B-	B-
City First Bank of DC	C+	C	C+
PNC Bank	B+	B+	B+
SunTrust Bank	C+	C+	C+
TD Bank	B-	B-	B
Wells Fargo	B	B	B

RECOMMENDATION

The staff is working on a Request for Proposal (RFP) for Airports Authority banking services. The RFP will be released this month.

Prepared by:
Office of Finance
May 2012