

**REPORT TO THE FINANCE COMMITTEE**

**QUARTERLY REPORT ON  
INVESTMENT PROGRAM**

**OCTOBER 2012**

**REPORT TO THE FINANCE COMMITTEE  
 QUARTERLY REPORT ON  
 INVESTMENT PROGRAM**

As of June 30, 2012, the Total Portfolio decreased by \$103.5 million,  
 from \$1.64 billion to \$1.54 billion.

(in Millions)	Jun 30	Mar 31	Change
Total Aviation	\$1,161.1	\$1,178.6	\$ (17.5)
Total Dulles Corridor	374.1	460.0	(85.9)
<b>Total</b>	<u>\$1,535.2</u>	<u>\$1,638.6</u>	<u>\$ (103.4)</u>

## Aviation

### Portfolio decreased \$17.6 million

Aviation (in millions)	Jun 30	Mar 31	Change
Operating	\$ 399.1	\$ 378.4	\$ 20.7
Construction	122.9	147.3	(24.4)
Capitalized Interest	14.8	20.3	(5.5)
Cost of Issuance	1.9	2.0	(0.1)
PFC/Grants	76.6	68.6	8.0
Debt Service Reserve	377.1	374.0	3.1
Debt Service Interest	60.4	113.4	(53.0)
Debt Service Principal	102.0	68.1	33.9
FAA ATCT Escrow	6.3	6.5	(0.2)
<b>Total</b>	<u><u>\$ 1,161.1</u></u>	<u><u>\$ 1,178.6</u></u>	<u><u>\$ (17.5)</u></u>

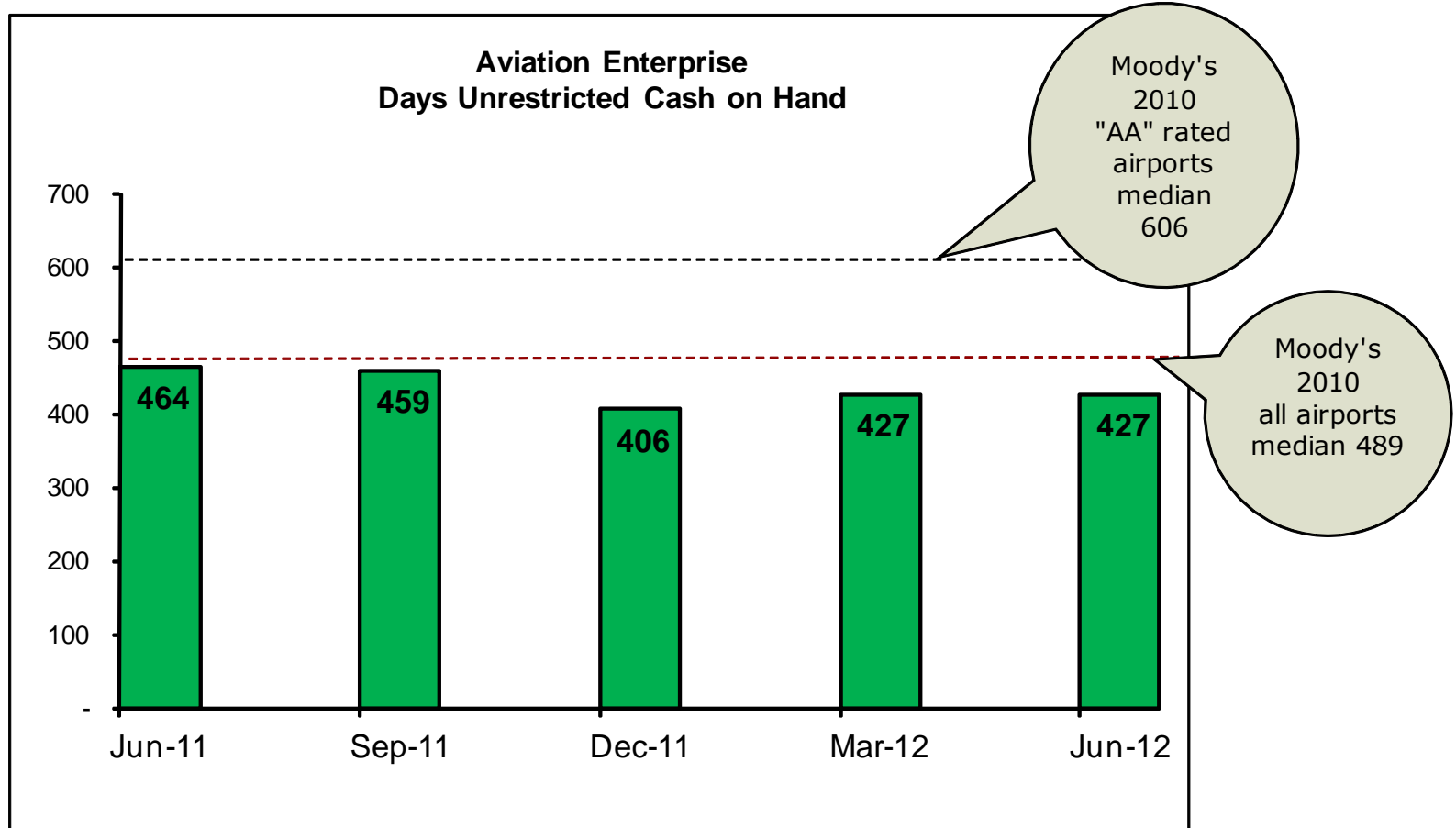
## Dulles Corridor

### Portfolio decreased by \$85.9 million

Dulles Corridor (in millions)	Jun 30	Mar 31	Change
Toll Road Revenues	\$ 65.1	\$ 51.9	\$ 13.2
Toll Road Operating	5.1	6.1	(1.0)
Capital Improvement	62.0	66.6	(4.6)
Construction	9.9	18.2	(8.3)
Cost of Issuance	0.4	1.7	(1.3)
Debt Service Reserve	120.5	124.5	(4.0)
Debt Service Interest	17.2	34.1	(16.9)
Debt Service Principal	4.3	2.4	1.9
State Funds	13.4	2.0	11.4
Federal Reimbursement Funds	30.8	55.6	(24.8)
Fairfax Funds	6.4	58.3	(51.9)
Escrows	39.0	38.6	0.4
<b>Total</b>	<b>\$ 374.1</b>	<b>\$ 460.0</b>	<b>\$ (85.9)</b>

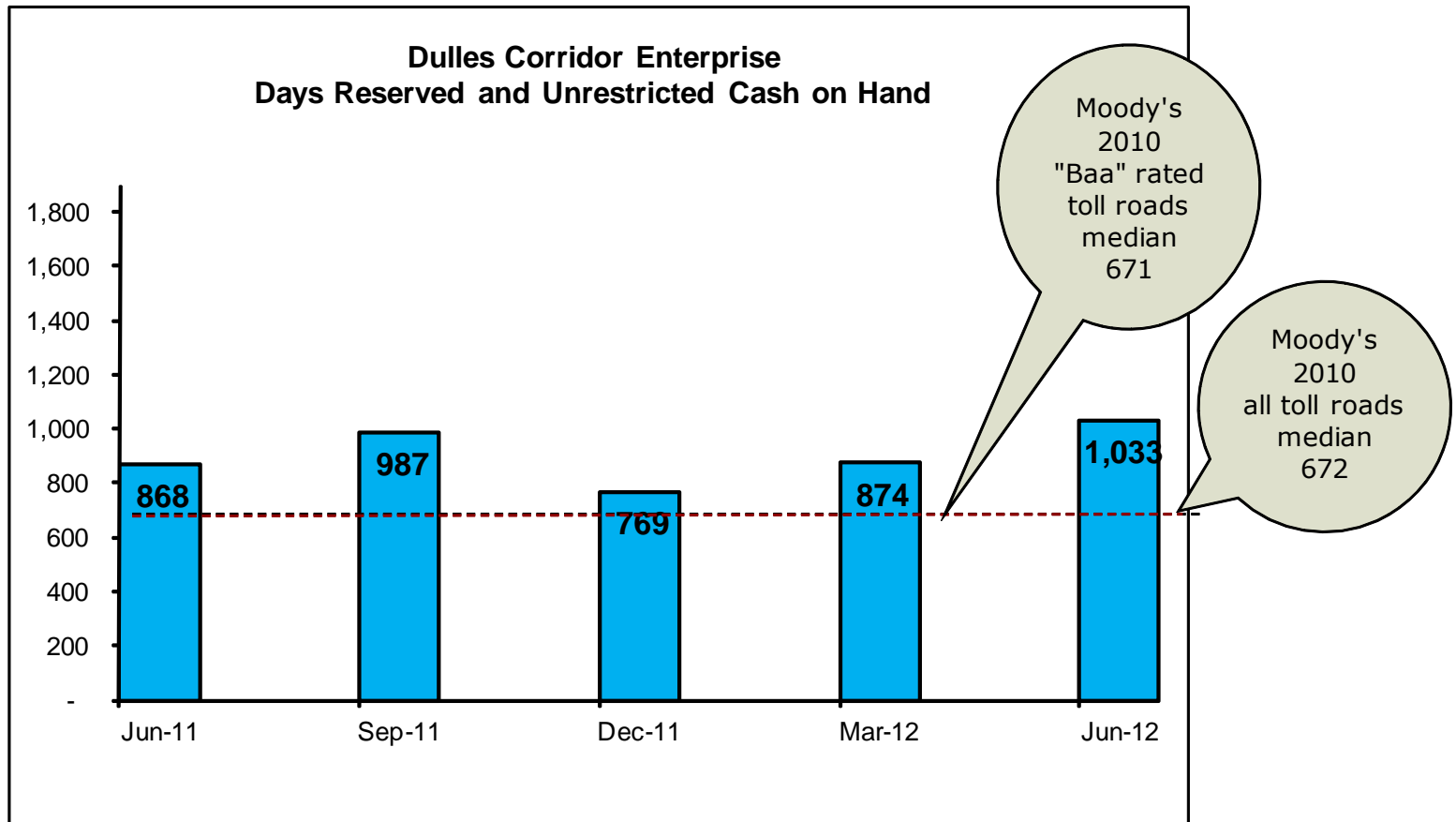


# QUARTERLY REPORT ON OPERATING LIQUIDITY BENCHMARKS FOR AVIATION AS OF JUNE 30, 2012





## QUARTERLY REPORT ON OPERATING LIQUIDITY BENCHMARKS FOR DULLES TOLL ROAD AS OF JUNE 30, 2012



REPORT TO THE FINANCE COMMITTEE  
QUARTERLY REPORT ON  
INVESTMENT PROGRAM  
OCTOBER 2012

ACTION REQUESTED

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

BACKGROUND

On July 30, 2012, the Airports Authority's Management Investment Committee held the quarterly meeting to review 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 five months of operating cash in highly liquid investments, including securities scheduled with a 150 days maturity, repurchase agreements and money market mutual funds, and to invest operational funds in securities maturing in 9 to 15 months. The Committee additionally reviewed information on general economic market conditions, monitored the investment portfolios, and evaluated investment results in determining the forward quarter investment strategy.

The total Airports Authority portfolio decreased by \$103.4 million from March 31, 2012 to June 30, 2012. The Aviation portfolio decreased by \$17.5 million while the Dulles Corridor portfolio decreased by \$85.9 million. On June 30, 2012, the Days Unrestricted Cash on Hand for Aviation was 427 days and the Days Reserved and Unrestricted Cash on Hand was 1,033 days for the Dulles Toll Road.

Attached are partial meeting materials included in the quarterly Investment Committee meeting documents:

- A. Economic Conditions and Outlook
- B. Minutes of the May 2, 2012 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
- H. Comparison of Airports Authority Liquidity

The entire Investment Committee Reports are available on request.

Prepared by:  
Office of Finance  
October 2012

**ECONOMIC CONDITIONS AND OUTLOOK AS OF JULY 25, 2012**

**Federal Open Market Committee (FOMC)** - The FOMC met on June 20 and voted to keep rates at 0-.25 percent. With no signs of inflation, the FOMC will continue to keep interest rates low.

**Consumer Price Index (CPI)** - The cost of living in the U.S. was little changed in June, a sign inflation may stay subdued as Federal Reserve officials have predicted. No change in the consumer-price index followed a 0.3 percent drop in May.

**Producer Price Index (PPI)** - Wholesale prices in the U.S. unexpectedly rose in June for the first time in four months, reflecting an increase in food costs. The 0.1 percent gain in the producer price index followed a 1 percent decrease in May.

**Retail Sales** - Retail sales in the U.S. unexpectedly fell for a third month in June as limited employment gains took a toll on consumers. The 0.5 percent drop followed a 0.2 percent decrease in May.

**Consumer Confidence** - Confidence among U.S. consumers dropped in June for a fourth consecutive month as mounting concern over jobs and incomes dimmed the outlook for spending. The index fell to 62, a five-month low, from a revised 64.4 in May.

**Inventories** - Inventories in the U.S. rose more than forecast in May as sales declined for a second month, indicating companies may limit factory orders. The 0.3 percent increase in stockpiles followed a revised 0.3 percent gain in April that was smaller than initially estimated.

**Capacity Utilization** - Industrial production increased in June, paced by gains among auto and machinery makers that may ease concern some of the drivers of the U.S. economic expansion were floundering. Output at factories, mines and utilities rose 0.4 percent last month after a revised 0.2 percent drop in May that was larger than previously reported.

**Leading Economic Indicators** - Just 4 of the 10 leading index components registered gains in June (versus 7 of 10 components that had strengthened in May).

**Federal Surplus/Deficit** - The U.S. government posted a deficit of \$904.2 billion through the nine months ending June 30, 2012.

**Unemployment** - Employers in the U.S. hired fewer workers than forecast in June, showing the labor market is making scant progress toward reducing joblessness. Payrolls rose 80,000 last month after a 77,000 increase in May. The unemployment rate held at 8.2 percent.

**STRATEGY**

As stated by Jeff Pantages in the July 2012 edition of the GFOA Treasury Management Newsletter, "It's been a very difficult environment for money fund sponsors and investors struggling with rock bottom interest rates, a fragile global economy, and regulatory uncertainty. It's always worth mentioning that in this low rate environment there is a temptation to grab for yield by either lowering your credit standards or lengthening maturities. Don't do it. Recall the old Wall Street adage: "More money's been lost stretching for yield than at the point of a gun." Safety. Liquidity. Yield. Always, and in that order."



**MINUTES OF MAY 2, 2012 INVESTMENT COMMITTEE MEETING**

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 10:00 a.m. in the President's conference room. Attending the meeting were committee members John Potter, Steve Baker and Andy Rountree. Nancy Edwards of the Treasury Department was also in attendance.

The minutes from the February 1, 2012 meeting were approved.

Ms. Edwards reported that the total portfolio had increased from \$1.59 billion to \$1.64 billion as of March 31, 2012. The Aviation portfolio increased by \$68.2 million due to the accumulation of debt service interest and principal and construction spending. Construction spending caused the Dulles Corridor portfolio to decrease by \$21.2 million.

The Committee reviewed each portfolio. Items of note include:

- The Finance Committee reports for the Investment Committee and Banking Relations were reviewed.
- Ms. Edwards reviewed the types of funds in the Aviation portfolio and explained the portfolio report format, including differences between the coupon rate and the bond equivalency rate.
- The debt service accounts were discussed. Staff will look for ways to increase earnings in these funds.
- Mr. Rountree explained the plan of finance for the Dulles Corridor and Aviation debt programs based on construction funds balances.
- Ms. Edwards calculation of cost of capital will be compared to the financial advisors calculation.
- Ms. Edwards presented an article on the Security and Exchange Commission discussions on reforms to money market funds. Recommendations are to continue to watch for any possible acceptance of the reforms as they could impact the appetite for money market fund purchases by corporations and municipalities, and the ability to sell Airports Authority bonds to money market funds.

Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy. The Committee discussed the various economic indexes and agreed to set the investment horizon for the next three months to 9 to 15 months.

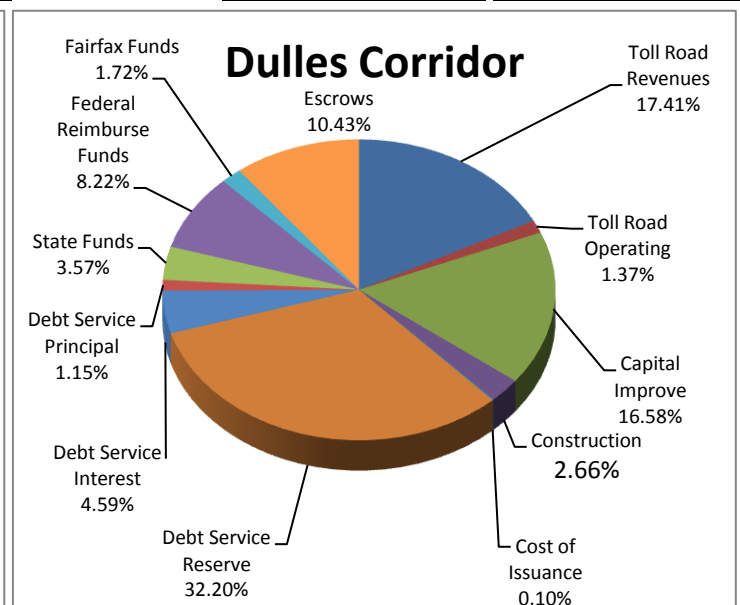
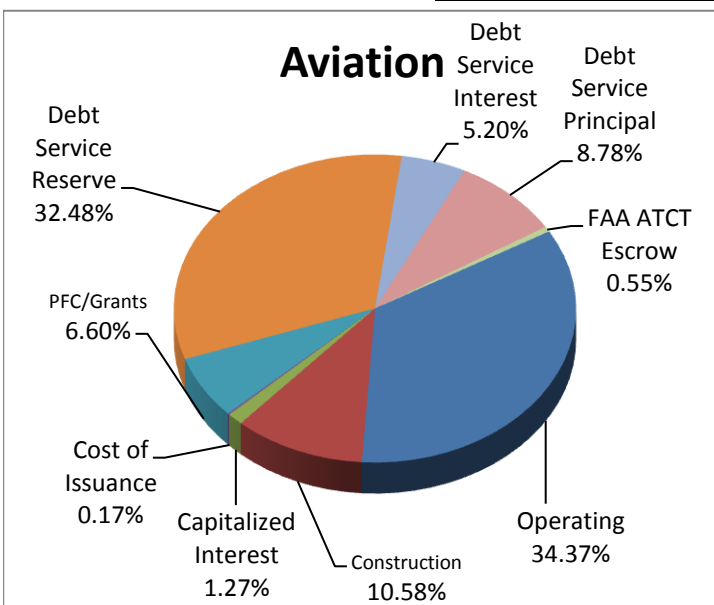
Nancy L. Edwards

## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Account

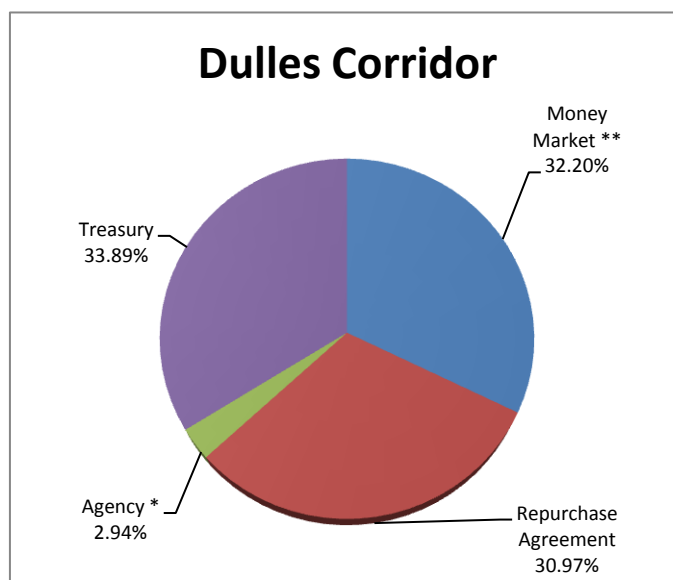
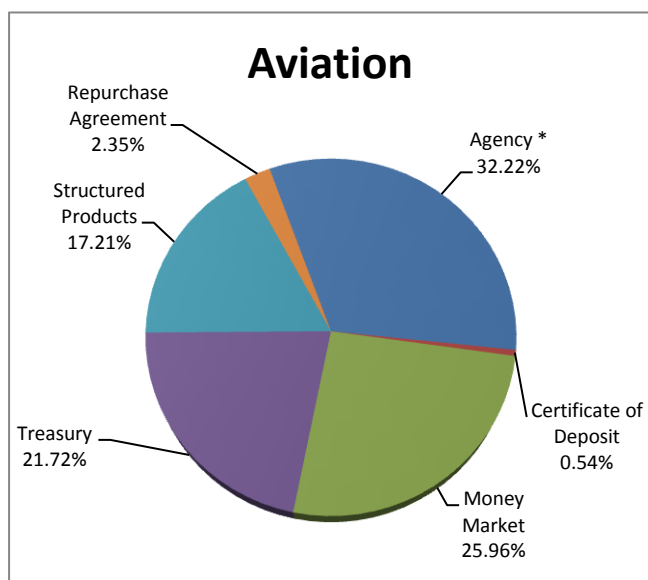
As of June 30, 2012

<u>Aviation</u>	Jun 30	Interest Rate	Mar 31	Dec 31
Operating	\$399,067,370	0.21%	\$378,343,043	\$383,095,097
Construction	122,844,184	0.08%	147,276,568	178,799,168
Capitalized Interest	14,802,782	0.10%	20,321,526	24,906,603
Cost of Issuance	1,943,230	0.22%	2,018,181	1,555,995
PFC/Grants	76,543,706	0.02%	68,596,953	62,206,693
Debt Service Reserve	377,134,595	3.62%	374,039,514	368,844,487
Debt Service Interest	60,434,253	0.04%	113,401,098	54,130,349
Debt Service Principal	102,003,051	0.07%	68,124,751	29,636,555
FAA ATCT Escrow	6,336,814	0.02%	6,547,058	6,546,678
<b>Total Aviation</b>	<b>\$1,161,109,985</b>	<b>1.27%</b>	<b>\$1,178,668,692</b>	<b>\$1,109,721,625</b>
<b><u>Dulles Corridor</u></b>				
Toll Road Revenues	65,131,621	0.04%	51,869,178	29,829,378
Toll Road Operating	5,129,364	0.02%	6,092,257	6,076,047
Capital Improvement	62,006,393	0.04%	66,656,997	67,026,335
Construction	9,911,140	0.04%	18,239,830	22,558,885
Cost of Issuance	381,640	0.04%	1,667,234	1,295,042
Debt Service Reserve	120,448,364	3.05%	124,517,312	123,505,932
Debt Service Interest	17,159,798	0.09%	34,133,045	17,727,236
Debt Service Principal	4,308,561	0.00%	2,393,629	-
State Funds	13,368,894	0.02%	1,968,284	8,844
Federal Reimbursement Funds	30,755,913	0.04%	55,590,840	59,943,229
Fairfax Funds	6,442,636	0.04%	58,268,766	113,084,179
Escrows	39,007,450	0.04%	38,645,125	40,250,626
<b>Total Dulles Corridor</b>	<b>\$374,051,774</b>	<b>1.01%</b>	<b>\$460,042,497</b>	<b>\$481,305,733</b>
<b>Total Portfolio</b>	<b>\$1,535,161,759</b>	<b>1.20%</b>	<b>\$1,638,711,189</b>	<b>\$1,591,027,358</b>



**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Security Type**  
**As of June 30, 2012**

<b>Aviation</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>
Agency *	\$374,092,645	\$216,875,215	\$104,537,470
Certificate of Deposit	6,252,411	6,250,000	6,250,000
Money Market **	301,430,088	385,926,538	330,874,020
Treasury	252,204,457	316,835,766	397,284,086
Structured Products	199,806,134	199,998,334	200,484,095
Commercial Paper	-	9,947,639	14,993,129
Repurchase Agreement	27,324,250	42,835,200	55,298,825
<b>Total Aviation</b>	<b><u>\$1,161,109,985</u></b>	<b><u>\$1,178,668,692</u></b>	<b><u>\$1,109,721,625</u></b>
<b>Dulles Corridor</b>			
Money Market **	\$120,439,750	\$164,464,425	\$165,574,536
Repurchase Agreement	115,826,172	168,787,196	188,940,322
Agency *	10,994,977	-	-
Treasury	126,790,875	126,790,876	126,790,875
<b>Total Dulles Corridor</b>	<b><u>\$374,051,774</u></b>	<b><u>\$460,042,497</u></b>	<b><u>\$481,305,733</u></b>
<b>Total Portfolio</b>	<b><u>\$1,535,161,759</u></b>	<b><u>\$1,638,711,189</u></b>	<b><u>\$1,591,027,358</u></b>



## \* Agency Split:

Home Loan	\$ 74,664,564
Freddie Mac	151,581,505
Fannie Mae	118,866,020
Farmer Mac	9,076,754
Farm Credit	30,898,779
<b>Total Agencies</b>	<b><u>\$ 385,087,622</u></b>

## \*\* Money Market Split

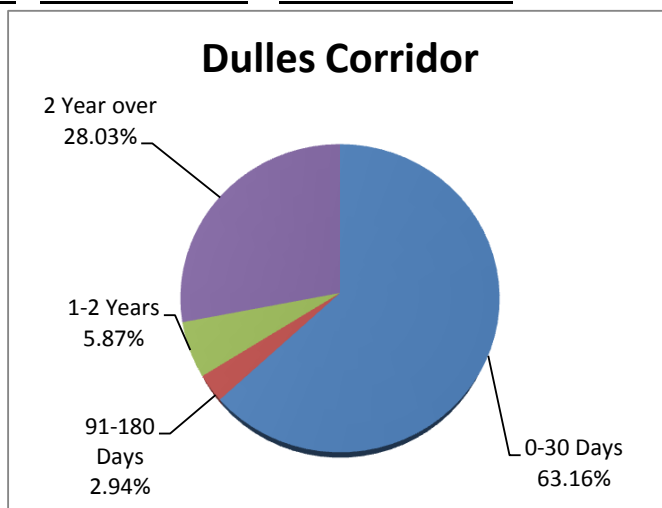
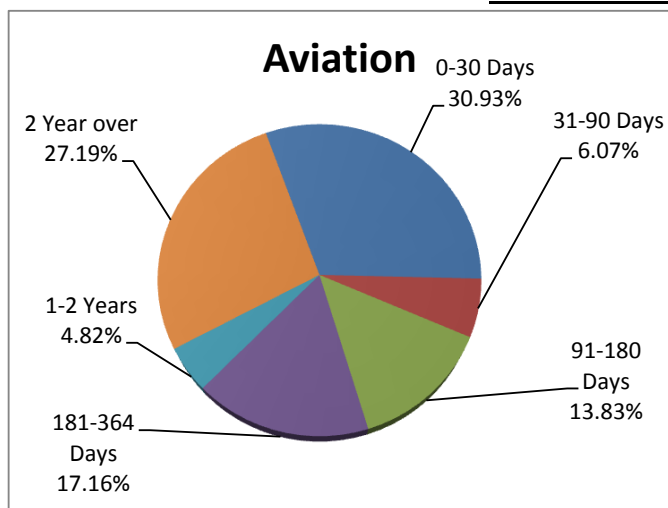
Federated Funds	\$ 8,569,625
Wilmington Trust	397,367,749
Fidelity Funds	6,336,815
NationsFund	9,595,650
	<b><u>\$ 421,869,839</u></b>

## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Days to Maturity

As of June 30, 2012

Aviation	Jun 30	Mar 31	Dec 31
0-30 Days	\$359,184,026	\$458,408,626	\$397,093,937
31-90 Days	70,534,886	64,273,661	85,769,164
91-180 Days	160,572,326	82,639,596	114,511,569
181-364 Days	199,192,222	183,922,532	139,090,718
1-2 Years	55,925,692	79,529,245	63,361,206
2 Year over	315,700,833	309,895,032	309,895,031
<b>Total Aviation</b>	<b>\$1,161,109,985</b>	<b>\$1,178,668,692</b>	<b>\$1,109,721,625</b>
<b>Dulles Corridor</b>			
0-30 Days	\$236,265,922	\$333,251,622	\$354,514,858
31-90 Days	-	-	-
91-180 Days	10,994,977	-	-
181-364 Days	-	-	-
1-2 Years	21,943,219	7,259,625	7,259,625
2 Year over	104,847,656	119,531,250	119,531,250
<b>Total Dulles Corridor</b>	<b>\$374,051,774</b>	<b>\$460,042,497</b>	<b>\$481,305,733</b>
<b>Total Portfolio</b>	<b>\$1,535,161,759</b>	<b>\$1,638,711,189</b>	<b>\$1,591,027,358</b>

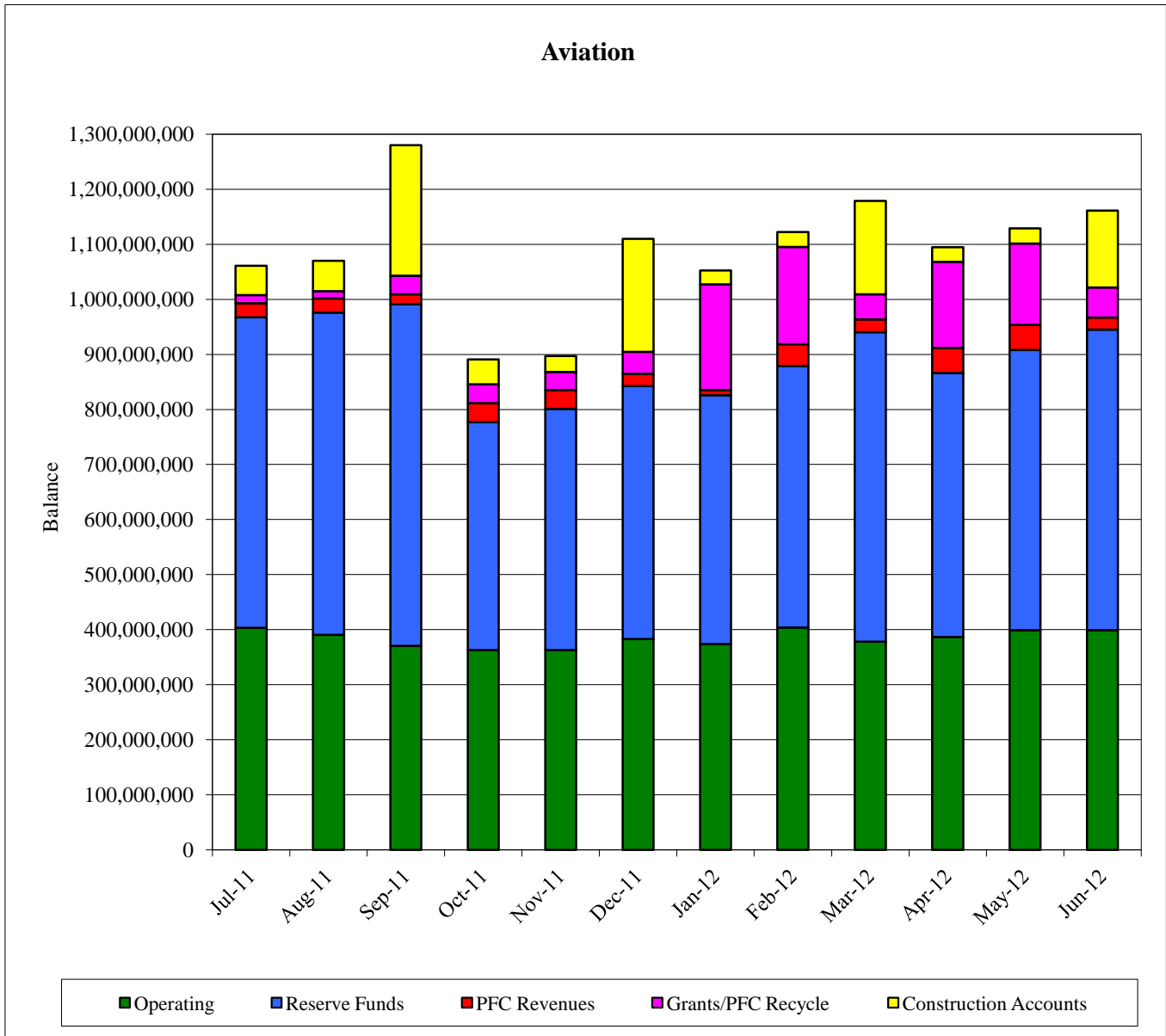


### Arbitrage Status

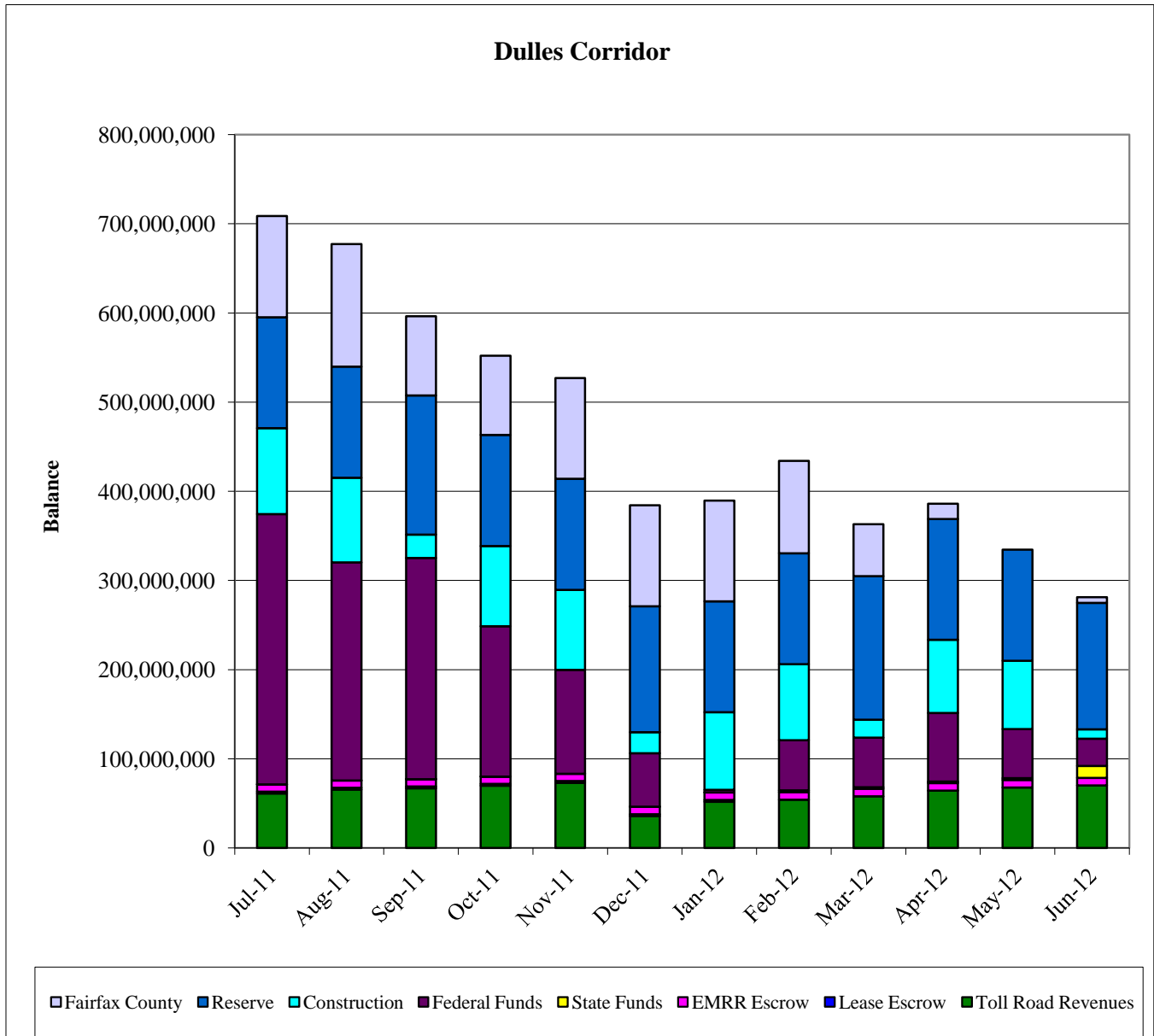
Aviation Issues	Bond Yield	Amount	DCE Issues	Bond Yield	Amount
2001A/B	5.14%	(9,204,439)	2009A	6.64%	(2,291,984)
2002A/2002B	5.27%	(18,899,262)	2009B	6.64%	(6,812,727)
2003A/B*	5.02%	(2,205,603)	2009C	6.64%	(19,951,058)
2003D*	1.76%	(2,388,731)	2009D	4.85%	(38,095,434)
2004B*	5.15%	(1,447,828)	2010-ABD	6.15%	(26,256,848)
2004 Common	5.08%	(1,172,111)			
2005A/B*	4.86%	(3,833,060)			
2006A*	4.89%	(982,668)			
2006B*/2006C*	4.38%	55,944			
2005D/2007A	4.60%	(1,037,038)			
2007B*	4.47%	(2,659,791)			
2008A	5.21%	(4,913,938)			
2009A/2009B	4.86%	(4,925,040)			
2010A/2010B	4.04%	(1,930,654)			
2010F1	3.94%	(125,354)			
2011C/2011D	3.70%	(530,774)			
		<b>(\$56,200,347)</b>			<b>(\$93,408,051)</b>

\* Debt Service Reserve Invested in Structured Product

**History of Fund Balances  
Aviation  
Rolling 12 Months  
As of June 30, 2012**



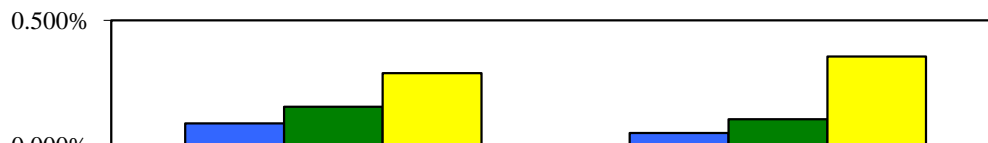
**History of Fund Balances  
Dulles Corridor Enterprise  
Rolling 12 Months  
As of June 30, 2012**



Investment Results - Targets and Benchmarks

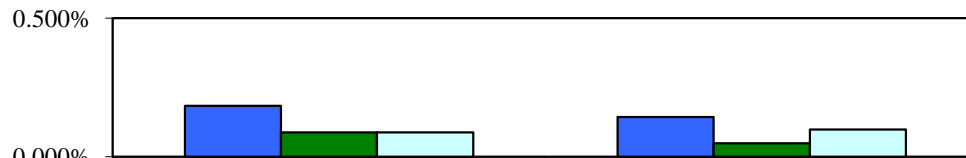
June 30, 2012

Aviation Operating Funds



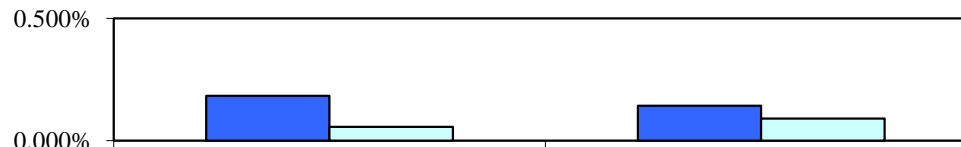
	Quarter	Rolling 12 Month
■ Benchmark - 3 Mo T-Bill	0.087%	0.048%
■ Benchmark - Fed Funds	0.153%	0.103%
■ Yield Earned	0.287%	0.355%

Aviation Construction Funds\*



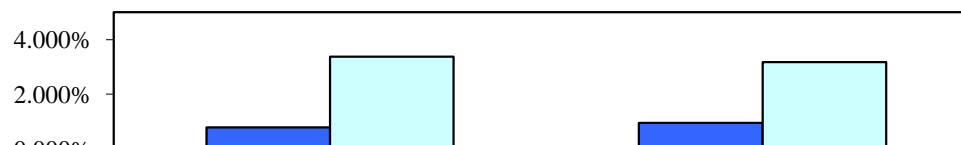
	Quarter	Rolling 12 Month
■ Benchmark - 1 Yr Treasury	0.183%	0.143%
■ Benchmark - 3 Mo T-Bill	0.087%	0.048%
■ Yield Earned	0.088%	0.097%

Aviation Debt Service Principal and Interest Funds\*



	Quarter	Rolling 12 Month
■ Benchmark - 1 Yr Treasury	0.183%	0.143%
■ Yield Earned	0.055%	0.091%

Aviation Debt Service Reserve Funds\*



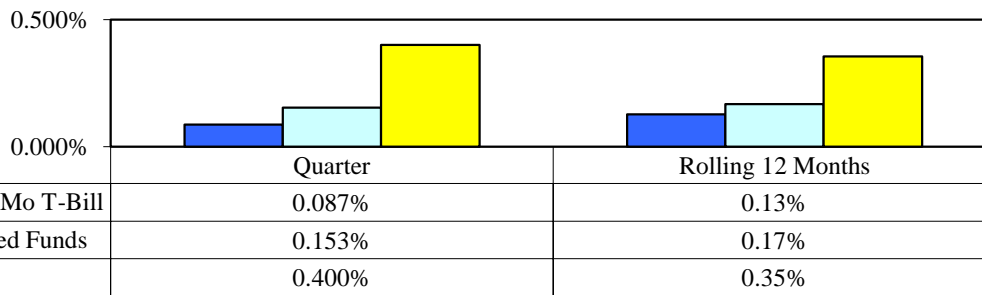
	Quarter	Rolling 12 Month
■ Benchmark - 5 Yr Treasury	0.787%	0.948%
■ Yield Earned	3.375%	3.180%

\* Blended Arbitrage Rate of 4.691%

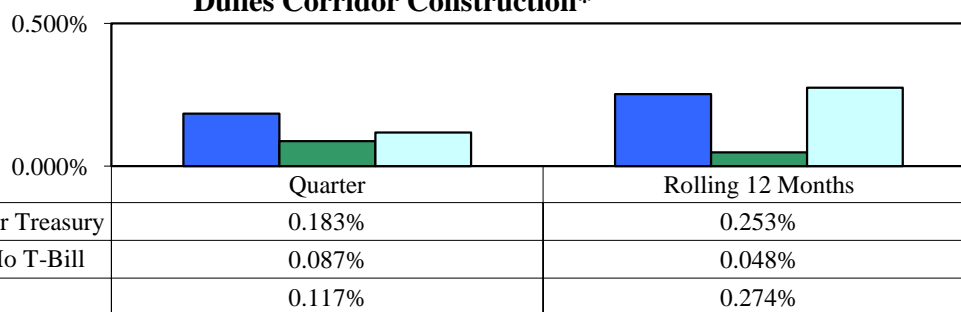
Investment Results - Targets and Benchmarks

June 30, 2012

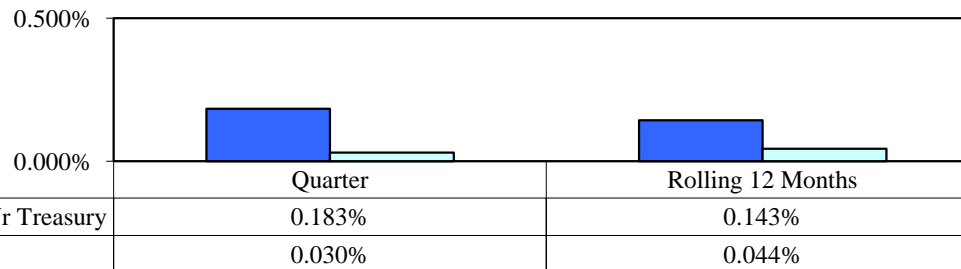
**Dulles Corridor Operating**



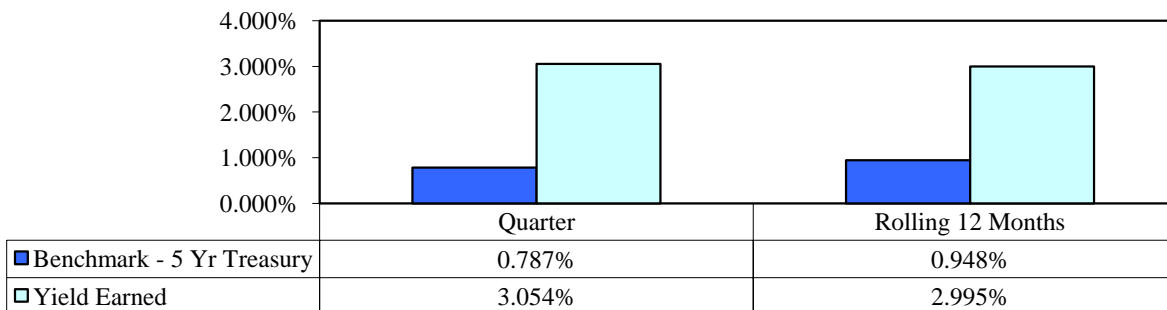
**Dulles Corridor Construction\***



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



**Dulles Corridor Debt Service Reserve\***



\* Blended Arbitrage Rate of 6.636%



