

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

ACTION REQUESTED

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

BACKGROUND

On May 2, 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 five 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 decreased by \$8.6 million from December 31, 2012, to March 31, 2013. The Aviation portfolio increased by \$91.2 million due to an increase in operating funds and accumulation of funds for the April 1 debt interest payment. The Dulles Corridor portfolio decreased by \$99.8 million primarily due to construction spending.

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

- A. Economic Conditions and Outlook
- B. Minutes of the January 25, 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  
May 2013

**ECONOMIC CONDITIONS AND OUTLOOK AS OF APRIL 25, 2013**

**Federal Open Market Committee (FOMC)** - The FOMC met on March 19 and 20, keeping rates at 0-.25 percent, with the risk assessment of "Risk to Growth".

**Consumer Price Index (CPI)** - The cost of living declined in March for the first time in four months as cheaper gasoline and clothing kept inflation in check.

**Producer Price Index (PPI)** - Wholesale prices in the U.S. dropped 0.6 percent in March as the cost of energy slumped by the most in three years, and after rising 0.7 percent in February.

**Retail Sales** - Retail sales in the U.S. dropped by the most in nine months, pointing to a slowdown in consumer spending as the first quarter drew to a close.

**Consumer Confidence** - Confidence among U.S. consumers declined more than forecast in March as the budget battle in Washington soured Americans' outlook for the economy.

**Inventories** - Companies in the U.S. added to inventories in February at the slowest pace in eight months, putting them in a better position to deal with a subsequent slowdown in demand.

**Capacity Utilization** - Capacity utilization for total industry climbed to 78.5 percent from 78.3 percent in February.

**Leading Economic Indicators** - The index of U.S. leading indicators declined in March 0.1 percent, the first drop since August.

**Federal Surplus/Deficit** - The U.S. government budget deficit narrowed in March from a year earlier as spending shrank almost 21 percent during the first month of mandatory federal cutbacks known as sequestration.

**Unemployment** - Employers hired fewer workers than forecast in March and a slump in the size of the labor force pushed the jobless rate down to a four-year low, indicating the U.S. job market is still struggling.

**SUMMARY**

In the April 22 "Stifel-Dispatch" published daily by **Stifel, Nicolaus & Company, Inc**, the economy was summarized as follows:

"The latest round of U. S. economic data confirmed that the weak March employment report was not an anomaly. The first quarter clearly ended on a sour note, in sharp contrast to the optimism that permeated the January and February numbers. A delayed reaction to the payroll tax increase, retrenchment ahead of the sequester, and renewed concerns about Europe appear to be the main culprits behind the recent slowdown in economic activity."

**MINUTES OF JANUARY 25, 2013 INVESTMENT COMMITTEE MEETING**

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 11:00 a.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 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 October 31, 2012 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio decreased by \$57.5 million from September 30, to December 31, 2012. The Aviation portfolio decreased by \$170.0 million due to construction spending and the payment of principal on October 1. The Dulles Corridor portfolio increased by \$112.5 million primarily due to the issuance of the Full Funding Grant Agreement notes.
- **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** - The Treasurer has accumulated information to establish criteria for approval of broker/dealers. The Treasurer will review the results with the CFO and Deputy CFO and together they will present their recommendations to the Investment Committee at the next meeting.
- **REVISED INVESTMENT COMMITTEE BOOK** - Two reports will be added to the new format of the Investment Committee book in April, an arbitrage report and a current cost of capital report.

**QUESTIONS/NEW BUSINESS**

- **BANKING RFP** - The RFPs for banking services technical scoring team completed their review on January 24. The pricing will be added to the technical score the week of January 28.
- **OPERATING CASH** - The Treasurer will provide an analysis of operating cash to determine if 150 days is needed, or if fewer days are required.

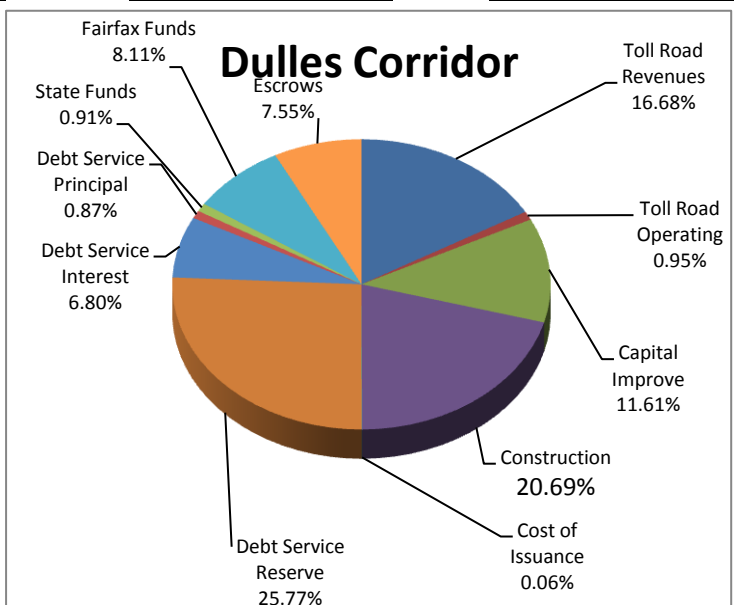
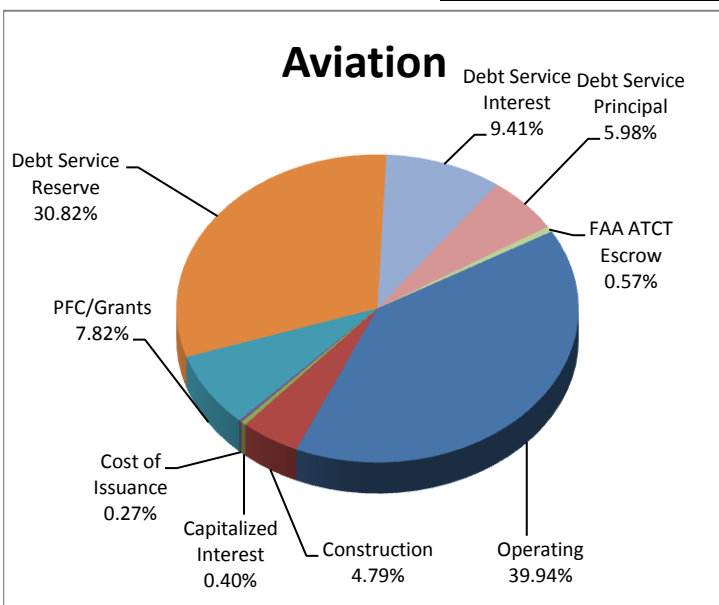
Respectfully submitted,  
Nancy L. Edwards

## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Account

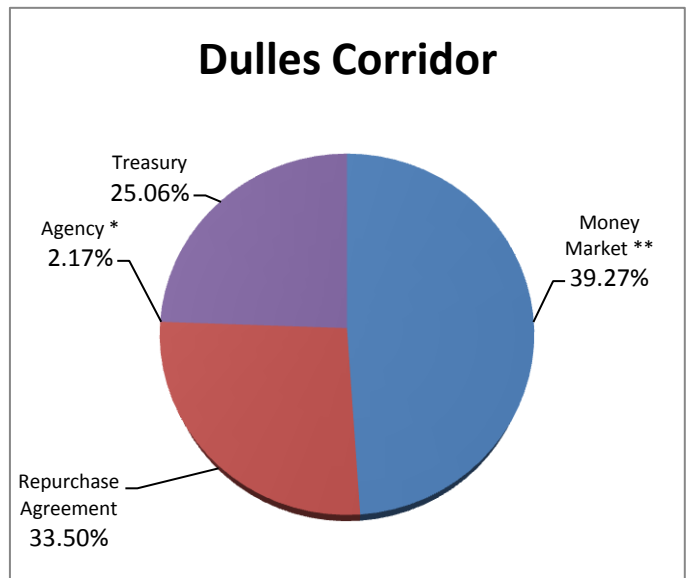
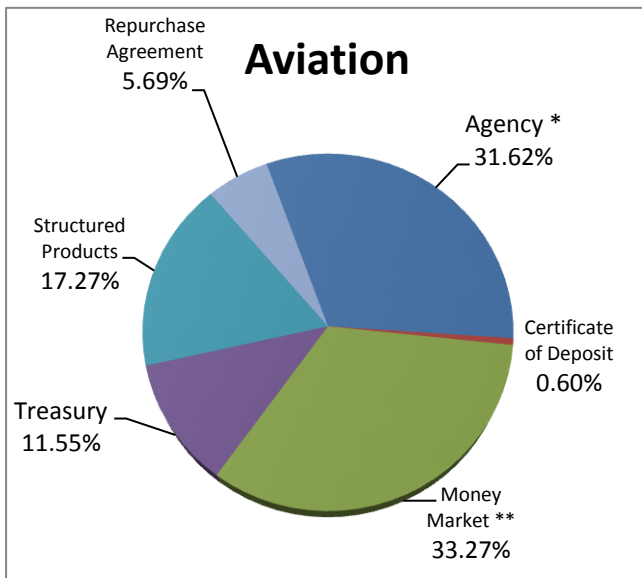
As of March 31, 2013

<u>Aviation</u>	Mar 31	Dec 31	Sep 30
Operating	\$462,051,123	\$426,795,111	\$433,074,058
Construction	55,430,791	75,246,644	93,990,693
Capitalized Interest	4,632,050	6,160,084	10,511,171
Cost of Issuance	3,118,919	3,266,710	3,273,963
PFC/Grants	90,517,569	101,267,402	86,751,494
Debt Service Reserve	356,563,982	352,142,997	364,038,783
Debt Service Interest	108,860,025	59,506,742	109,048,968
Debt Service Principal	69,156,871	34,791,282	128,435,812
FAA ATCT Escrow	6,651,239	6,651,031	6,650,925
<b>Total Aviation</b>	<b>\$1,156,982,569</b>	<b>\$1,065,828,003</b>	<b>\$1,235,775,867</b>
<b><u>Dulles Corridor</u></b>			
Toll Road Revenues	86,547,511	75,845,500	79,427,766
Toll Road Operating	4,902,889	4,789,413	3,382,243
Capital Improvement	60,244,775	61,347,181	61,587,989
Construction	107,364,971	233,005,979	80,799,772
Cost of Issuance	284,440	610,000	0
Debt Service Reserve	133,708,467	132,696,912	121,459,644
Debt Service Interest	35,294,078	18,278,905	27,910,912
Debt Service Principal	4,520,918	2,260,428	5,744,823
State Funds	4,739,624	4,739,512	0
Federal Reimbursement Funds	3,004	3,004	82,168,758
Fairfax Funds	42,095,141	45,926,738	4,505,289
Escrows	39,144,631	39,137,203	39,031,969
<b>Total Dulles Corridor</b>	<b>\$518,850,449</b>	<b>\$618,640,775</b>	<b>\$506,019,165</b>
<b>Total Portfolio</b>	<b>\$1,675,833,018</b>	<b>\$1,684,468,778</b>	<b>\$1,741,795,032</b>



**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Security Type**  
**As of March 31, 2013**

<b>Aviation</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>
Agency *	\$365,744,042	\$315,217,216	\$345,640,968
Certificate of Deposit	7,000,000	6,250,000	6,252,411
Money Market **	384,924,253	330,990,445	414,070,256
Treasury	133,628,668	153,733,356	211,973,988
Structured Products	199,806,134	199,806,134	199,806,134
Repurchase Agreement	65,879,472	59,830,852	58,032,110
<b>Total Aviation</b>	<b><u>\$1,156,982,569</u></b>	<b><u>\$1,065,828,003</u></b>	<b><u>\$1,235,775,867</u></b>
<b>Dulles Corridor</b>			
Money Market **	\$253,773,749	\$360,548,075	\$198,751,600
Repurchase Agreement	138,285,825	131,301,825	169,481,713
Agency *	0	0	10,994,977
Treasury	126,790,875	126,790,875	126,790,875
<b>Total Dulles Corridor</b>	<b><u>\$518,850,449</u></b>	<b><u>\$618,640,775</u></b>	<b><u>\$506,019,165</u></b>
<b>Total Portfolio</b>	<b><u><u>\$1,675,833,018</u></u></b>	<b><u><u>\$1,684,468,778</u></u></b>	<b><u><u>\$1,741,795,032</u></u></b>



## \* Agency Split:

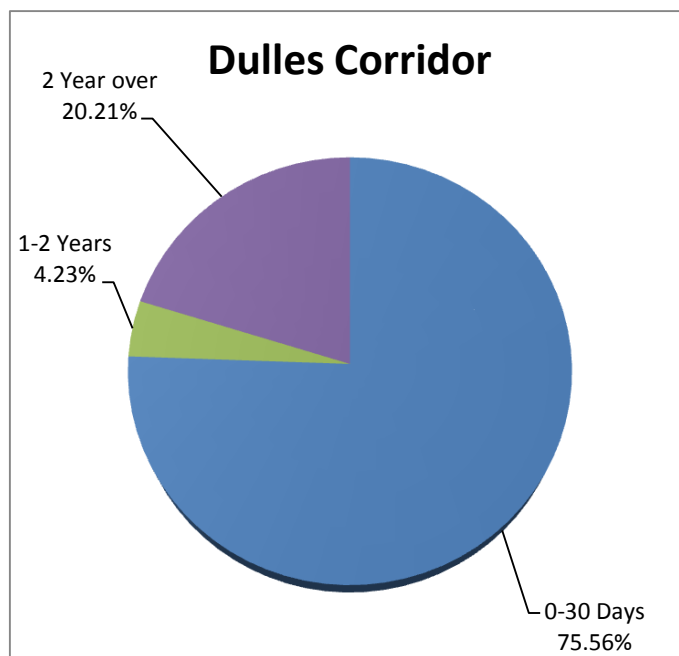
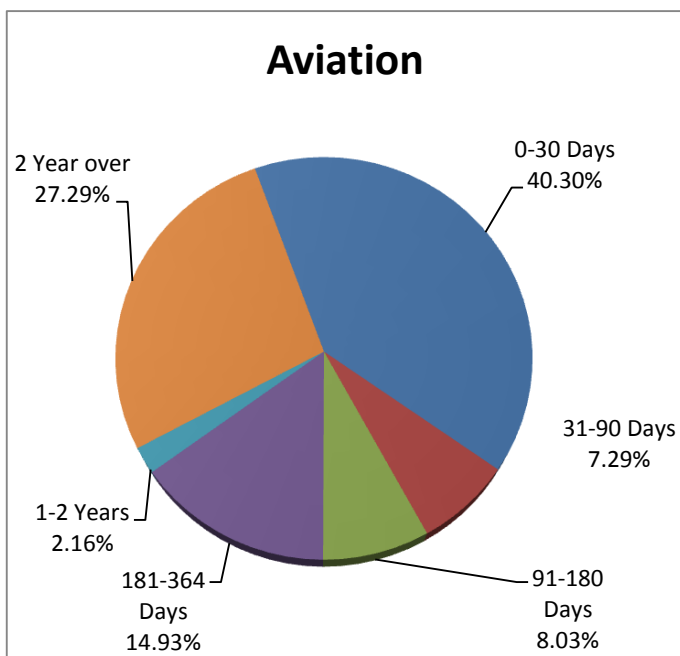
Home Loan	\$ 84,254,430
Freddie Mac	131,938,861
Fannie Mae	124,590,545
Farmer Mac	19,961,111
Farm Credit	4,999,095
<b>Total Agencies</b>	<b><u><u>\$ 365,744,042</u></u></b>

## \*\* Money Market Split

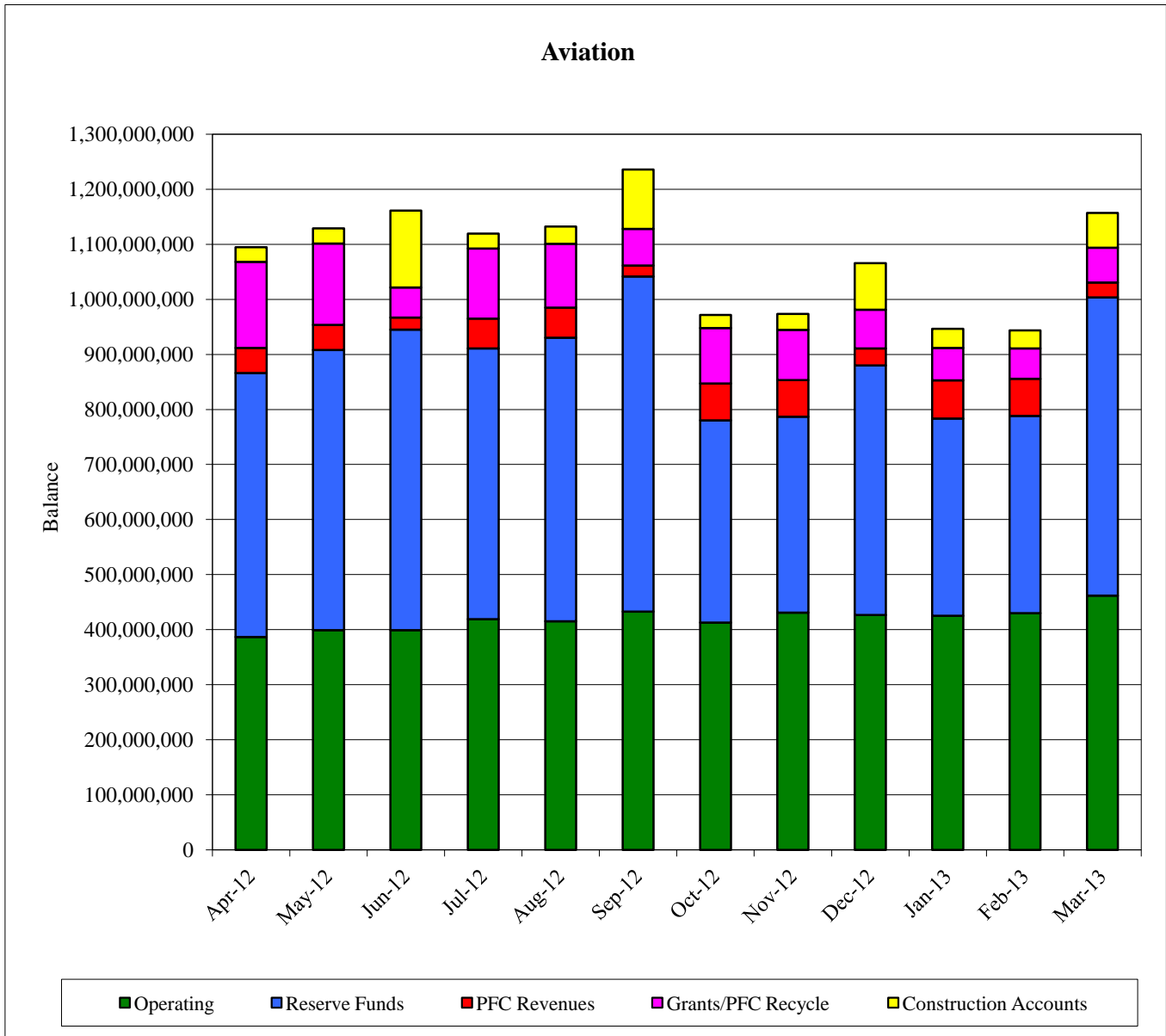
Federated Funds	\$ 24,528,591
Wilmington Trust	598,113,716
Fidelity Funds	6,651,239
NationsFund	9,404,456
	<b><u><u>\$ 638,698,002</u></u></b>

**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Days to Maturity**  
**As of March 31, 2013**

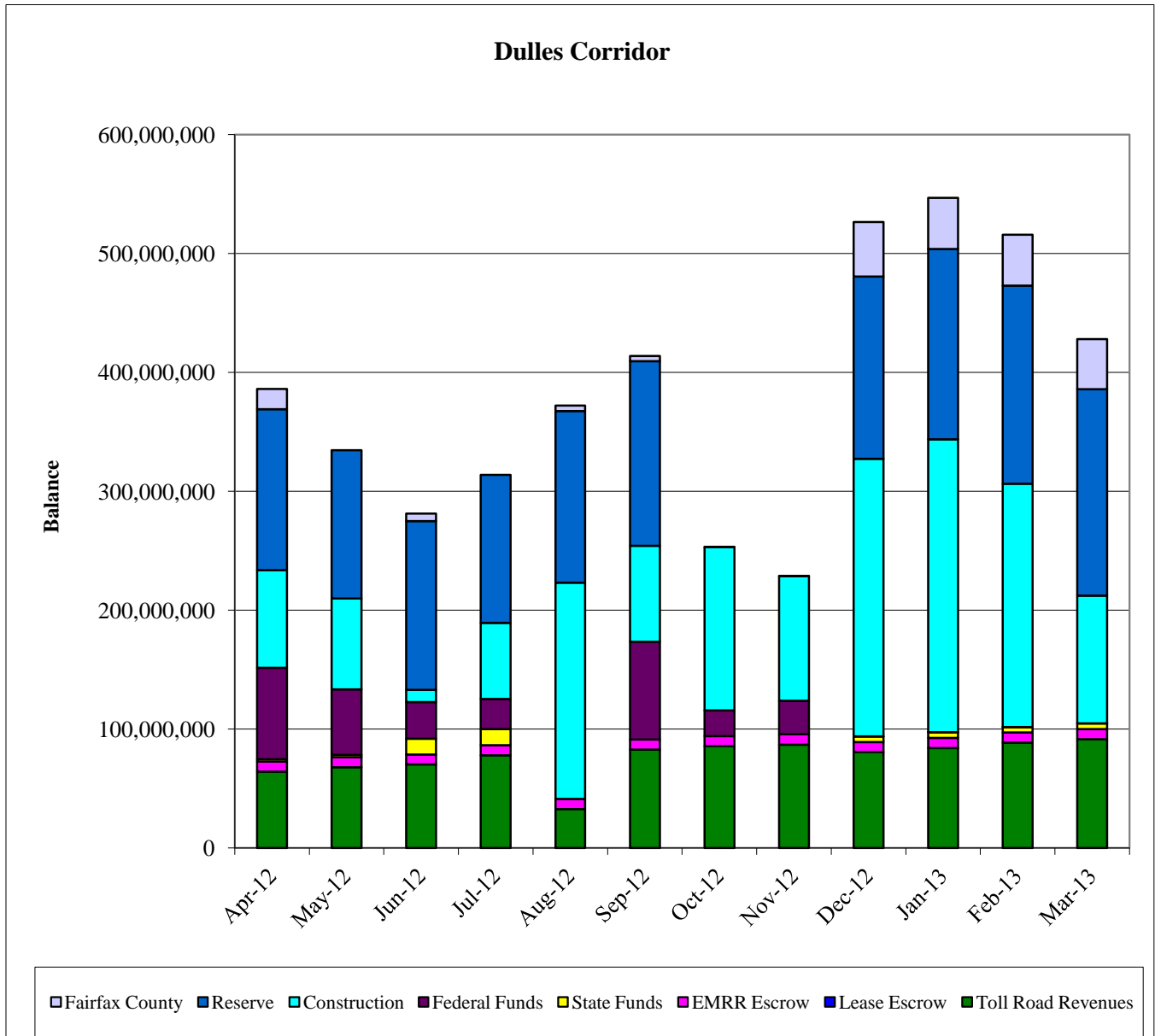
<b>Aviation</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>
0-30 Days	\$466,245,025	\$391,071,297	\$556,776,636
31-90 Days	84,338,802	62,212,188	75,148,055
91-180 Days	92,916,750	125,661,982	82,311,406
181-364 Days	172,729,559	171,181,703	205,838,937
1-2 Years	25,051,600	0	0
2 Year over	315,700,833	315,700,833	315,700,833
<b>Total Aviation</b>	<b>\$1,156,982,569</b>	<b>\$1,065,828,003</b>	<b>\$1,235,775,867</b>
<b>Dulles Corridor</b>			
0-30 Days	\$392,059,574	\$491,849,900	\$379,228,290
1-2 Years	21,943,219	21,943,219	21,943,219
2 Year over	104,847,656	104,847,656	104,847,656
<b>Total Dulles Corridor</b>	<b>\$518,850,449</b>	<b>\$618,640,775</b>	<b>\$506,019,165</b>
<b>Total Portfolio</b>	<b>\$1,675,833,018</b>	<b>\$1,684,468,778</b>	<b>\$1,741,795,032</b>



**History of Fund Balances  
Aviation  
Rolling 12 Months  
As of March 31, 2013**



**History of Fund Balances  
Dulles Corridor Enterprise  
Rolling 12 Months  
As of March 31, 2013**

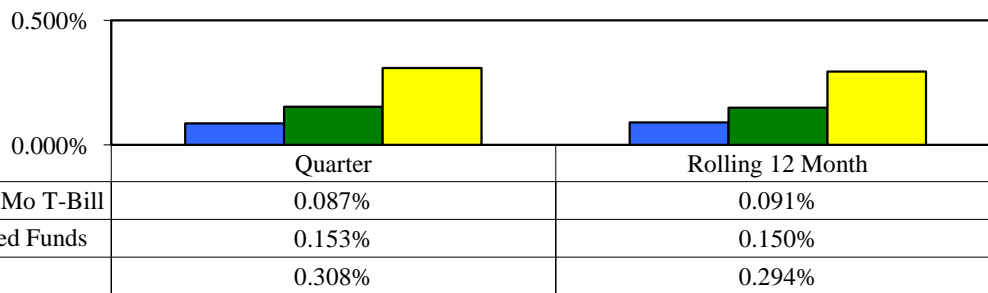




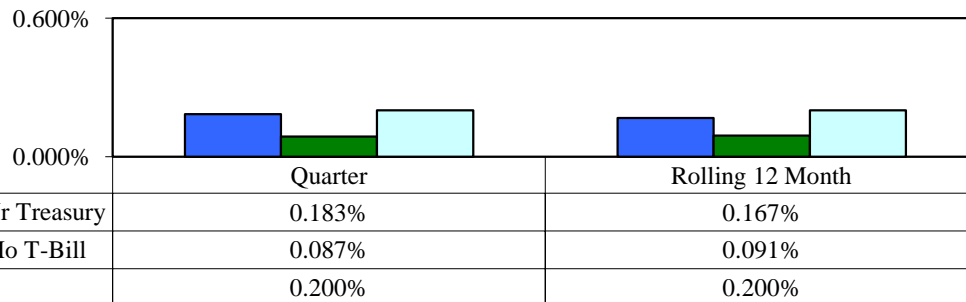
Investment Results - Targets and Benchmarks

March 31, 2013

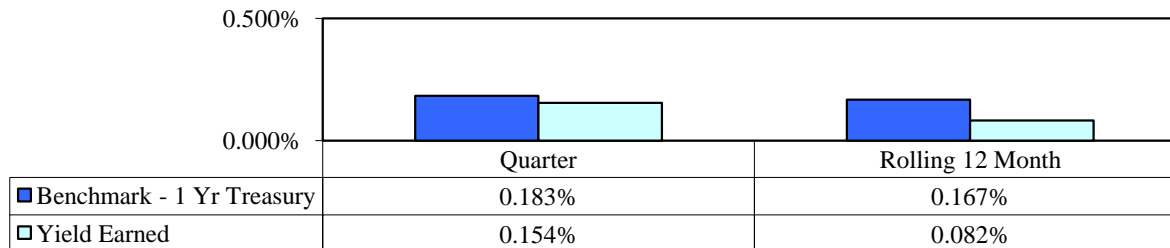
Aviation Operating Funds



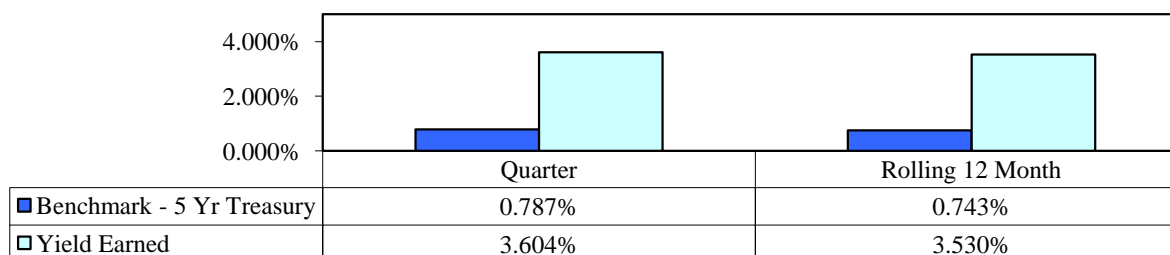
Aviation Construction Funds\*



Aviation Debt Service Principal and Interest Funds\*



Aviation Debt Service Reserve Funds\*

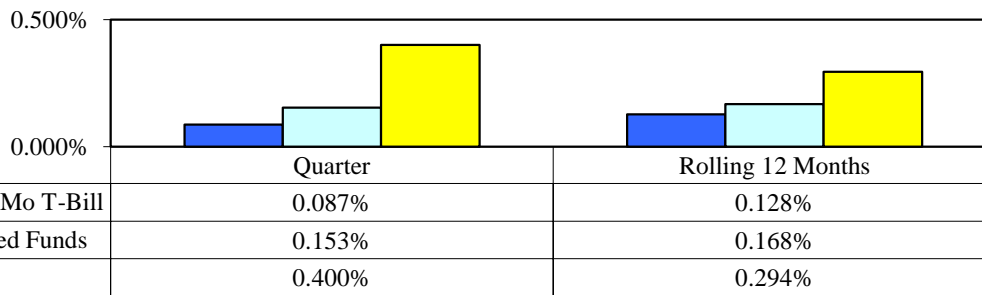


\* Blended Arbitrage Rate of 4.691%

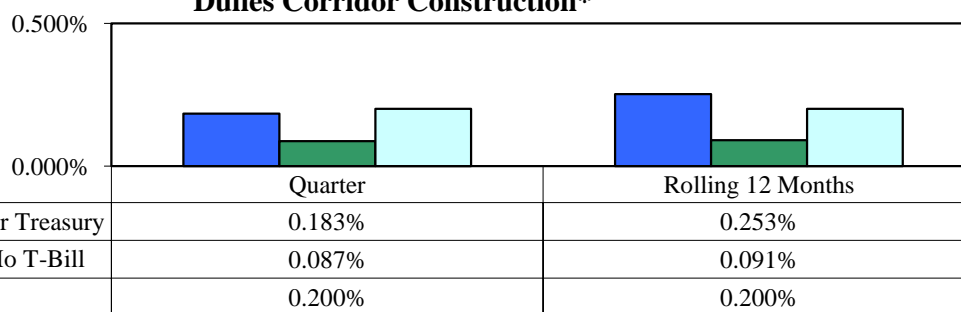
Investment Results - Targets and Benchmarks

March 31, 2013

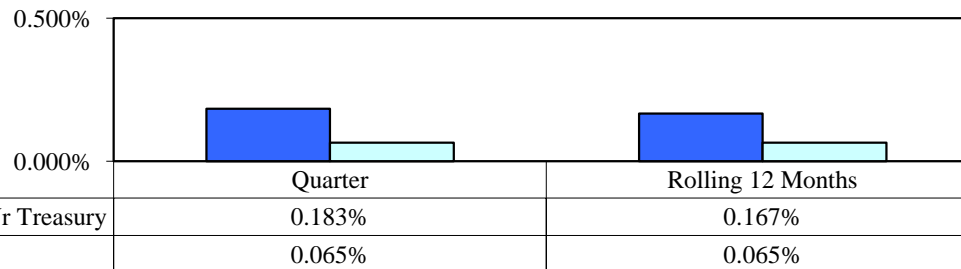
**Dulles Corridor Operating**



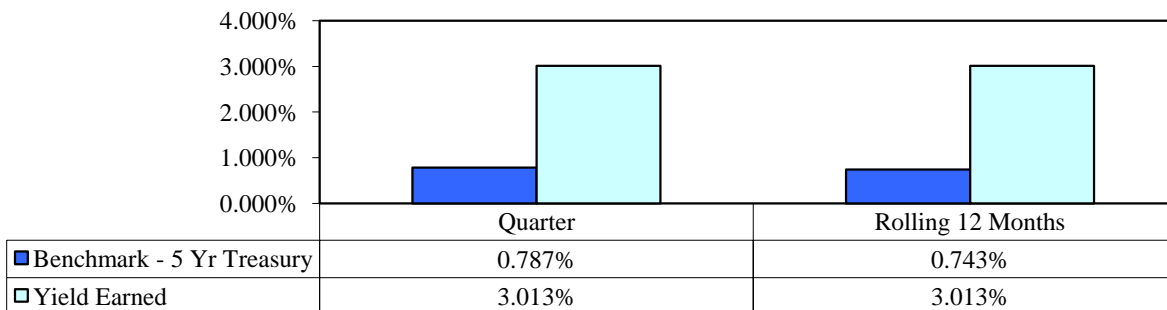
**Dulles Corridor Construction\***



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



**Dulles Corridor Debt Service Reserve\***



\* Blended Arbitrage Rate of 6.636%