SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF FEBRUARY 18, 2015

Mr. Curto chaired the February 18 Finance Committee Meeting, calling it to order at 8:00 a.m. A quorum was present during the Meeting: Mr. Session, Co-Chair, Mr. Caputo, Mr. Chapman, Mr. Kennedy, Ms. Merrick, Ms. Wells and Mr. Conner, *ex officio*. Ms. Hanley, Mr. McDermott, Mr. Mims and Mr. Williams were also present.

<u>Recommendation Regarding the Selection of Financial Advisory Firms</u>. Andy Rountree, Vice President and Chief Financial Officer, reported that the Finance Committee had requested the issuance of a solicitation for full and open competition seeking proposals for financial advisory services for both the Aviation and Dulles Corridor Enterprises. In accordance with a resolution adopted in 2001, the Board had reserved for itself the authority to select financial advisors.

In October 2014, the Finance Committee had concurred with the solicitation terms and evaluation criteria, and a Request for Proposals (RFP) had been issued for two separate and distinct scopes of services - – Capital Debt Financing Advisory services for both enterprises and Specialized Toll Road Financial Advisory services for the Dulles Corridor Enterprise. In response to the RFP, ten proposals had been received. The Technical Evaluation Committee had reviewed and evaluated each of the proposals and six firms had been short-listed and interviewed for the Capital Debt Financing Advisory services, of which three were Local Disadvantaged Business Enterprise firms. Three firms had been short-listed and interviewed for the Specialized Toll Road Financial Advisory services for the Dulles Corridor Enterprise. Mr. Rountree noted that the confidential results of the Technical Evaluation Committee's proposals had been provided in the materials for the day's meeting. Based on the Technical Evaluation Committee scores, Mr. Rountree reported that Frasca & Associates, L.L.C. (Frasca) had received the highest rating to provide Capital Debt Financing Advisory services and Mercator Advisors (Mercator) had received the highest rating to provide Specialized Toll Road Financial Advisory services.

The Committee approved the recommendation. Mr. Curto reported that a resolution would be offered later that day at the Board Meeting.

Mr. Curto stated that Ken Gibbs and Guy Nagahama of Jefferies had given the Authority excellent advice over the years and that the Authority had been very fortunate to have the firm's able services.

Mr. Conner stated that Mr. Gibbs and Mr. Nagahama and the entire Jefferies team had been a remarkably important part of the Authority for 17 years. He noted that Jefferies had been involved in approximately 50 underwritings for the Authority, totaling about $8 billion in financing. Mr. Conner stated that Mr. Gibbs and Mr. Nagahama had been the ultimate, consummate professionals. To commemorate the Authority's appreciation to Jefferies, Mr. Conner presented two photographs to Mr. Gibbs and Mr. Nagahama.

Mr. Rountree expressed appreciation to the Jefferies team for the support given to the finance staff over the years.

Recommendation to Reassign Underwriting Syndicate Firms and Initiate Limited Competition within the Aviation Enterprise Underwriting Syndicate to Select a Team of Underwriters for the Issuance of the Series 2015B-D Bonds, Including a Bookrunning Senior Manager, Co-Senior Manager and Co-Managers. Mr. Rountree explained that the Authority currently uses two separate underwriting syndicates that were competitively procured and approved by the Board in April 2012. Since the Dulles Corridor syndicate financing is essentially completed, the day's recommendation would reassign those firms to the Aviation Enterprise Syndicate ultimately resulting in one syndicate of 17 firms. Mr. Conner noted that all 17 firms are not expected to be part of the 2015 financing.

Mr. Rountree concurred with Mr. Conner's observation, and explained that a limited competition within the Aviation Enterprise Underwriting Syndicate is being recommended to select a team of underwriters for the issuance of the Series 2015B-D Bonds. Mr. Rountree presented the proposed evaluation criteria previously used for selecting the bookrunning senior manager, co-senior manager, and other co-managers. Providing the Committee approved the solicitation, Mr. Rountree reported that a selection would be presented to the Committee and Board for approval at the April meetings.

Since the Authority would no longer have two underwriting syndicates, Mr. Conner cautioned the Board and staff on the need to be mindful about how the limited number of opportunities should be made available to various firms. It would be essential to continue to keep as many firms as possible interested in bringing new innovative ideas to the Authority.

The Committee approved the recommendation and concurred with the pending criteria for competition.

Budget Reprogrammings for the Fourth Quarter of 2014. Mr. Rountree was joined by Rita Alston, Budget Manager. He reported that two budget reprogrammings had occurred in the Aviation's Operating & Maintenance and the Capital Construction Program budget categories. Mr. Rountree reviewed the two phases of Cargo Buildings Rehabilitation and Domestic Water Distribution System Integration, Runway Safety Area and Hold Apron Modifications that had been reprogrammed.

Mr. Session inquired about the analysis used to determine that the reprogrammings should occur. Mr. Rountree responded that funding for a potential reprogramming is determined by reviewing existing projects with remaining budgets to determine if unused funding is available that can be reprogrammed, or if the end of the year is approaching, or identifying items that can be deferred to a later date.

Financial Advisors' Report – Aviation Enterprise. On behalf of Mr. Nagahama and the Jefferies team, Mr. Gibbs stated that it had been a privilege, both personally and professionally, working for the Authority. He also stated that the Authority had a phenomenal reputation for financial management in the markets, which he believed had resulted from the Board's stewardship and support for the management of its qualified staff. Mr. Gibbs congratulated Frasca and Mercator on their selection to continue to provide the Authority financial advisory services and wished them continued success going forward.

Mr. Nagahama reported that the Finance Committee and Board had approved the authorization for the refunding of $180 million of Series 2006A and B Bonds. He reported that the successful transaction had secured the Authority $21.7 million of net present value savings, just under 12 percent of the refunded par amount.

With regard to the pending transition, Mr. Gibbs offered to provide Jefferies support on the upcoming Plan of Finance in any way it could.

Mr. Caputo inquired about the level of staff review before financial advisor(s) made recommendations to the Committee. Mr. Rountree explained that recommendations to the Committee are a collaborative process among advisors and staff. Further, most of the information presented in the report is updated data from the financial records that are provided to the advisor(s) by staff. Information is shared and reviewed in advance by both staff and advisors, and discussions are held to resolve any differences and identify any unanswered questions so that a mutual agreement could be reached.

Preliminary December 2014 Financial Report – Aviation Enterprise. Mr. Rountree was joined by Chris Wedding, Controller. He stated that he would present the unaudited preliminary financial report for the year ended December 31, 2014. On a budgetary basis, Mr. Rountree reported that year-to-date revenue was $688.8 million. He noted that the final audited report would be presented on a Generally Accepted Accounting Principles (GAAP) basis, and noted minor differences between the two basis of reporting. Year-to-date expenses were $595.7 million, 97 percent of total annual budgeted expenses. Mr. Rountree reported that operating income on the GAAP basis was $93.1 million year-to-date. He stated that the debt service coverage level was 1.45x compared to the 1.39x level that had been predicted in the budget, noting strong performance of non-airline revenues, and careful management of expenses resulting in the positive result. Mr. Rountree noted that the January and February 2015 financial reports would be presented at the March 2015 Finance Committee Meeting. The audited results for the year would be presented soon thereafter.

Financial Advisors' Report – Dulles Corridor Enterprise. Michael Wheet of Frasca reported that the Authority had made its first draw of approximately $115 million to pay off existing commercial paper under the Transportation Infrastructure Finance and Innovation Act loan. With no pre-judgment intended, Mr. Wheet stated that Frasca is grateful for the Committee's recommendation that it continue to provide financial advisory services. He noted that Jefferies is leaving some very tough shoes to fill in terms of its professionalism and competence. Mr. Wheet stated that Frasca is looking forward to the opportunity to demonstrate that it is equally capable of providing the same professional service.

Ms. Hanley inquired about toll increases on the Greenway and how they affect the number of users on the Dulles Toll Road (DTR) and the Greenway. Mr. Rountree stated that CDM Smith, the traffic and revenue consultant, anticipates toll increases on the Greenway when it prepares its projections for revenue and transactions on the DTR. Generally, existing and projected increases are taken into account. Ms. Hanley asked whether CDM Smith had anticipated the most recent toll increase on the Greenway, to which Jim Taylor later confirmed that it had been taken into account. She stated that Directors hear complaints about the increases on the DTR and the Greenway, and that they often do not make the distinction that the Authority has nothing to do with Greenway tolls.

Mr. Conner reported that since the Authority only controlled the DTR that there is no viable solution for what transpired on the DTR as a result of toll increases on the Greenway.

Mr. Caputo stated that the estimated cost round trip from Leesburg to Washington, D.C. via the Greenway and DTR is $17.50. He further stated that no legislation would be presented this year to prevent toll increases on the Greenway. Jim Taylor of Mercator affirmed Mr. Caputo's statement.

In response to Mr. Caputo's inquiry about whether the Authority had contemplated toll increases that occur on the Greenway, Mr. Taylor explained that a formula based upon GDP is used. He noted that future toll increases on the Greenway would occur until 2020, which would require approval by the U.S. Securities and Exchange Commission based upon the Public-Private Transportation Act agreement, all of which the Authority had taken into account.

Directors continued to have a collaborative discussion about advantages and disadvantages relative to the Greenway and the DTR.

As a result of the discussions regarding increases, Mr. Curto suggested that Mr. Davis and his staff accurately address the distinction between the DTR and the Greenway so that users are fully aware of those responsible for each.

<u>Quarterly Report of the Investment Committee</u>. Mark Adams, Deputy Chief Financial Officer, was joined by Nancy Edwards, Manager, Treasury Department. Mr. Adams reported that the Authority's overall portfolio had decreased by $217.3 million. He stated that the Aviation portfolio had decreased by $143.8 million, mostly attributed by changes in construction, as well as the Debt Service Interest and Debt Service Principal relative to the annual October 1st principal and interest payment. Mr. Adams reported that the Dulles Corridor portfolio had decreased by $73.5 million. While the DTR revenue had increased as a result of normal activity, the portfolio's overall decrease had been mostly attributed to a decrease in the capital improvement fund due to a payment made for Route 606 improvements; a decrease in the construction because of normal activity associated with building the Metrorail Project; and a decrease in debt service interest because of the October 1st annual payment.

<u>Preliminary December 2014 Financial Report – Dulles Corridor Enterprise</u>. Mr. Adams was joined by Mr. Wedding. Mr. Adams reiterated that the information contained in the report was preliminary and unaudited. He reported that year-to-date Toll Road revenue was $148.7 million, 17 percent higher than the prior year-to-date. Toll Road transactions totaled 96.5 million year-to-date, 2.2 percent lower than the prior year-to-date. Electronic toll collections were up 3 percent at 83.1

percent for the year. Mr. Adams presented a three-year comparison of 2012, 2013 and 2014 of actual work or travel days, which factored in routine holidays and other holiday closures authorized by the President, as well as any extra days which the federal government had been closed as a result of inclement weather.

Mr. Caputo asked the importance of noting the increase in electronic toll collections. Mr. Rountree explained that automation represented a more efficient and cost effective process from a collection standpoint and contributed to efficient vehicle throughput on the DTR.

Additionally Mr. Potter stated that the Board had inquired about open road tolling. He noted that a minimum of 90 percent electronic tolling should occur before open road tolling would be a viable consideration. Mr. Potter reported that the electronic toll collection numbers had been requested at prior Board Meetings so the information is routinely provided.

Mr. Adams reported that Toll Road expenditures were $26.5 million year-to-date, .3 percent higher than prior year-to-date.

The Meeting was thereupon adjourned at 8:51 a.m.