

SUMMARY MINUTES  
FINANCE COMMITTEE  
MEETING OF SEPTEMBER 18, 2013

Mr. Conner chaired the September 18 Finance Committee Meeting, calling it to order at 8:54 a.m. A quorum was present during the meeting: Mr. Chapman, Mr. Gates, Mr. Griffin, Ms. Lang, Ms. McConnell, Mr. McDermott, Ms. Merrick, Mr. Session and Mr. Curto, *ex officio*. Ms. Hall, Ms. Wells and Mr. Williams were also present.

Recommendation to Appoint Senior Managing Underwriter for Dulles Toll Road Credit. At 8:55 a.m., the Committee went into executive session to discuss the results of a competitive process regarding the selection of investment banking firms to assist the Authority in implementing the Plan of Finance for the Dulles Corridor Metrorail Project.

At 9:35 a.m., the Committee concluded its executive session and Mr. Conner reconvened the Meeting.

Recommendation to Appoint Senior Managing Underwriter for Dulles Toll Road Credit. Mr. Conner reported that the Committee had spent a considerable amount of time in executive session discussing what investment banks would lead the implementation of the Plan of Finance for the Dulles Corridor Metrorail Project. In July, the Authority had issued a supplemental Request for Proposals to the Dulles Corridor Enterprise underwriting syndicate to solicit feedback about the structure of the remaining debt for Phase 2 of the Metrorail Project. Mr. Conner reported that three financing instruments to be considered are interim financing of up to \$400 million, which is the most critical; long-term financing of approximately \$250 to \$300 million; and potential Transportation Infrastructure Finance and Innovation Act (TIFIA) bond anticipation notes (BANs). He explained that the Committee would postpone its decision on the long-term financing (until at least October 2013), as well as the BAN. Mr. Conner reported that the Finance Committee had considered the recommendation of the Evaluation Committee and finance staff to negotiate with three firms regarding interim financing. Andy Rountree, Vice President and Chief Financial Officer, then identified the three firms: RBC, Bank of America/Merrill Lynch and JP Morgan (in no particular order). He noted that staff would provide a report to the Finance Committee on the terms of the negotiations at its October Meeting, at which time the Committee would consider approving the terms of one or more banks.

Mr. Conner thanked all of the investment banking firms for their support. He said that the firms had provided great ideas and had a materially-positive impact on financings relative to the Dulles Corridor and Aviation enterprises. Mr. Conner reported that the procurement process had been a fairly exhaustive one, and that he appreciated everyone's efforts, especially Directors Merrick and Wells, who had served on the Evaluation Committee. Mr. Conner reported that additional information regarding interim financing, and possibly long-term financing, would be presented to the Finance Committee for consideration at its October meeting. The Committee unanimously approved the recommendation regarding interim financing. Mr. Conner reported that he would offer the resolution later that day at the Board Meeting.

Financial Advisors' Report - Dulles Corridor Enterprise. Bryan Grote of Mercator Advisors LLC reported that the TIFIA credit review process was progressing. He said that staff was responding to numerous requests of due diligence from the Department of Transportation (DOT). Mr. Grote explained that once the credit review process had been completed, DOT would invite the Authority to submit a formal application, which would require review and approval prior to the negotiation of the terms and conditions of the loan agreement. He noted that the day's report included an update on the TIFIA requests.

Mr. Grote reported that the sequestration reduction would affect the Build America Bonds (BABs) federal subsidy paid to the Authority. He noted that the Authority had issued \$550 million of taxable BABs for the Metrorail Project. He noted that the October 1 interest payment would be reduced by more than \$637,000, which would not have a material effect on the cash flow or the Toll Road credit.

Financial Advisors' Report - Aviation Enterprise. Guy Nagahama of Jefferies reported that similar to the Dulles Corridor Enterprise, a Commercial Paper (CP) Program for the Aviation Enterprise provides flexible interim financing to provide ongoing funds to meet capital expenditures during the construction period. The CP Program requires that a bank Letter of Credit (LoC) support the issuance. Mr. Nagahama reported that the Authority currently has \$271 million of CP issuance supported by a \$250 million LoC provided by JPMorgan, which would expire in March 2014, and a \$21 million LoC provided by LBBW, which would expire in December 2015. In anticipation of the expiration of the JPMorgan LoC, Mr. Nagahama reported that the Finance Staff and the Financial Advisor recommended that the Authority begin its process to solicit terms for a sub-

stitute facility. He clarified that the solicitation would be based on price and that JPMorgan would be considered depending on its proposal. Mr. Nagahama then presented the proposed schedule for the pending procurement, as included in the report.

Budget Reprogrammings for the Second Quarter of 2013. Mr. Rountree reported that no budget reprogrammings had occurred in the second quarter.

July and August 2013 Financial Reports – Aviation Enterprise. Mr. Rountree was joined by Chris Wedding, Acting Controller. He noted that unless Directors had questions regarding July 2013, he would report on August 2013 since the information represented year-to-date totals. Mr. Rountree then reported that year-to-date revenue was \$457.6 million, an increase of 7.3 percent from the same period in 2012. At 66.7 percent through the year, the Authority had earned 67.7 percent of annual budgeted revenue. Year-to-date expenses were \$373.9 million, an increase of .9 percent than the prior year. At 66.7 percent through the year, the Authority had incurred expenses at 62 percent of its budget.

Mr. Rountree reported that operating income was \$83.7 million, compared to a prior year operating income of \$55.9 million. The debt service coverage estimate was 1.44x.

Quarterly Investment Committee Report. Mark Adams, Deputy Chief Financial Officer, noted that he was joined by Nancy Edwards, Manager of the Treasury Department. Mr. Adams reported that the total portfolio of \$1.72 billion had increased by \$44.2 million since June 30, 2013. He noted that the Aviation portfolio had decreased by \$22.8 million since that time, while the Dulles Corridor portfolio had increased by \$67 million. Mr. Adams explained that the decrease in the Aviation portfolio had resulted from the \$58 million interest payment, which had been paid on April 1, and the \$34.3 million that had been allotted for the upcoming payment the Authority would make on October 1. He reported that the April 1 interest payment, the payment to be made in October and the funds that had been received from the Commonwealth had impacted the total of the Dulles Corridor portfolio. Mr. Adams noted that the Authority's signed agreement with the Commonwealth for \$150 million provided funds to offset increases on the Dulles Toll Road. The Authority would use the fund for the first time in October to make a \$10 million payment to offset debt payments.

Mr. Conner announced that Directors should use their iPads to sync materials provided for the day's meeting and review the updated resolution that the Board would consider later that day.

The meeting was thereupon adjourned at 9:55 a.m.