

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF APRIL 15, 2015

Mr. Session chaired the April 15 Finance Committee Meeting, calling it to order at 8:30 a.m. A quorum was present during the Meeting: Mr. Curto, Co-Chair, Mr. Adams, Mr. Chapman, Mr. Kennedy, Ms. Merrick, Ms. Wells and Mr. Conner, *ex officio*. Mr. Gates, Mr. Griffin, Ms. Hanley, Ms. Lang, Mr. McDermott, and Mr. Mims were also present.

Recommendation Regarding Selection of Bookrunning Senior Manager, Co-Senior Manager and Co-Managers for the Airport System Revenue and Refunding Bonds, Series 2015B-D. Andy Rountree, Vice President for Finance and Chief Financial Officer, requested that the Finance Committee recommend to the Board that it approve the assigned roles for the selected investment banking firms within the amended Aviation Enterprise Underwriting Syndicate. He recalled that the Board had taken an action to combine both syndicates for the Aviation and Dulles Corridor Enterprises, which consisted of 17 firms. In preparation for the issuance of the Series 2015B-D Bonds, a finance team, including a bookrunning senior manager, a co-senior manager and co-managers need to be established. Mr. Rountree noted that once the syndicates had been combined, all of the firms would not be expected to participate in this particular bond sale. The Finance Committee had also concurred with the issuance of a limited competition amongst the syndicate. Mr. Rountree explained that proposals had been solicited so that firms could be evaluated and selected from the combined syndicate to serve as a bookrunning senior manager, co-senior manager and co-managers for the bond transaction. He reported that the Request for Proposals had been issued in February to 17 members of the syndicate; 16 proposals had been received in March. Mr. Rountree thanked all the investment banking firms for their submittals and their sensitivity to the Authority's needs. He reported that the following firms were being recommended as the team to sell the Series 2015 Bonds: Morgan Stanley as the bookrunning senior manager; RBC Capital Markets as the co-senior manager; Citigroup, Goldman Sachs, Raymond James, and Siebert Brandford Shank as co-managers.

Mr. Curto also commended the investment banking firms for the thoroughness of their submissions and stated that the Authority is fortunate to have banks with the skill and talent of this syndicate.

The Committee approved the recommendation. Mr. Session stated that he would offer a resolution later at the day's Board Meeting.

Financial Advisors' Report – Aviation Enterprise. Ken Cushine of Frasca & Associates, L.L.C. was joined by Mike Wheat (also of Frasca & Associates, L.L.C.). He stated that the current market conditions remained favorable. Mr. Cushine reported that there had been some volatility in the past month. Based on current market conditions, Mr. Cushine reported that the Authority would save approximately \$31 million on a net present value basis, which is slightly over 11 percent of the refunded par. He noted that the amounts were virtually unchanged from a month ago, and a strong potential savings is possible with the 2015 refunding opportunity.

Mr. Wheat reported that a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing had been scheduled on April 22. He noted that the TEFRA hearing is one of the necessary steps in issuing private activity bonds. Mr. Wheat explained that a tax law in 1986 imposed the requirement that private activity bonds, secured by or part of a private business without an entirely governmental purpose, had to give the public an opportunity to have some input, ask questions, and participate in the process. He noted that staff is required to be available at the TEFRA hearing to answer questions but that typically no one from the public attended.

Financial Advisors' Report – Dulles Corridor Enterprise. Bryan Grote of Mercator Advisors LLC reported on the many compliance requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. He stated that the Office of Finance has established a working group to ensure that the various notifications and reports are being prepared efficiently and submitted timely to the Department of Transportation (DOT). Mr. Grote noted that the annual update to the financial plan is an example of one of the reports. He stated that the update had been provided to DOT immediately before the TIFIA loan had closed last August. Mr. Grote explained that the update, which usually covered information provided to the Board and the Federal Transit Administration on a monthly basis, demonstrated to DOT, on an ongoing basis, that there are sufficient revenues to complete the rail project.

2014 Comprehensive Annual Financial Report (CAFR). Mr. Rountree was joined by Mark Adams, Deputy Chief Financial Officer, and Chris Wedding, Controller. He reported that staff had presented a preliminary

report in February on year-end information. Mr. Rountree stated that results of the CAFR are very similar to what staff had reported in the interim. He thanked PricewaterhouseCoopers (PwC) for working efficiently with staff to complete the audit. Mr. Rountree reported that PwC had issued an unmodified or clean audit opinion on the Authority's CAFR. He explained that the Authority is required to make the opinion public once it had been issued. Therefore, the opinion had been posted on the Authority's website and on national databases on April 7. Mr. Rountree thanked the finance team for its work in producing the report more than one week earlier than the prior year. He stated that it had been a great accomplishment and that Mr. Wedding and his staff, as well as Priya D'Souza (of the Finance team) had been instrumental.

Mr. Rountree reported that the Aviation Enterprise revenues were \$689.1 million. Expenses were \$596.6 million, which were 1.9 percent lower than budgeted. Mr. Rountree reported that operating income (on a Generally Accepted Accounting Principles (GAAP) basis) was \$92.5 million. The Aviation Enterprise debt service coverage was 1.45x in the preliminary report and the final audited numbers were 1.45x coverage for the 2014 year.

With respect to the Dulles Corridor, Mr. Rountree reported that revenues were \$148.7 million. Transactions were 96.5 million, which were 2.2 percent lower than the year prior, and 4.8 percent higher than the forecast prepared by the traffic and revenue consultant in January 2013. Expenses were \$26.4 million, and the operating income was \$100.2 million. Mr. Rountree reported that prior year operating income was \$87.1 million and that the Toll Road is performing very close to what had been forecast in order to service the debt to support the Metrorail project and to maintain the roadway.

Mr. Rountree stated that during 2014, the Authority transitioned Phase 1 of the Silver Line over to the Washington Metropolitan Area Transit Authority. He noted that the transition had been reflected in the Statement of Revenues, Expenses, and Changes in financial position as a contribution to other governments, showing an outflow from the Authority's books. In accordance with the plan, Mr. Rountree explained that the asset is removed from the balance sheet and the liabilities stay on the balance sheet for the rail. On a GAAP basis, the Authority's Dulles Corridor Enterprise Fund is then placed into a negative equity-type position, which is also in accordance with the plan.

Mr. Conner recalled that the 2014 winter included more days of weather disruption than any other winter. Mr. Rountree stated that weather disruptions in January and February of 2015 had been greater than those that had occurred in the last several years.

March 2015 Financial Report – Aviation Enterprise. Mr. Rountree reported that revenue year-to-date is \$178.8 million, an increase of 6.8 percent compared to the prior year-to-date. Expenses year-to-date totaled \$154.4 million, which were 2.4 percent lower than last year. Operating income is \$24.4 million year-to-date, compared to \$9.3 million of the prior year. Mr. Rountree noted that none-airline and concession revenues, as well as parking are performing very strong, which had increased the operating income, compared to the prior year. Debt service coverage through March was 1.41x; 1.54x is projected by the end of the year.

March 2015 Financial Report – Dulles Corridor Enterprise. Mr. Adams reported that Toll Road revenue is \$34.4 million year-to-date, which is an increase of 0.2 percent compared to the prior year-to-date. Toll Road transactions totaled 22.4 million year-to-date, which were 0.9 percent higher than prior year-to-date. Electronic toll collections were up 2 percent at 85 percent so far for the year. Expenditures were at \$7.3 million year-to-date, a decrease of 0.9 percent compared to the prior year.

Mr. Chapman asked if the revenue softness had resulted from the weather. Mr. Adams stated that the first part of the year had been mostly weather related. Under the circumstances, Mr. Chapman stated that he expected the expenditures to be higher. Mr. Adams noted while there had not been many closures, a substantial amount of salt had been used in 2014 to treat the ice and snow.

The meeting was thereupon adjourned at 8:52 a.m.