

# FINANCE COMMITTEE

## **Metropolitan Washington Airports Authority Investment Program Report Quarter Ending September 30, 2013**

November 2013

## Investment Program Report

Total Portfolio increased by \$262.5 million

<b>(in Millions)</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Change</b>
<b>Total Aviation</b>	<b>\$1,300.9</b>	<b>\$1,134.2</b>	<b>\$ 166.7</b>
<b>Total Dulles Corridor</b>	<b>681.6</b>	<b>585.8</b>	<b>95.8</b>
<b>Total</b>	<b><u>\$1,982.5</u></b>	<b><u>\$1,720.0</u></b>	<b><u>\$ 262.5</u></b>

# Investment Program Report Aviation

Portfolio increased \$166.7 million

Aviation (in millions)	Sep 30	Jun 30	Change
Operating	\$ 545.2	\$ 469.7	\$ 75.5
Construction	100.0	55.4	44.6
Capitalized Interest	2.0	3.1	(1.1)
Cost of Issuance	1.9	3.1	(1.2)
PFC/Grants	65.2	77.2	(12.0)
Debt Service Reserve	341.6	357.5	(15.9)
Debt Service Interest	106.7	58.0	48.7 *
Debt Service Principal	131.6	103.5	28.1 **
FAA ATCT Escrow	6.7	6.7	-
<b>Total</b>	<b>\$ 1,300.9</b>	<b>\$ 1,134.2</b>	<b>\$ 166.7</b>

\* \$100.3 million in Interest to be paid October 1.

\*\* \$130.6 million in Principal to be paid October 1.

# Investment Program Report

## Dulles Corridor

Portfolio increased by \$95.8 million

Dulles Corridor (in millions)	Sep 30	Jun 30	Change
Toll Road Revenues	\$ 110.2	\$ 99.4	\$ 10.8
Toll Road Operating	6.9	7.2	(0.3)
Capital Improvement	44.5	60.0	(15.5)
Construction	147.3	57.3	90.0 *
Cost of Issuance	0.3	0.3	-
Debt Service Reserve	131.8	130.8	1.0
Debt Service Interest	35.5	19.0	16.5 **
Debt Service Principal	9.0	6.8	2.2
Federal Reimbursement Funds	6.9	15.8	(8.9)
Commonwealth Agreement	150.0	150.0	-
Escrows	39.2	39.2	-
<b>Total</b>	<b>\$ 681.6</b>	<b>\$ 585.8</b>	<b>\$ 95.8</b>

\* Issued \$150.0 million commercial paper

\*\* \$35 million interest to be paid October 1



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY

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

ACTION REQUESTED

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

BACKGROUND

On November 1, 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 three 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 9 to 12 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 increased by \$262.5 million from June 30, 2013, to September 30, 2013. The Aviation portfolio increased by \$166.7 million in preparation for the October 1 interest and principal payments. The Dulles Corridor portfolio increased by \$95.8 million due to the issuance of commercial paper to be used for construction spending.

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

- A. Economic Conditions and Outlook
- B. Minutes of the August 28, 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  
November 2013

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

October 25, 2013

**Federal Open Market Committee (FOMC)** - The FOMC will be meeting on October 29 and 30. Expectations are for keeping rates at 0-.25 percent.

**Consumer Price Index (CPI)** - The cost of living rose less than forecast in August (the September CPI will not be released until October 30) a sign it will take more time for inflation to reach the goal of the Federal Reserve policy makers.

**Producer Price Index (PPI)** - Wholesale prices in the U.S. increased in August (the September report is delayed due to the federal government shutdown), reflecting higher costs for food and some fuels.

**Retail Sales** - Retail sales in the U.S. rose less than forecast signaling weakness in the world's largest economy.

**Consumer Confidence** - Growing concern over the outlook for hiring and wages shook the U.S. consumer in September, raising the risk spending will contribute less to growth.

**Inventories** - Inventories in the U.S. increased more than forecast in July (August will be available on October 29), trailing a gain in sales that signals a pick-up in factory orders.

**Capacity Utilization** - Capacity utilization for total industry climbed to 77.8 percent in August from 77.6 percent in July.

**Leading Economic Indicators** - The index of U.S. leading indicators increased 0.7 percent in August. The September report is delayed due to the federal government shut-down.

**Federal Surplus/Deficit** - The U.S. August budget deficit was \$147.9 billion compared to a deficit of \$190.5 billion last year.

**Unemployment** - Employers in the U.S. added fewer workers to payrolls that projected in September, indicating the economy had little momentum leading to the federal government shutdown.

**SUMMARY**

In the October 20 "Weekly Insights on Markets and the Economy" published by JP Morgan Chase, the federal government shutdown was described as:

"Is it really political dysfunction? Or, is it the way a democratic process solves its real fiscal challenges? Many no doubt were unnerved by the prospect that the political standoff might force the US government to default on its obligations, although for the most part such a concern was notably absent in the financial markets. Default is not an option and so offers no political leverage. And it's unfair to inflict financial hardships on federal workers who are merely innocent bystanders."

**MINUTES OF AUGUST 28, 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, 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 May 2, 2013 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio increased \$44.2 million from March 31, 2013 to June 30, 2013. The Aviation portfolio decreased by \$22.8 million and the Dulles Corridor portfolio increased by \$67.0 million.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy. The markets have been somewhat unstable as a result of the turmoil in Syria.
- **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** - Ms. Edwards supplied the Investment Committee with a draft and red-lined version of the Investment Objectives and Procedures document which has been vetted by the CFO and Deputy CFO. Ms. Edwards will request email approval of the document the week of September 2 (Investment Objectives and Procedures approved unanimously on September 9, 2013).
- **INVESTING MONEY MARKET FUNDS** - The investment officials began the process of investing the monthly set-aside principal and interest funds to reduce the dollars held in money market funds.
- **WEIGHTED AVERAGE COST OF CAPITAL** - Ms. Edwards reported this calculation was for June 30, 2013, and did not include the Aviation bonds issued on July 11, 2013.
- **PORTFOLIOS** - Mr. Potter requested a walk-through of the individual portfolio detail sheet for clarification on the meaning of each column.

**QUESTIONS/NEW BUSINESS**

- Mr. Potter has requested the inclusion of the Employment Cost Index (going back 2 years) for the next report, and to include the information quarterly.

Respectfully submitted,  
Nancy L. Edwards

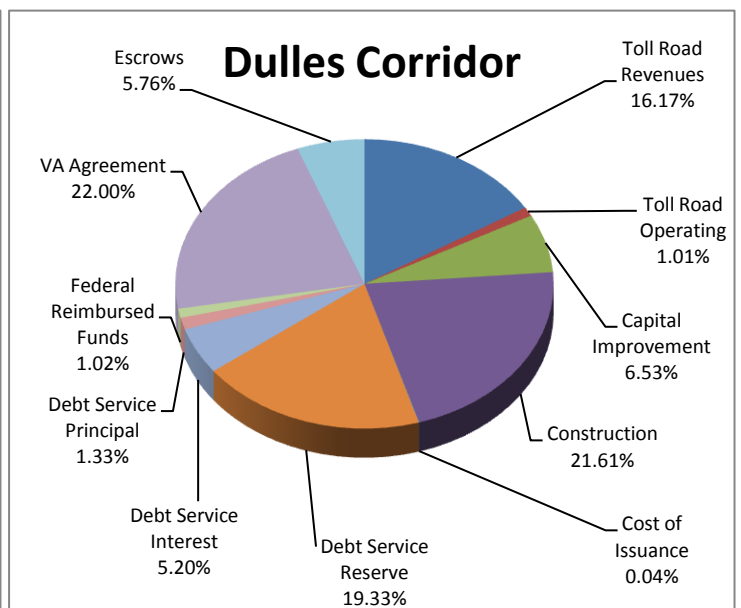
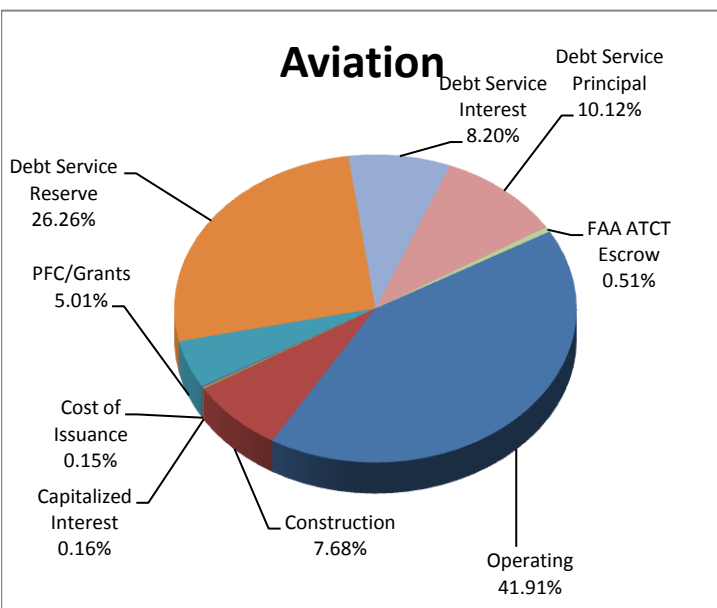


## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Account

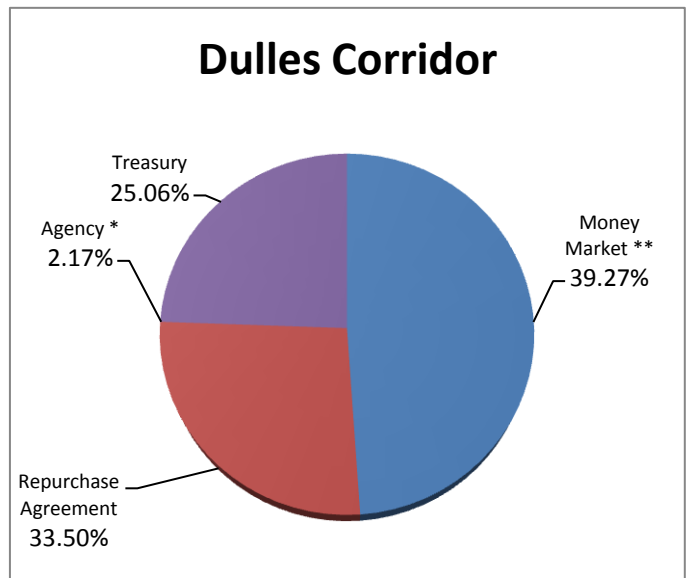
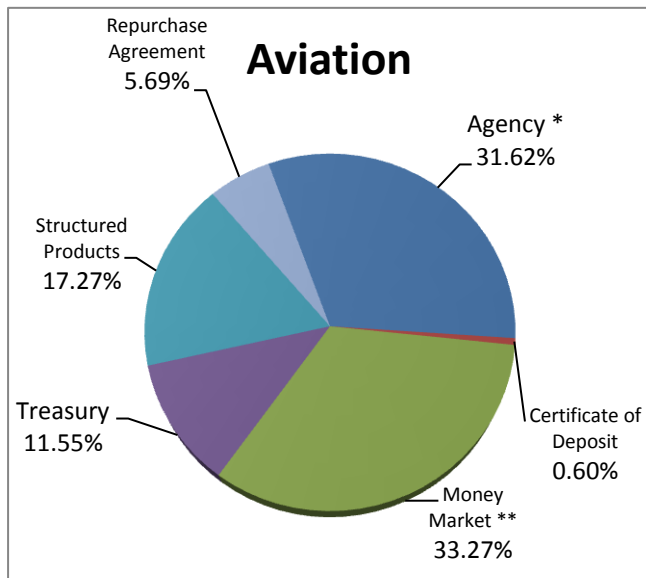
As of September 30, 2013

<u>Aviation</u>	Sep 30	Jun 30	Mar 31
Operating	\$545,199,288	\$469,686,796	\$462,051,123
Construction	99,959,614	55,432,202	55,430,791
Capitalized Interest	2,033,815	3,124,421	4,632,050
Cost of Issuance	1,899,702	3,118,999	3,118,919
PFC/Grants	65,151,446	77,181,722	90,517,569
Debt Service Reserve	341,642,681	357,479,759	356,563,982
Debt Service Interest	106,713,015	58,032,851	108,860,025
Debt Service Principal	131,588,868	103,523,259	69,156,871
FAA ATCT Escrow	6,651,559	6,651,346	6,651,239
<b>Total Aviation</b>	<b>\$1,300,839,988</b>	<b>\$1,134,231,355</b>	<b>\$1,156,982,569</b>
<b><u>Dulles Corridor</u></b>			
Toll Road Revenues	110,198,003	99,411,588	86,547,511
Toll Road Operating	6,894,404	7,186,502	4,902,889
Capital Improvement	44,520,105	60,021,187	60,244,775
Construction	147,342,336	57,243,299	112,104,595
Cost of Issuance	276,358	284,448	284,440
Debt Service Reserve	131,779,167	130,767,629	133,708,467
Debt Service Interest	35,462,839	19,031,808	35,294,078
Debt Service Principal	9,042,057	6,781,460	4,520,918
Federal Reimbursement Funds	6,930,135	15,801,509	3,004
Commonwealth Agreement	150,005,713	150,001,973	42,095,141
Escrows	39,247,731	39,244,438	39,144,631
<b>Total Dulles Corridor</b>	<b>\$681,698,848</b>	<b>\$585,775,841</b>	<b>\$518,850,449</b>
<b>Total Portfolio</b>	<b>\$1,982,538,836</b>	<b>\$1,720,007,196</b>	<b>\$1,675,833,018</b>



**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Security Type**  
**As of September 30, 2013**

	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
<b>Aviation</b>			
Agency *	\$390,699,615	\$487,162,173	\$365,744,042
Certificate of Deposit	7,001,498	7,001,499	7,000,000
Money Market **	486,399,047	241,976,779	384,924,253
Treasury	128,862,822	148,588,535	133,628,668
Structured Products	197,177,262	199,806,134	199,806,134
Repurchase Agreement	90,699,744	49,696,235	65,879,472
<b>Total Aviation</b>	<u>\$1,300,839,988</u>	<u>\$1,134,231,355</u>	<u>\$1,156,982,569</u>
<b>Dulles Corridor</b>			
Money Market **	\$423,921,228	\$316,851,244	\$253,773,749
Repurchase Agreement	130,986,745	127,136,984	138,285,825
Agency *	0	14,996,738	0
Treasury	126,790,875	126,790,875	126,790,875
<b>Total Dulles Corridor</b>	<u>\$681,698,848</u>	<u>\$585,775,841</u>	<u>\$518,850,449</u>
<b>Total Portfolio</b>	<u><u>\$1,982,538,836</u></u>	<u><u>\$1,720,007,196</u></u>	<u><u>\$1,675,833,018</u></u>



## \* Agency Split:

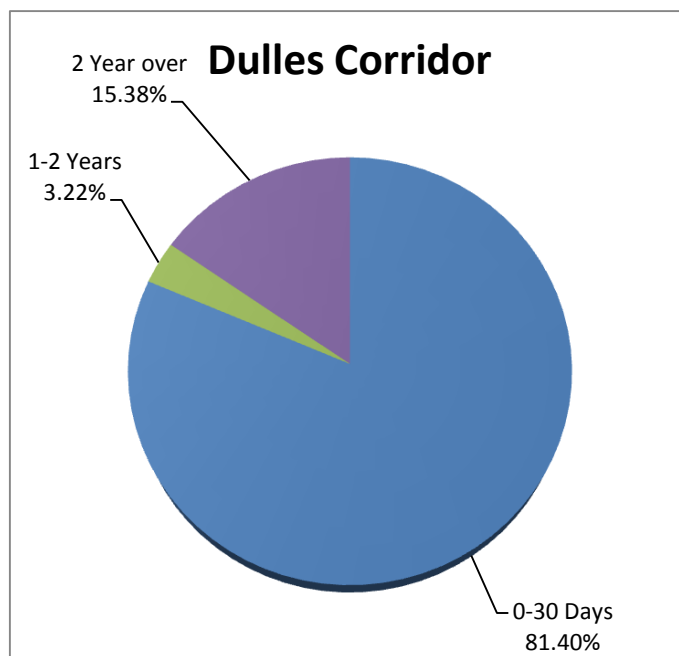
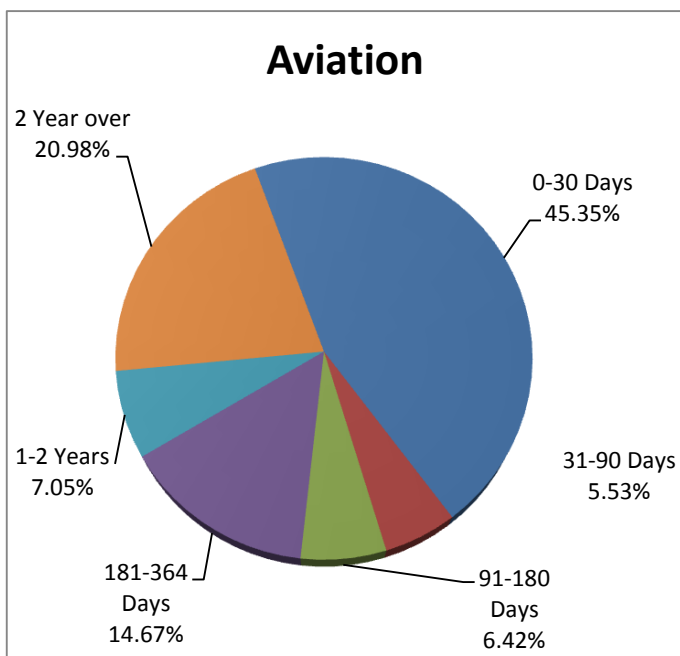
Home Loan	\$ 65,150,937
Freddie Mac	118,009,447
Fannie Mae	137,422,060
Farmer Mac	19,961,110
Farm Credit	50,156,060
<b>Total Agencies</b>	<u><u>\$ 390,699,614</u></u>

## \*\* Money Market Split

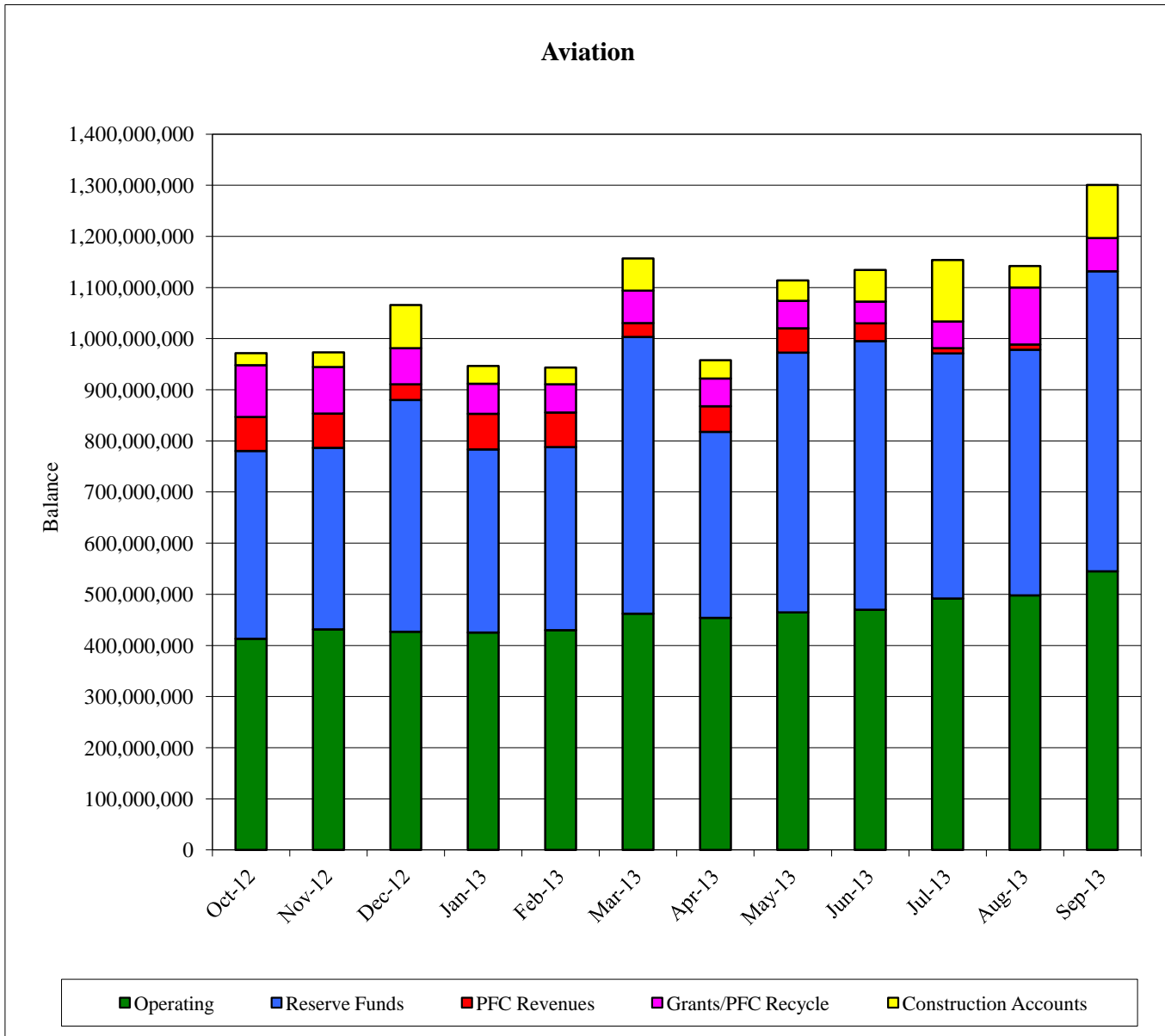
Federated Funds	\$ 8,571,068
Wilmington Trust	869,731,468
Fidelity Funds	22,612,811
NationsFund	9,404,928
	<u><u>\$ 910,320,275</u></u>

**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Days to Maturity**  
**As of September 30, 2013**

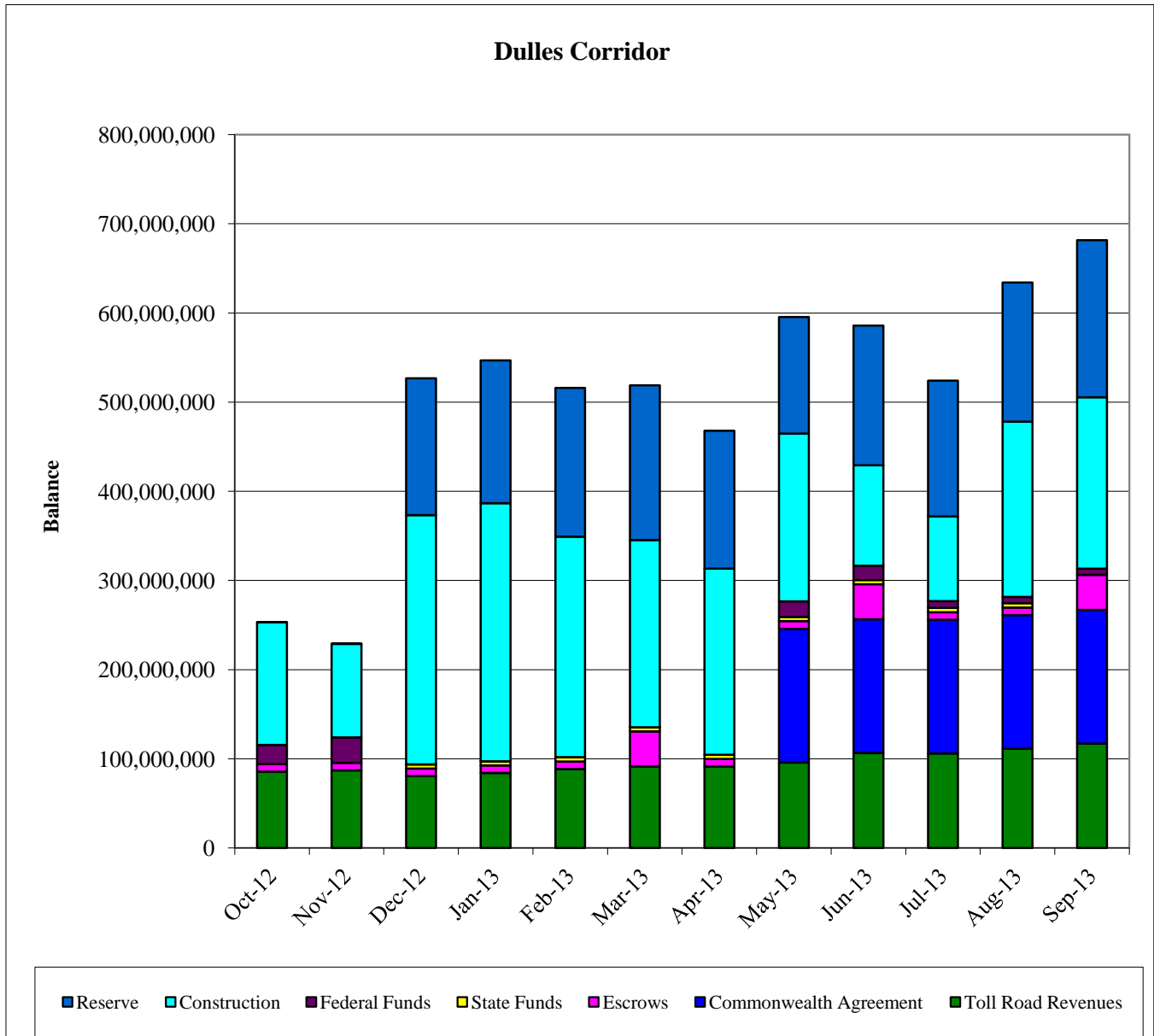
<b>Aviation</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
0-30 Days	\$589,823,042	\$305,894,877	\$466,245,025
31-90 Days	71,986,938	153,691,472	84,338,802
91-180 Days	83,479,545	105,209,881	92,916,750
181-364 Days	190,868,746	170,643,084	172,729,559
1-2 Years	91,726,330	97,474,954	25,051,600
2 Year over	272,955,387	301,317,087	315,700,833
<b>Total Aviation</b>	<b>\$1,300,839,988</b>	<b>\$1,134,231,355</b>	<b>\$1,156,982,569</b>
<b>Dulles Corridor</b>			
0-30 Days	\$554,907,972	\$443,988,229	\$392,059,574
1-2 Years	21,943,219	21,943,219	21,943,219
2 Year over	104,847,657	104,847,656	104,847,656
<b>Total Dulles Corridor</b>	<b>\$681,698,848</b>	<b>\$585,775,841</b>	<b>\$518,850,449</b>
<b>Total Portfolio</b>	<b>\$1,982,538,836</b>	<b>\$1,720,007,196</b>	<b>\$1,675,833,018</b>



**History of Fund Balances  
Aviation  
Rolling 12 Months  
As of September 30, 2013**



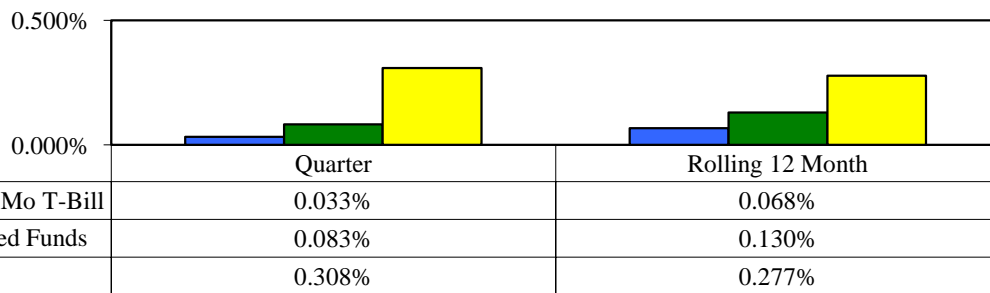
**History of Fund Balances  
Dulles Corridor Enterprise  
Rolling 12 Months  
As of September 30, 2013**



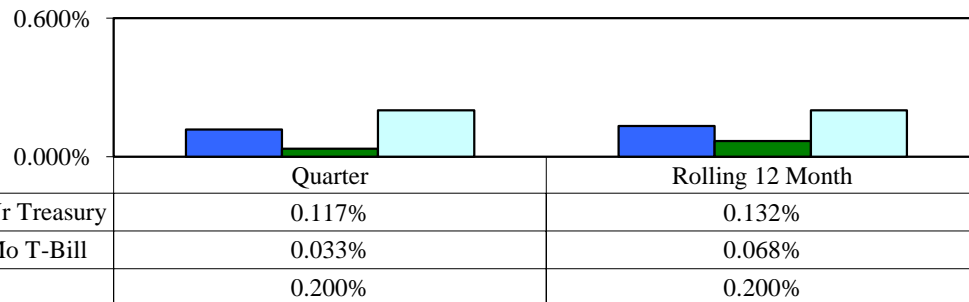
Investment Results - Targets and Benchmarks

September 30, 2013

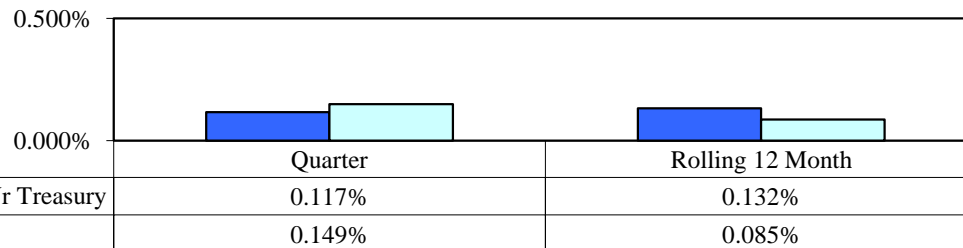
Aviation Operating Funds



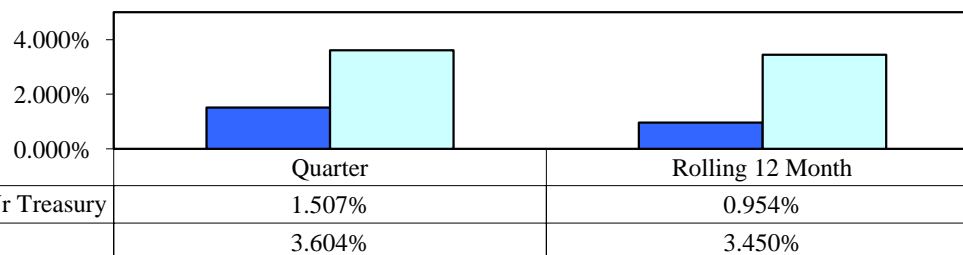
Aviation Construction Funds\*



Aviation Debt Service Principal and Interest Funds\*



Aviation Debt Service Reserve Funds\*

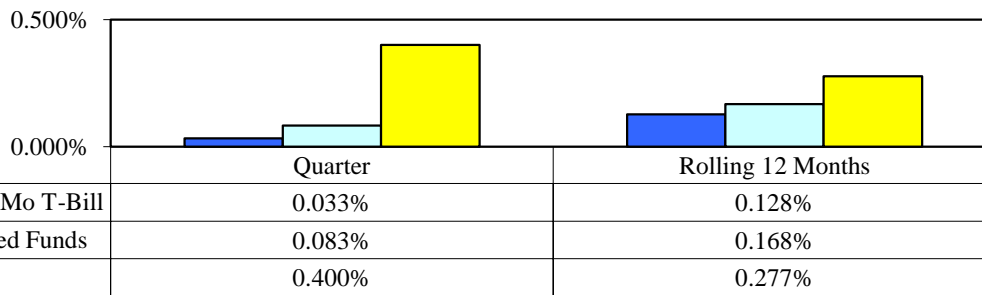


\* Blended Arbitrage Rate of 4.691%

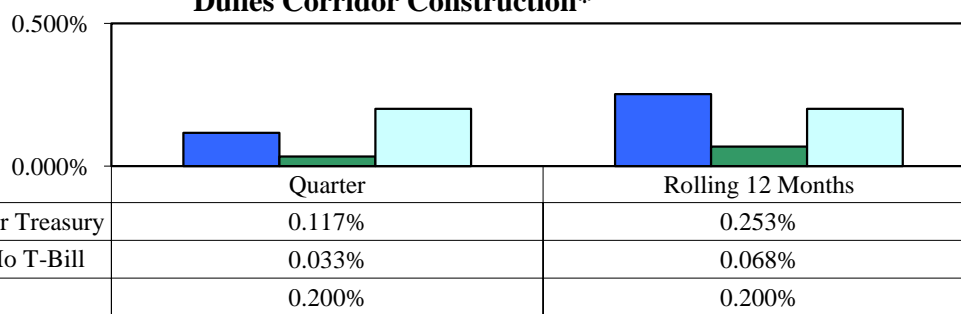
Investment Results - Targets and Benchmarks

September 30, 2013

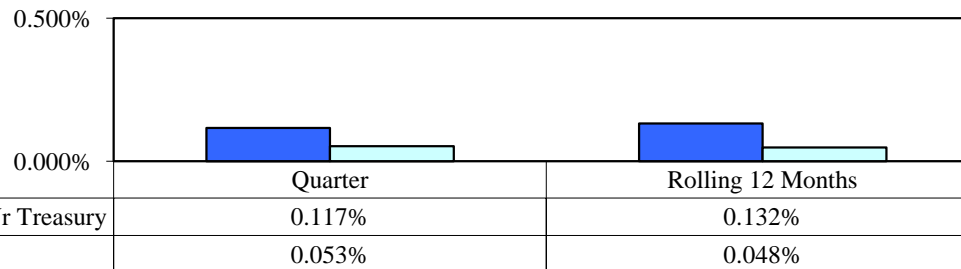
**Dulles Corridor Operating**



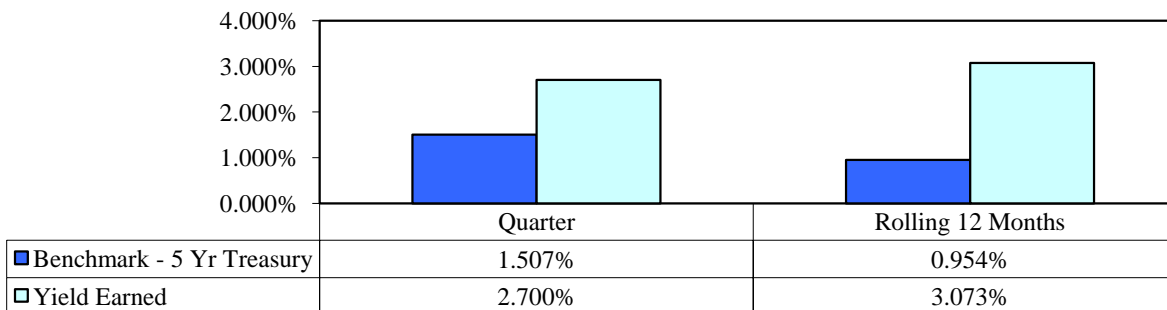
**Dulles Corridor Construction\***



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



**Dulles Corridor Debt Service Reserve\***



\* Blended Arbitrage Rate of 6.636%