

SUMMARY MINUTES  
FINANCE COMMITTEE  
MEETING OF OCTOBER 15, 2014

Ms. Merrick called the October 15 Finance Committee Meeting to order at 12:05 p.m. A quorum was present during the meeting: Mr. Curto, Co-Chair, Mr. Adams, Mr. Chapman, Mr. Kennedy, Ms. Wells and Mr. Conner (*ex officio*). Mr. Carter, Mr. Gates, Mr. Griffin, Ms. Hall, and Mr. McDermott were also present.

Pre-Solicitation Terms for Financial Advisory Services. Andy Rountree, Vice President for Finance and Chief Financial Officer, presented the request for the issuance of a solicitation for full and open competition seeking proposals for financial advisory services for the Aviation and Dulles Corridor Enterprises (Enterprises) to ensure that the Airports Authority followed best procurement practices and periodically re-competed its contracts. He stated that the Board has reserved the authority to select financial advisors under Resolution No. 01-20. Mr. Rountree noted that the current financial advisory teams for the Enterprises are Jefferies, Mercator Advisors LLC and Frasca & Associates, L.L.C. Since both Enterprises have unique and overlapping financial advisory needs, Mr. Rountree reported that the Finance Staff proposed one solicitation with two distinct scopes of services: A) Capital Debt Financing Advisory Services for both Enterprises with emphasis on the aviation services and toll road market expertise and B) Specialized Toll Road Financial Advisory Services with emphasis on Transportation Infrastructure Finance and Innovation Act (TIFIA) loan post-closing compliance, toll rate setting, financial plan and related budgets for the Dulles Corridor Enterprise. Mr. Rountree noted that the proposals for the scopes of work could be submitted individually or jointly. He presented the proposed evaluation criteria and the contract term for a four-year base period with two one-year renewal option periods. Mr. Rountree noted that proposed fees and rates by the offerors will be negotiated after the selection is made. He stated that the Equal Opportunity Programs' staff is currently evaluating the potential Local Disadvantaged Business Enterprise participation for the solicitation, which would be provided to the Co-Chairs once it is completed.

Ms. Merrick thanked the financial advisory teams and Finance Staff for their work over recent years, which had resulted in the Airports Authority saving millions of dollars.

Mr. Chapman asked how the scopes of services that Mr. Rountree had described differed from past structures. Mr. Rountree stated that in the past a financial advisor had been dedicated specifically to the Aviation Enterprise and a team of co-financial advisors had been dedicated to the Dulles Corridor Enterprise. He explained that one or more firms could provide services for both Enterprises; however, specialty services would still need to be provided for the Dulles Toll Road, which is the reason that the second scope of services would be included in the solicitation.

The Committee concurred with the pending procurement.

Draft 2015 Operation and Maintenance Budget. Mr. Rountree was joined by Rita Alston, Budget Manager, and Teri Arnold, Rates and Charges Manager. He stated that prior to presenting the management's budget recommendations in November, staff was providing a draft budget to highlight the current status of the development of the 2015 Aviation Operation and Maintenance (O&M) Program Budget. He stated that three budgets are presented annually for the Aviation Enterprise Fund, as well as for the Dulles Corridor Enterprise Fund, but the day's focus would be the O&M Programs. Details on the other two budgets for each Enterprise Fund would be presented at the November Committee Meeting. Mr. Rountree continued the presentation by outlining how revenue is generated for the O&M Program and reviewing budgetary comparisons of 2014 – 2015 for both Airports, consolidated functions, public safety and debt service. He summarized the Aviation 2015 O&M Program highlights, including personnel compensation adjustments; personnel benefit programs; utilities; insurance; debt service; and other services.

Financial Advisors' Report – Aviation Enterprise. Ken Gibbs of Jefferies reported that both transactions for the replacement bank facilities had closed. He reiterated that the fee cost components had been reduced by half the amount for both facilities, resulting in a savings of approximately \$1.3 million annually. Mr. Gibbs reported that an opportunity to look at the banking market for products expiring in 2015 presented the reduction of liquidity facilities that needed to be replaced in 2015 while reducing replacement risk exposure. He explained that staff explored opportunities to replace these facilities before they come due on an ongoing basis, taking advantage of opportunities to reduce cost and exposure to the banking community.

September 2014 Financial Report – Aviation Enterprise. Mr. Rountree was joined by Chris Wedding, Controller. He reported that the year-to-

date revenue was \$505.7 million, which was 2 percent lower than the prior year-to-date. Year-to-date expenses were \$426.6 million, an increase of 1.4 percent compared to the prior year-to-date. The operating income was \$79 million, compared to the prior year operating income of \$95.3 million. The debt service coverage estimate was 1.43x compared to August at 1.42x, and Mr. Rountree noted that the estimate is expected to be 1.39x by the end of the year.

Financial Advisors' Report – Dulles Corridor Enterprise. Mr. Rountree noted that he was joined by Bryan Grote of Mercator Advisors LLC and Doreen Frasca of Frasca & Associates, L.L.C. Mr. Grote reported that Fairfax and Loudoun Counties continued to negotiate the final business terms for the TIFIA loan, which is a requirement before the Airports Authority can access its loan. He reported that in celebration of the 30<sup>th</sup> Anniversary of the Dulles Toll Road, the Virginia Department of Transportation and Transurban, who operates the beltway hot lanes, were holding special contests to increase E-ZPass transponder use to further electronic toll collection and improve the performance on the Toll Road.

Ms. Frasca stated that if a draw is needed before the Fairfax and Loudoun Counties' TIFIA negotiations are completed, \$186 million is available in commercial paper for construction purposes until August 2015.

September 2014 Financial Report – Dulles Corridor Enterprise. Mr. Rountree was joined by Mark Adams, Deputy Chief Financial Officer, and Mr. Wedding. Mr. Adams reported that year-to-date Toll Road revenue was \$112 million, 17.3 percent higher than the prior year-to-date. Toll Road transactions totaled \$72.4 million year-to-date, 2.6 percent lower than prior year-to-date. Electronic toll collections were up 2.6 percent at 82.8 percent. Toll Road expenditures were \$20 million year-to-date, 5.2 percent higher than prior year-to-date.

The meeting was thereupon adjourned at 12:50 p.m.