

FINANCE COMMITTEE

Metropolitan Washington Airports Authority Quarterly Report on Investment Program (Quarter Ending June 30, 2014)

September 2014

Investment Program Report

Total Portfolio increased by \$106.1 million

(in Millions)	Jun 30	Mar 31	Change
Total Aviation	\$1,162.3	\$1,181.3	\$ (19.0)
Total Dulles Corridor	<u>798.4</u>	<u>673.3</u>	<u>125.1</u>
Total	<u><u>\$1,960.7</u></u>	<u><u>\$1,854.6</u></u>	<u><u>\$ 106.1</u></u>

Investment Program Report

Aviation

Portfolio decreased by \$19.0 million

Aviation (in millions)	Jun 30	Mar 31	Change
Operating	\$ 517.1	\$ 534.2	\$ (17.1)
Construction	69.7	71.7	(2.0)
Capitalized Interest	0.1	1.5	(1.4)
Cost of Issuance	-	0.1	(0.1)
PFC/Grants	77.7	62.0	15.7
Debt Service Reserve	329.2	328.2	1.0
Debt Service Interest	57.3	107.2	(49.9) *
Debt Service Principal	104.1	69.7	34.4 **
FAA ATCT Escrow	6.7	6.7	-
Public Safety Asset Seizure	0.4	-	0.4
Total	<u>\$ 1,162.3</u>	<u>\$ 1,181.3</u>	<u>\$ (19.0)</u>

* \$100.3 million in Interest Paid April 1, 2014.

** Accumulating Principal for October 1 Payment.

Investment Program Report

Dulles Corridor

Portfolio increased by \$125.1 million

Dulles Corridor (in millions)	Jun 30	Mar 31	Change
Toll Road Revenues	\$ 179.0	\$ 144.9	\$ 34.1
Toll Road Operating	31.9	32.1	(0.2)
Capital Improvement	40.3	41.3	(1.0)
Construction	180.8	103.8	77.0 *
Cost of Issuance	1.7	0.8	0.9
Debt Service Reserve	172.9	134.5	38.4
Debt Service Interest	24.2	34.5	(10.3)**
Debt Service Principal	3.2	2.1	1.1
Federal Reimbursement Funds	-	-	-
Commonwealth Agreement	125.0	140.0	(15.0)**
Escrows	39.4	39.3	0.1
Total	<u>\$ 798.4</u>	<u>\$ 673.3</u>	<u>\$ 125.1</u>

* Received \$100M from Virginia

** \$26M Interest Payment Paid April 1, 2014



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
SEPTEMBER 2014

ACTION REQUESTED

No action is required. A quarterly report presented to the Finance Committee on the results of the investment program.

BACKGROUND

On August 27, the Airports Authority's Management Investment Committee held its 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 12 to 15 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 \$106.1 million from March 31, 2014 to June 30, 2014. The Aviation portfolio decreased by \$19.0 million. The Dulles Corridor portfolio increased by \$125.1 million.

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

- A. Economic Conditions and Outlook
- B. Minutes of the April 30, 2014 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
September 2014

ECONOMIC CONDITIONS AND OUTLOOK AS OF AUGUST 27, 2014

Federal Open Market Committee (FOMC) - The FOMC kept rates at zero to 0.25 percent at their April 30, June 18, and July 30 meetings. Expect the FOMC to closely watch the labor market and inflation rates and remove the accommodations sooner than expected.

Consumer Price Index (CPI) - The cost of living in the U.S. climbed at the slowest pace in five months in July. The CPI increased 0.1 percent as inflation continues to run below the FOMC's target.

Producer Price Index (PPI) - The Producer Price Index for final demand rose 0.1 percent in July and was higher by 1.7% over the trailing twelve months. The PPI Index was driven higher by a 0.4% increase in food prices while energy prices detracted 0.6%. The report noted that gasoline prices fell 2.1% in July. Core PPI, or finished goods less food and energy prices, rose 0.2% in July.

Retail Sales - Retail sales stalled in July as discounting by merchants such as Macy's Inc. failed to counter the effects of feeble wage growth.

Consumer Confidence - Consumer Confidence soared in July to an almost seven-year high as increased employment opportunities led to brighter views of the U.S. economy.

Inventories - Manufacturer's inventories Business inventories rose 0.4% in June, in line with consensus expectations, after rising 0.5% in May. Retail inventories, less autos, rose 0.3%, which was less than estimated. The lower than forecast inventory level could lead to a slight downward revision to 2Q14 GDP.

Capacity Utilization - Capacity Utilization rose to 79.2% in July. Capacity Utilization was 1.7% higher over the trailing twelve months. The increase in usage was driven by a 1.1% rise in durable goods manufacturing and a 0.1% increase for nondurable goods manufacturing.

Leading Economic Indicators - The index of leading indicators rose in June for the fifths straight month, showing the economy continues to gain momentum following a slowdown at the start of 2014.

Federal Surplus/Deficit - The Treasury Department reported that the US budget deficit shrank 24% fiscal YTD from one year ago. July posted a \$94.6B deficit. The \$460.5B deficit for the year was significantly smaller than last year's \$607.4B. The Congressional Budget Office is estimating a \$500B deficit for the fiscal year, which is nearly half of where it stood during 2009.

Unemployment - The U.S. economy added more than 200,000 jobs for a sixth straight month, showing progress toward sustaining faster growth entering the sixth year of expansion.

SUMMARY

The chill in the U.S. economy during the first quarter turned out, as expected, to be fleeting. The Bureau of Economic Analysis estimates the real gross domestic product (GDP) grew 4.0 percent on a seasonally adjusted annualized basis during the second quarter.

MINUTES OF APRIL 30, 2014 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 10:00 a.m. in the President's conference room. Attending the meeting were committee members John Potter, Margaret McKeough, Steve Baker, Andy Rountree and Mark Adams. Nancy Edwards and David Tucker 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 January 28, 2014 meeting were approved.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio decreased \$9 million from December 31, 2013 to March 31, 2014. The Aviation portfolio increased by \$65.7 million and the Dulles Corridor portfolio decreased by \$74.7 million. The portfolios as of December 31, 2013 showed favorable earnings compared to the appropriate benchmarks.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions that had been reported as of April 30, 2014. There were no significant economic index changes.
- **INVESTMENT HORIZON** - The Committee discussed the various economic indexes and agreed to set the investment horizon for the next three months to 9 to 12 months.
- **LOCAL DEPOSIT PROGRAM** - With the approval by the Board of Directors of the changes to the Investment Policy in April, the Investment Objectives and Procedures will need to be revised to reflect the new Local Deposit Program at the next Investment Committee meeting.
- **LINKED DEPOSIT PROGRAM** - Mr. Potter requested an analysis of the current program to determine if the present \$1 million deposit amount is appropriate. The result of increasing the deposit amount would help achieve the investment objective established by the Board. There is one potential risk associated with change, but that risk is significantly mitigated through ongoing monitoring. The potential risk referenced above relates to amount investment over the FDIC limit at a single financial institution and those assets being uncollateralized. Although this is a concern at the existing, \$1M investment level, the increase in the amount invested just magnifies the exposure. This risk is mitigated by the requirement of Kroll Bank Ratings of "B" or better. The Kroll rating of "B" indicates the strength of the financial institution and monitoring this rating will alert staff of any vulnerability to Authority assets. Additionally, it is extremely rare for "B" rated entities to encounter financial difficulties or to close unexpectedly. Also, while not necessarily a risk, but more in line with a goal of increasing revenue, the interest rates received by the banks was analyzed compared to Treasury rates at the dates the CDs were put in place. In all cases except one, the interest rates earned were higher than what we would earn in Treasuries with the same duration. Therefore, there is little risk

in increasing the deposit amount. The Committee approved increasing the Linked Deposit Program investing amount to \$2 million. In order to increase the investment amount, the Investment Objectives and Procedures will need to be revised.

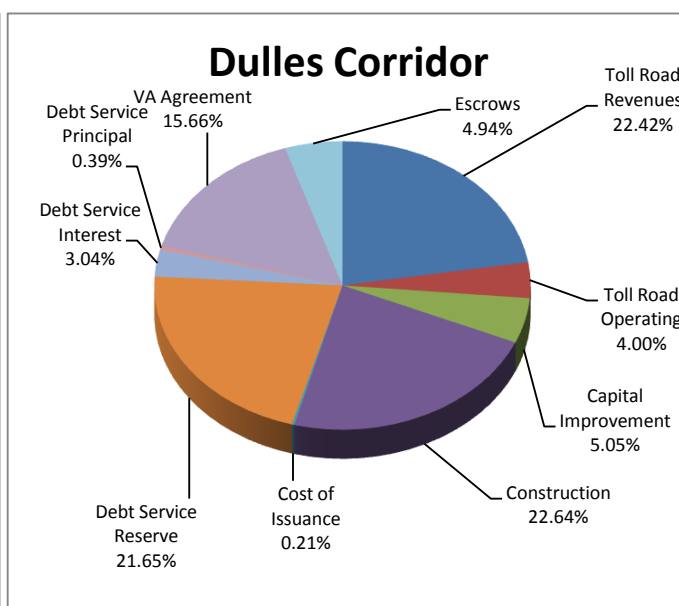
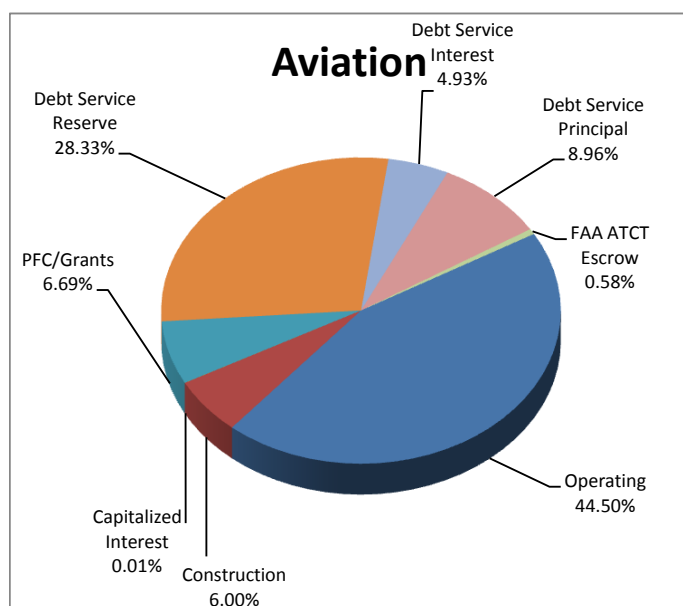
QUESTIONS/NEW BUSINESS

→ NONE

Respectfully Submitted,
Nancy L. Edwards

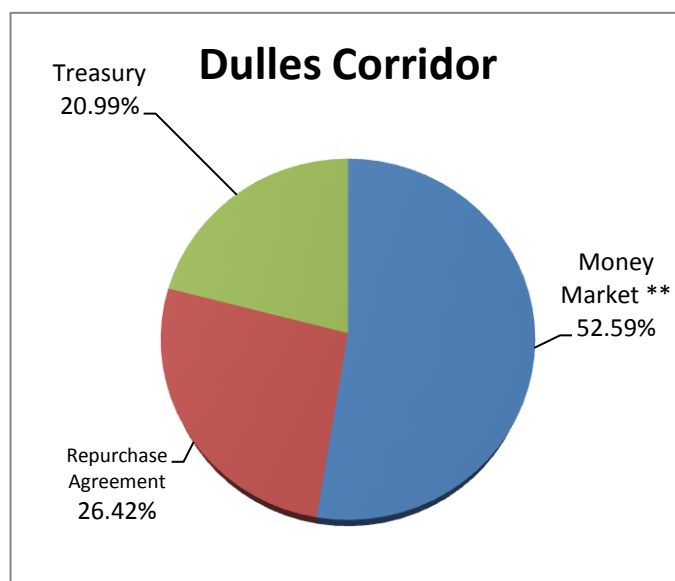
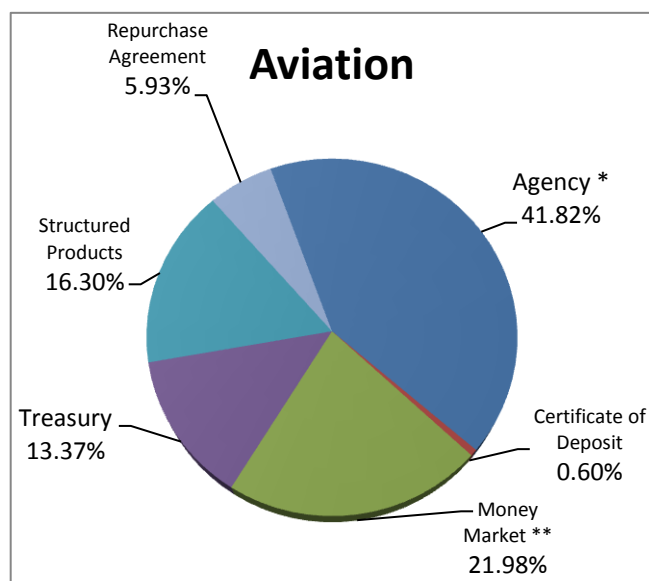
METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Account
As of June 30, 2014

<u>Aviation</u>	Jun 30	Mar 31	Dec 31
Operating	\$517,050,286	\$534,192,064	\$556,005,605
Construction	69,699,679	71,653,935	75,756,874
Capitalized Interest	131,163	1,504,896	2,033,856
Cost of Issuance	0	117,702	260,008
PFC/Grants	77,702,505	62,027,574	58,920,078
Debt Service Reserve	329,236,982	328,210,335	322,836,362
Debt Service Interest	57,289,443	107,241,786	57,736,827
Debt Service Principal	104,113,701	69,675,523	35,406,562
FAA ATCT Escrow	6,721,747	6,721,585	6,651,666
Public Safety Asset Seizure	433,221	0	0
Total Aviation	\$1,162,378,727	\$1,181,345,400	\$1,115,607,838
<u>Dulles Corridor</u>			
Toll Road Revenues	178,981,953	144,947,594	126,571,767
Toll Road Operating	31,945,617	32,078,568	35,376,240
Capital Improvement	40,341,561	41,280,363	43,468,587
Construction	180,755,322	103,829,824	193,724,141
Cost of Issuance	1,660,823	763,860	996,367
Debt Service Reserve	172,902,427	134,547,238	133,579,057
Debt Service Interest	24,241,312	34,482,879	17,825,278
Debt Service Principal	3,151,296	2,100,766	17,179,154
Federal Reimbursement Funds	3,004	3,004	3,004
Commonwealth Agreement	125,015,799	140,012,678	140,009,286
Escrows	39,448,064	39,348,293	39,347,526
Total Dulles Corridor	\$798,447,178	\$673,395,067	\$748,080,407
Total Portfolio	\$1,960,825,905	\$1,854,740,467	\$1,863,688,245



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of June 30, 2014

Aviation	Jun 30	Mar 31	Dec 31
Agency *	\$486,133,418	\$491,404,062	\$506,515,598
Certificate of Deposit	7,001,141	7,001,498	7,001,498
Money Market **	255,446,393	290,280,305	208,629,438
Treasury	155,458,683	149,738,815	149,738,815
Structured Products	189,461,262	189,461,262	189,461,262
Repurchase Agreement	68,877,830	53,459,458	54,261,227
Total Aviation	<u>\$1,162,378,727</u>	<u>\$1,181,345,400</u>	<u>\$1,115,607,838</u>
Dulles Corridor			
Money Market **	\$419,938,951	\$369,577,368	\$443,324,568
Repurchase Agreement	210,928,232	177,026,824	161,948,670
Agency *	0	0	16,016,294
Treasury	167,579,995	126,790,875	126,790,875
Total Dulles Corridor	<u>\$798,447,178</u>	<u>\$673,395,067</u>	<u>\$748,080,407</u>
Total Portfolio	<u>\$1,960,825,905</u>	<u>\$1,854,740,467</u>	<u>\$1,863,688,245</u>



* Agency Split:

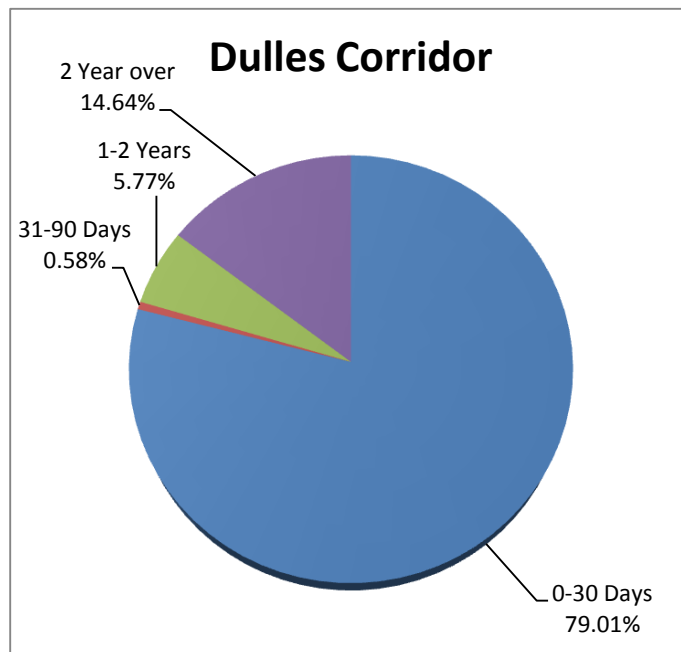
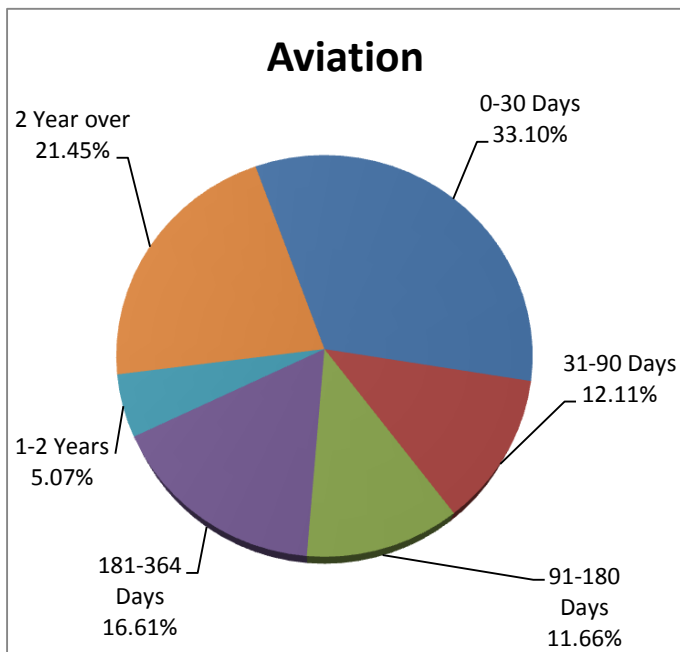
Home Loan	\$ 246,517,313
Freddie Mac	87,531,015
Fannie Mae	101,941,960
Farmer Mac	19,982,610
Farm Credit	30,160,520
Total Agencies	<u>\$ 486,133,418</u>

** Money Market Split

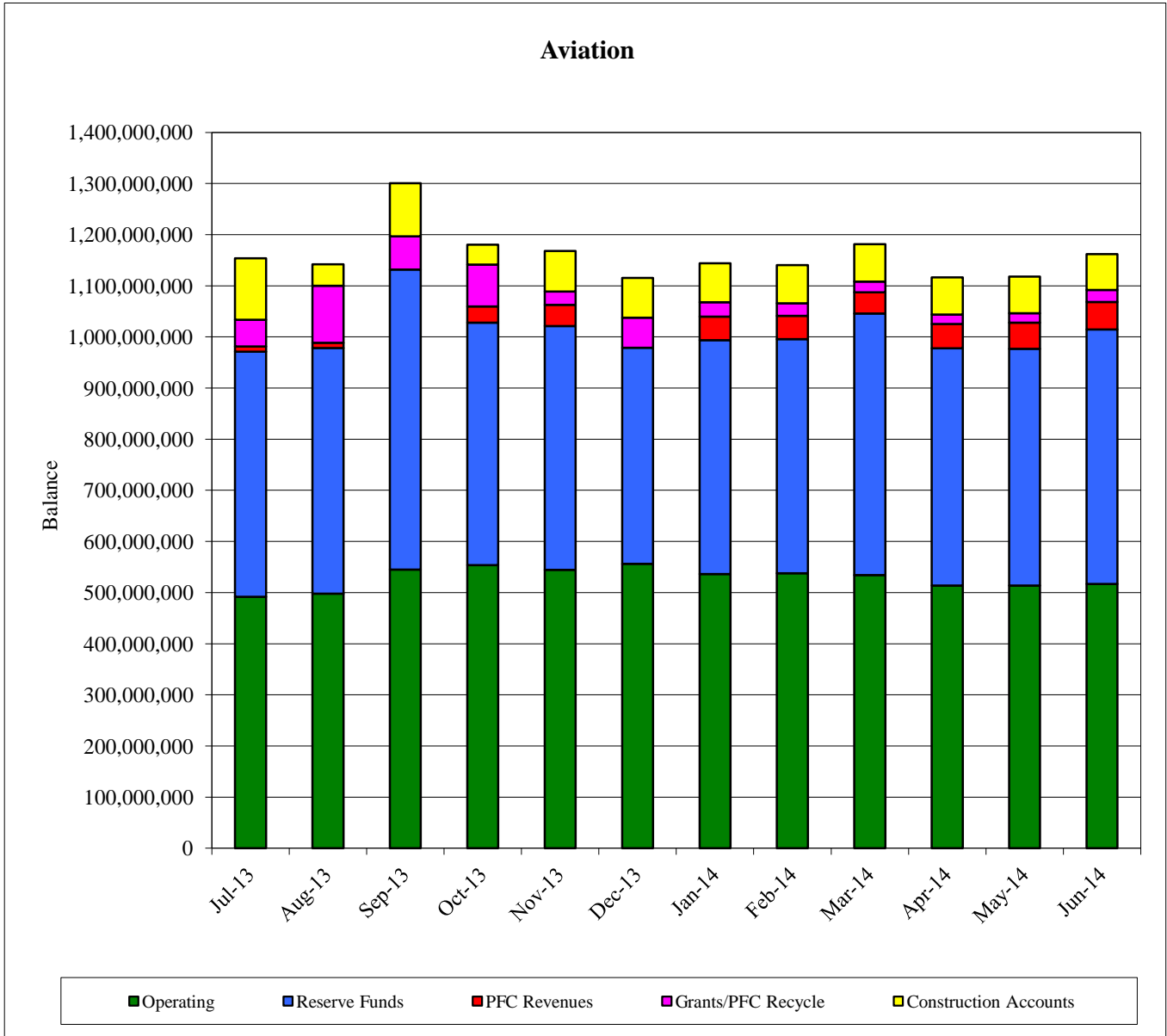
Federated Funds	\$ 9,532,584
Wilmington Trust	649,725,491
Fidelity Funds	6,721,747
NationsFund	9,405,522
	<u>\$ 675,385,344</u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of June 30, 2014

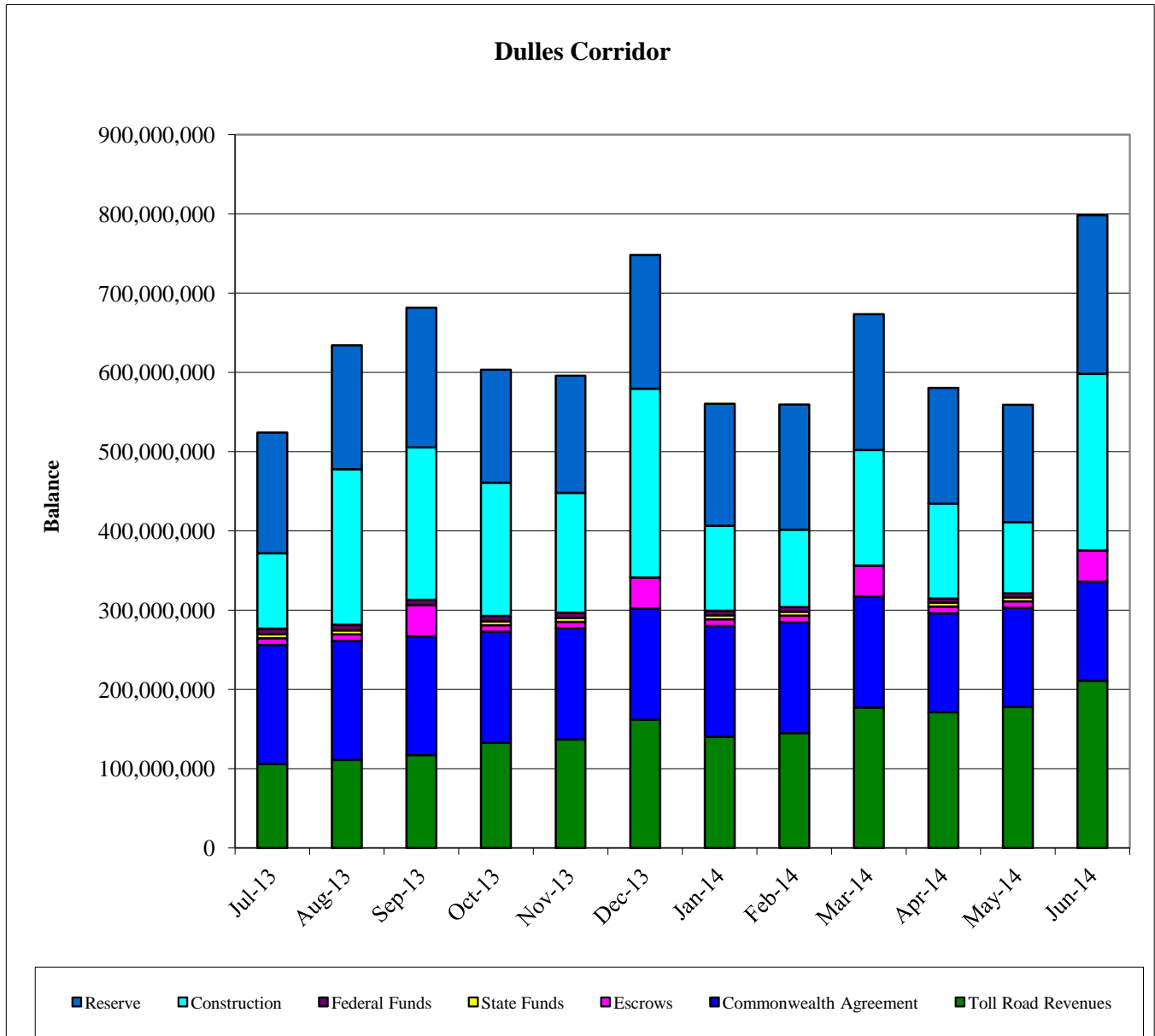
Aviation	Jun 30	Mar 31	Dec 31
0-30 Days	\$384,668,411	\$381,791,151	\$316,832,338
31-90 Days	140,766,811	63,111,938	75,509,695
91-180 Days	135,542,772	155,073,852	88,163,538
181-364 Days	193,070,034	262,190,258	263,248,143
1-2 Years	58,958,359	30,408,830	83,084,753
2 Year over	249,372,340	288,769,371	288,769,371
Total Aviation	\$1,162,378,727	\$1,181,345,400	\$1,115,607,838
Dulles Corridor			
0-30 Days	\$630,867,184	\$561,287,786	\$605,273,238
31-90 Days	4,609,627	0	16,016,294
1-2 Years	46,090,875	7,259,625	21,943,219
2 Year over	116,879,492	104,847,656	104,847,656
Total Dulles Corridor	\$798,447,178	\$673,395,067	\$748,080,407
Total Portfolio	\$1,960,825,905	\$1,854,740,467	\$1,863,688,245



**History of Fund Balances
Aviation
Rolling 12 Months
As of June 30, 2014**



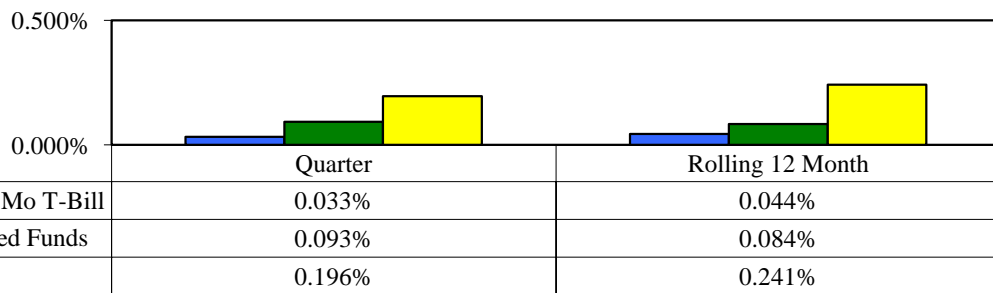
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of June 30, 2014**



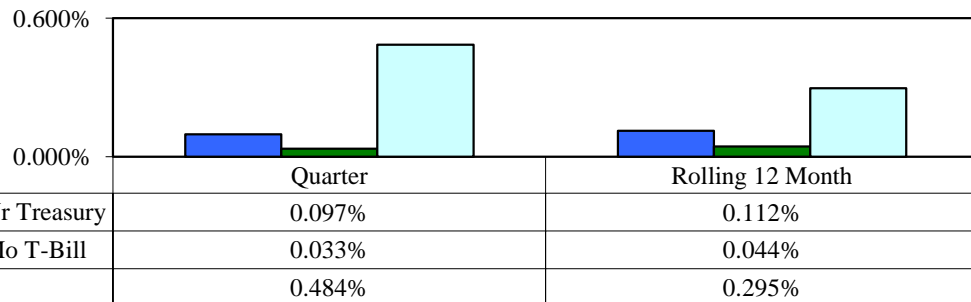
Investment Results - Targets and Benchmarks

June 30, 2014

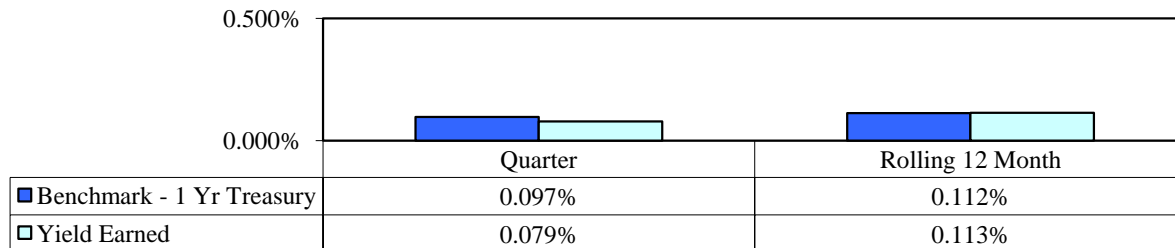
Aviation Operating Funds



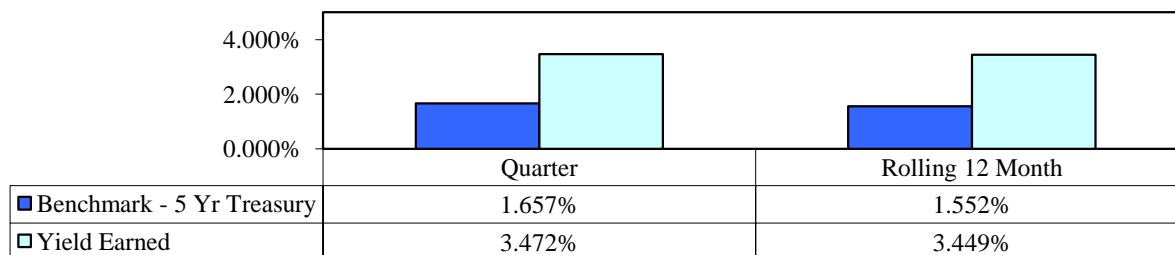
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

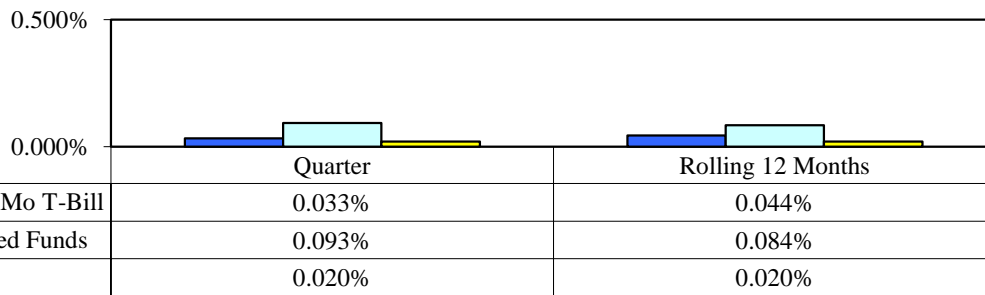


* Blended Arbitrage Rate of 4.691%

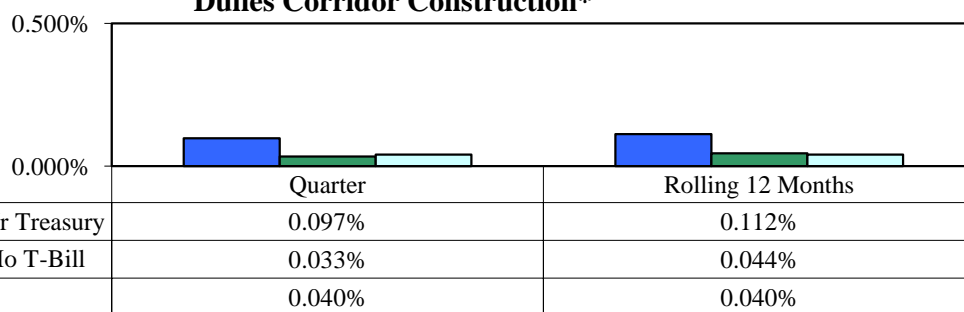
Investment Results - Targets and Benchmarks

June 30, 2014

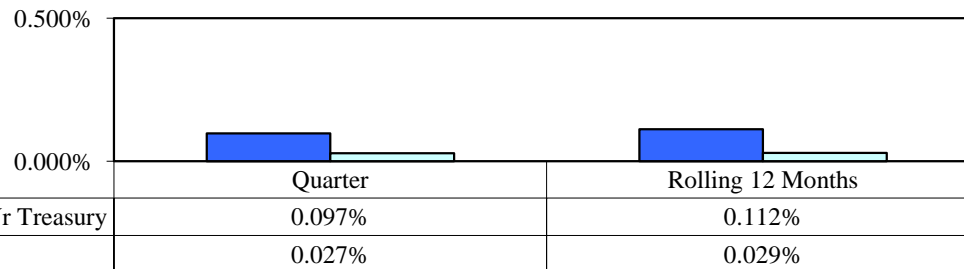
Dulles Corridor Operating



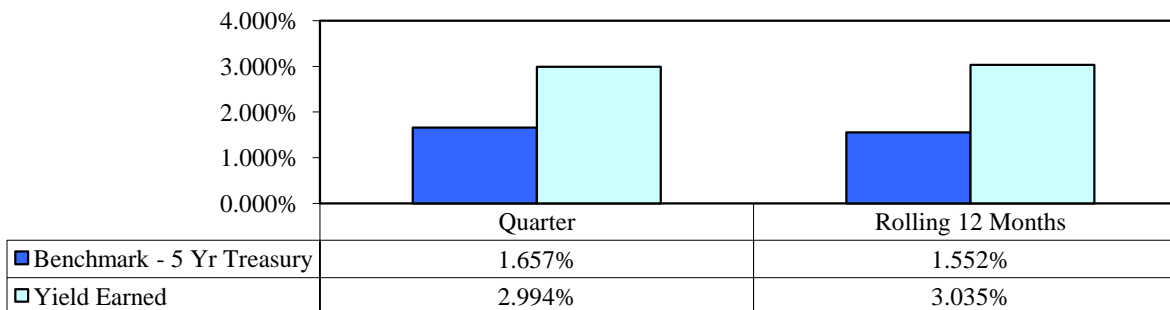
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%