

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF FEBRUARY 19, 2014

Ms. Merrick called the February 19 Finance Committee Meeting to order at 8:43 a.m. A quorum was present during the meeting: Mr. Chapman, Mr. Session, Ms. Wells and Mr. Conner, *ex officio*. Mr. Davis, Mr. Griffin, Ms. Hall, Ms. Lang, Mr. McDermott and Mr. Williams were also present.

Budget Reprogrammings for the Fourth Quarter of 2013. Andy Rountree, Vice President for Finance and Chief Financial Officer, noted that he was joined by Rita Alston, Budget Manager. Mr. Rountree reported that the dollar amount associated with the fourth quarter budget reprogrammings ending December 31, 2013 had been minimal. He explained that the cost of copiers programmed for one department had been reprogrammed to a different department. Mr. Rountree reminded everyone that the net impact of any budget reprogrammings had to equal zero.

Pre-Solicitation Terms to Select Underwriter(s) Roles for the 2014 Plan of Finance for the Aviation Enterprise. Mr. Rountree reported that the submittal of proposals would be limited to the current underwriting syndicate previously selected by the Board in 2012. He noted that the 2014 Plan of Finance consists of two potential components: new funding for capital projects previously budgeted for both Airports and several refunding opportunities that are eligible for interest rate savings in the current market. Mr. Rountree reviewed the five evaluation criteria included in the materials distributed for the day's Meeting. He reported that the underwriter selection of roles would be presented to the Finance Committee and Board of Directors in March to take advantage of current refunding opportunities.

Ms. Wells inquired about the fourth evaluation criterion that Mr. Rountree had reviewed – capital position and commitment to underwrite Authority bonds and inventory, if necessary. She noted that while all underwriters could absorb Authority bonds into their inventory, some were capable of taking more than others. In an effort not to disadvantage some of the smaller underwriter firms, Ms. Wells suggested that the percentage weight associated with that evaluation criterion be reduced. She also suggested that a sixth evaluation criterion, past sales performance for firms that had served as Senior Manager or Co-Manager, be added. Mr. Rountree stated that the decision on the percentage weight of each evaluation criterion is the Committee's discretion. Because the percent-

age weight of the evaluation criteria is not typically discussed in regular session, Mr. Rountree reported that the Committee could discuss the issue in executive session. Ms. Wells noted that she had another criterion that she would also discuss in executive session.

Mr. Conner inquired about the timing of entering the market and the need for a feasibility study. Mr. Rountree stated that Finance staff is working with the financial advisors and bond disclosure counsel in an effort to produce the documents as soon as possible. He noted that while a feasibility study would not be needed if the Authority entered the market earlier for a refunding only, it is the Authority's general practice not to time the market which has pros and cons, which the financial advisors could elaborate on further. Mr. Rountree reported that if an early refunding was desired, relative documents for the transaction would be provided to the Committee, and potentially the Board, for the April meeting.

Ms. Merrick reported that the Committee would meet in executive session later that day to continue the discussion with respect to percentage weight of the evaluation criteria.

Aviation Enterprise - Preliminary December 2013 Financial Report. Mr. Rountree noted that he was joined by Mark Adams, Deputy Chief Financial Officer. He stated that the preliminary report contained the unaudited year end numbers, which are still being reviewed by staff and auditors. Mr. Rountree reported that the year-to-date revenue was \$687 million, an increase of 7.3 percent compared to the prior year. Year-to-date expenses were \$574.7 million, a decrease of 0.6 percent compared to the prior year. Mr. Rountree reported that operating income for the year was \$112.2 million. The debt service coverage estimate as of December 2013 was 1.39x.

Aviation Enterprise - January 2014 Financial Report. Mr. Rountree reported that year-to-date revenue was \$54.1 million, an increase of 4.5 percent over the prior year-to-date. Year-to-date expenses were \$47.2 million, an increase of 8.9 compared to the prior year. Mr. Rountree reported that operating income in January was \$6.9 million. As of January 31, the debt service coverage estimate was 1.29x. This estimate varied from December because with only one month into the year, most of the calculations are based on the 2014 budget, without a lot of actual year-to-date results.

Dulles Corridor Enterprise – Preliminary December 2013 Financial Report. Mr. Adams reported that the preliminary report indicated that Toll Road revenues were \$127.2 million for the year, which reflected an increase of 25.2 percent above the same period in the prior year. He stated that Toll Road transactions had been 98.7 million for the year. Although these transactions were 1.2 percent lower than the prior year, Mr. Adams reported that they are 2.3 percent higher than the 2013 forecast. Electronic toll collections were 4.1 percent more than the prior year. Mr. Adams reported that Toll Road expenditures of \$26.3 million for the year were 8 percent higher than the prior year.

Dulles Corridor Enterprise – January 2014 Financial Report. Mr. Adams reported that the Toll Road revenues were \$11.6 million in January, an increase of 15.7 percent compared to the prior year-to-date. He stated that Toll Road transactions thus far were 7.5 million. While these transactions were 4.9 percent lower than the prior year-to-date, they are 1.7 percent lower than the 2014 budget year-to-date. Electronic toll collections were 2.5 percent higher than the prior year to date. Toll Road expenditures were \$2.3 million year-to-date, an increase of 21.1 percent compared to the prior year-to-date.

At 8:57 a.m., the Finance Committee recessed its meeting so that the Board of Directors Meeting could begin timely.

At the conclusion of the Board Meeting, the Finance Committee reconvened its meeting in executive session to discuss the evaluation criteria associated with pre-solicitation terms to select underwriter(s) roles for the 2014 Plan of Finance for the Aviation Enterprise pursuant to Article IX, Section 3(c) of the Authority Bylaws, which permits the Board and its Committees to move into executive session to discuss existing or prospective contracts, business or legal relationships to protect proprietary or confidential information of the Airports Authority. The Committee adjourned its executive session at 10:00 a.m.

In regular session immediately following, Mr. Rountree restated that staff was seeking Committee concurrence of the evaluation criteria and issuance of the Request for Proposals (RFP) to the current underwriting syndicate for the 2014 Plan of Finance. As a result of the additional consideration, he stated that the evaluation criteria had been amended to add another evaluation criterion, Experience as a Senior Managing Underwriter or Co-Senior Managing Underwriter selling comparable airport

bonds. The percentage weight of the evaluation criteria would also be revised to consider the additional evaluation criteria.

Mr. McDermott stated that because his wife owns a Substantial Financial Interest, as defined in Section 3(c) of the Code of Ethics, in one of the businesses, he had recused himself from participating in the Committee's deliberations. Mr. McDermott reported that he had executed a recusal agreement with Naomi Klaus, the Ethics Officer, and the Secretary to the Board. He had asked the Secretary to file his recusal agreement in the Board's official records; a copy is attached.

The Committee thereupon concurred with the evaluation criteria, as amended, and the issuance of the RFP to the current underwriting syndicate for the 2014 Plan of Finance for the Aviation Enterprise.

The Meeting was thereupon adjourned at 10:02 a.m.

MWAA Board of Directors Recusal Agreement

FROM: William Shaw McDermott

TO: Naomi Klaus, Ethics Officer

This is to affirm that I am disqualified from participating in the following Authority matter(s) due to my substantial financial interest in the business below:

Authority Transaction or Matter	Disqualifying Interest
Substitution of Liquidity Provider for the Aviation Enterprise's Commercial Paper Two Program	Spouse holds ownership interest greater than \$15,000 in one offeror
Pre-Solicitation Terms to Select Underwriters Roles for the 2014 Plan of Finance for the Aviation Enterprise	Spouse holds ownership interest greater than \$15,000 in one offeror

In accordance with the Authority's Code of Ethics for Members of the Board of Directors, I am recused from participating in the above-listed matters. My recusal prohibits me from approving, disapproving, making, undertaking, influencing, or attempting to influence any action or decision of the Authority with regard to the above-listed Authority matters, or any other Authority matters that may involve or affect the particular offeror.

For the purpose of this recusal, the Board Secretary has been advised of the identity of the particular entity and to screen incoming matters to ensure that such matters relating to the above-listed interests are not brought to my attention.

I will seek the assistance of the Ethics Officer if I am ever uncertain whether or not I may participate in a particular matter.



Signature of Director



Date



Signature of Board Secretary



Date



Signature of Ethics Officer



Date