

REPORT TO THE FINANCE COMMITTEE

QUARTERLY REPORT ON INVESTMENT PROGRAM

FEBRUARY 2013

**REPORT TO THE FINANCE COMMITTEE
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 INVESTMENT PROGRAM**

As of December 31, 2012, the Total Portfolio decreased by \$57.5 million,
 from \$1.74 billion to \$1.68 billion.

(in Millions)	Dec 31	Sep 30	Change
Total Aviation	\$1,065.8	\$1,235.8	\$ (170.0)
Total Dulles Corridor	<u>618.5</u>	<u>506.0</u>	<u>112.5</u>
Total	<u><u>\$1,684.3</u></u>	<u><u>\$1,741.8</u></u>	<u><u>\$ (57.5)</u></u>

Aviation

Portfolio decreased \$170.0 million

Aviation (in millions)	Dec 31	Sep 30	Change	
Operating	\$ 426.8	\$ 433.1	\$ (6.3)	
Construction	75.2	94.0	(18.8)	Construction Spending
Capitalized Interest	6.2	10.5	(4.3)	
Cost of Issuance	3.3	3.3	-	
PFC/Grants	101.3	86.8	14.5	
Debt Service Reserve	352.0	364.0	(12.0)	
Debt Service Interest	59.5	109.0	(49.5)	October 1 Interest Payment
Debt Service Principal	34.8	128.4	(93.6)	October 1 Principal Payment
FAA ATCT Escrow	6.7	6.7	-	
Total	<u>\$ 1,065.8</u>	<u>\$ 1,235.8</u>	<u>\$ (170.0)</u>	

Dulles Corridor Portfolio increased by \$112.5 million

Dulles Corridor (in millions)	Dec 31	Sep 30	Change	
Toll Road Revenues	\$ 75.8	\$ 79.4	\$ (3.6)	
Toll Road Operating	4.8	3.4	1.4	
Capital Improvement	61.3	61.6	(0.3)	
Construction	233.0	80.8	152.2	Issued FFGA Notes
Cost of Issuance	0.6	-	0.6	
Debt Service Reserve	132.7	121.5	11.2	
Debt Service Interest	18.3	27.9	(9.6)	
Debt Service Principal	2.3	5.7	(3.4)	
State Funds	4.7	-	4.7	
Federal Reimbursement Funds	-	82.2	(82.2)	Construction Spending
Fairfax Funds	45.9	4.5	41.4	
Escrows	39.1	39.0	0.1	
Total	\$ 618.5	\$ 506.0	\$ 112.5	

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ACTION REQUESTED

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

BACKGROUND

On January 25, 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 five months of operating cash (including debt service) in highly liquid investments, including securities scheduled with a 150 days 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, monitored the investment portfolios, and evaluated investment results in determining the forward quarter investment strategy.

The total Airports Authority portfolio decreased by \$57.5 million from September 30, to December 31, 2012. The Aviation portfolio decreased by \$170.0 million due to construction spending and the payment of principal on October 1. The Dulles Corridor portfolio increased by \$112.5 million primarily due to the issuance of the Full Funding Grant Agreement notes.

Attached are partial meeting materials included in the quarterly Investment Committee meeting documents:

- A. Economic Conditions and Outlook
- B. Minutes of the October 31, 2012 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
- H. Comparison of Airports Authority Liquidity

The entire Investment Committee Reports are available on request.

Prepared by: Office of Finance
February 2013

ECONOMIC CONDITIONS AND OUTLOOK AS OF JANUARY 25, 2012

Federal Open Market Committee (FOMC) - The FOMC completed 2012 with consistent rates of 0-.25 percent, with the risk assessment of "Risk to Growth".

Consumer Price Index (CPI) - The cost of living was little changed in December, capping the third smallest annual gain in the past decade, indicating U.S. inflation remains at bay.

Producer Price Index (PPI) - Wholesale prices in the U.S. dropped for a third month in December as food costs retreated. The PPI declined 0.2 percent following a 0.8 percent decrease in November, indicating there is little risk of inflation.

Retail Sales - Retail sales in the U.S. rose more than forecast in December to end 2012 on a positive note. Purchases climbed 0.5 percent, the biggest gain in three months, after a revised 0.4 percent increase in November.

Consumer Confidence - Confidence among U.S. consumers declined more than forecast as the budget debate in Washington soured Americans' outlook for the economy.

Inventories - Inventories in the U.S. rose at the same pace as a month earlier as companies kept stockpiles in line with improving demand.

Capacity Utilization - Capacity utilization for total industry moved up 0.1 percentage point to 78.8 percent, a rate 1.5 percentage points below its long-run (1972-2011) average.

Leading Economic Indicators - The index of U.S. leading indicators fell in November, pointing to a slowdown in the economy early this year. In November, the major concern was the approaching "fiscal cliff".

Federal Surplus/Deficit - The U.S. government budget deficit narrowed to its best December monthly result in five years. The shortfall shrank to \$260 million from \$86 billion in December 2011.

Unemployment - Employers added workers in December at about the same pace as the prior month, and the unemployment rate matched a four-year low of 7.8 percent.

SUMMARY

The January 21 "Weekly Insights on Markets and the Economy" published by JP Morgan Chase summarizes the economy as follows:

"The new economic news might not have done much to change estimates of Q4 real GDP growth, but it gave plenty of reason to believe the economy is alive and kicking, heading into the new year. Housing's coming back. Manufacturing is rebounding. Jobless claims are easing. Consumers are active. And negligible inflation endorses the Fed's easy-money actions."

MINUTES OF OCTOBER 31, 2012 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 10:30 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 Investment Committee book has been revised. The Committee reviewed the new format and in agenda order discussed:

- **MINUTES** - The minutes from the July 30, 2012 meeting and the September 6, 2012 email meeting were approved as amended.
- **PORTFOLIO CHANGES** - Ms. Edwards reported that the total portfolio had increased from \$1,535.2 million to \$1,741.8 million as of September 30, 2012. The Aviation portfolio increased by \$74.7 million as funds are accumulated in preparation for the semi-annual interest and annual principal payments. The Dulles Corridor portfolio increased by \$131.9 million primarily in the construction funds after the issuance of \$149 million in Commercial Paper.
- **ECONOMIC CONDITIONS** - Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy.
- **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. The investment horizon was shortened from 15 months to reflect current market conditions and uncertainties from hurricane Sandy.
- **NEW BROKER/DEALERS** - The Treasurer is accumulating information to establish a matrix for approval of broker/dealers which will be presented to the Investment Committee at their January 2013 meeting.

QUESTIONS/NEW BUSINESS

- **BANKING RFP** - The RFPs for banking services are on the street with proposals due on November 5, unless changed due to Hurricane Sandy. There will be two awards, one for the stand-alone accounts (gross funded) and one for all other banking services. Expectations are for competition among providing banks, for reduced costs of banking services through concentration of banking services.
- **DULLES CORRIDOR FUNDS** - Mr. Rountree pointed out the borrowing of Dulles Corridor Commercial Paper has provided sufficient cash to hold until the Dulles Corridor debt is issued later this year.
- **REVISED INVESTMENT COMMITTEE BOOK** - Mr. Rountree has asked for additional review of the reports in the old Investment Committee book to determine if any that were dropped may be required for other reasons. Ms. Edwards will review and report at the next meeting in January.

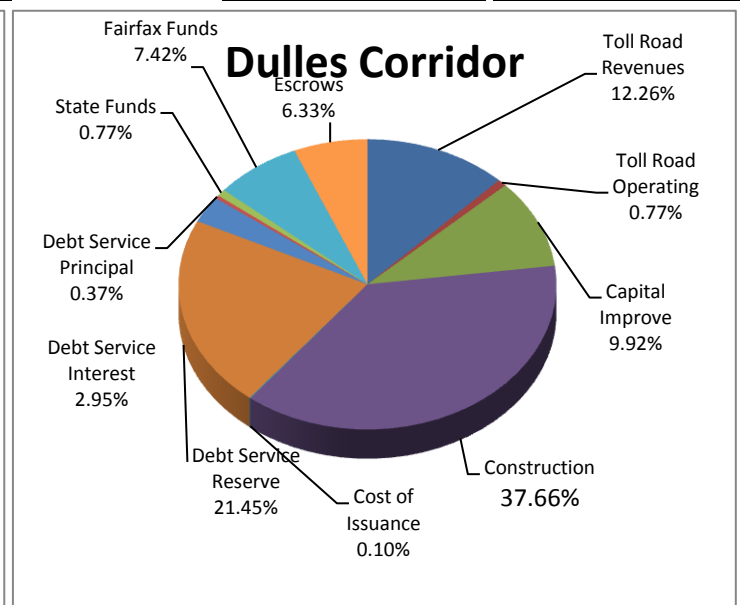
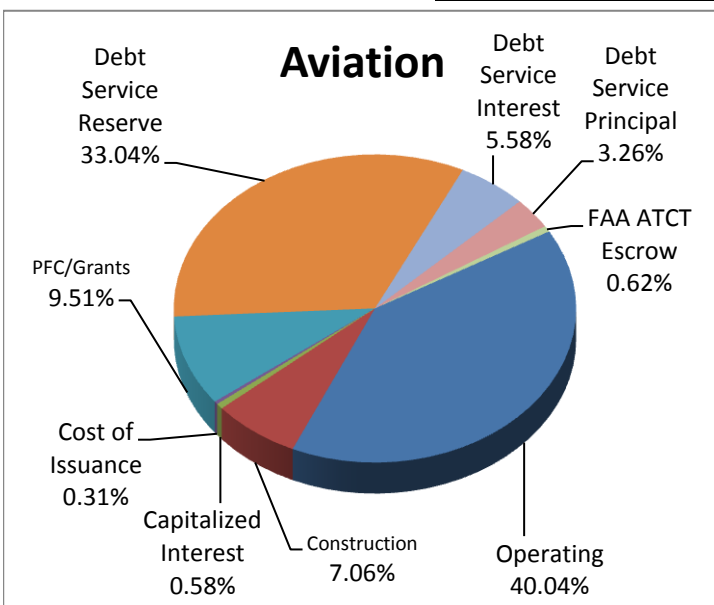
Respectfully submitted,
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

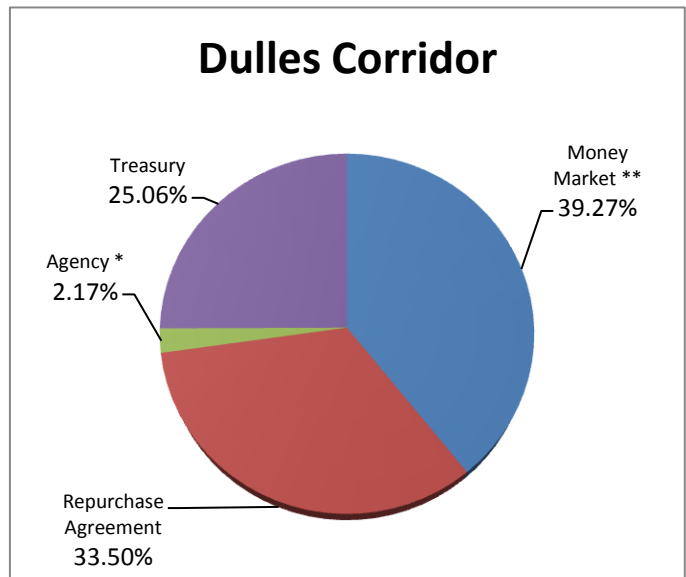
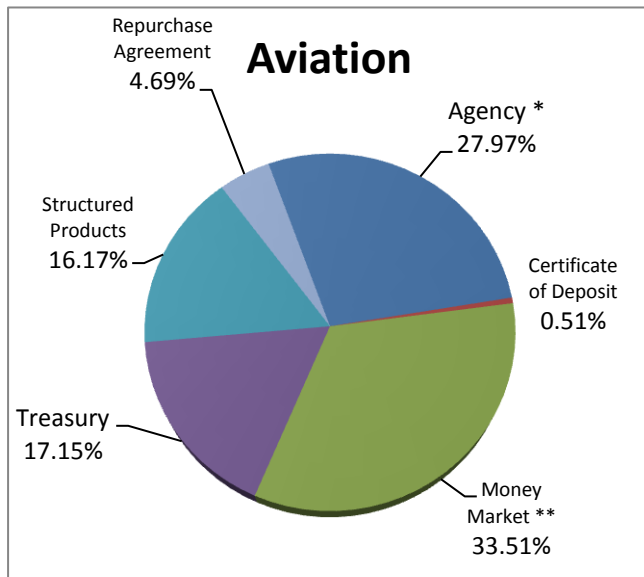
As of December 31, 2012

<u>Aviation</u>	Dec 31	Interest Rate	Sep 30	Jun 30
Operating	\$426,795,111	0.18%	\$433,074,058	\$399,067,370
Construction	75,246,644	0.10%	93,990,693	122,844,184
Capitalized Interest	6,160,084	0.10%	10,511,171	14,802,782
Cost of Issuance	3,266,710	0.02%	3,273,963	1,943,230
PFC/Grants	101,267,402	0.02%	86,751,494	76,543,706
Debt Service Reserve	352,142,997	3.84%	364,038,783	377,134,595
Debt Service Interest	59,506,742	0.02%	109,048,968	60,434,253
Debt Service Principal	34,791,282	0.02%	128,435,812	102,003,051
FAA ATCT Escrow	6,651,031	0.02%	6,650,925	6,336,814
Total Aviation	\$1,065,828,003	1.35%	\$1,235,775,867	\$1,161,109,985
<u>Dulles Corridor</u>				
Toll Road Revenues	75,845,500	0.04%	79,427,766	65,131,621
Toll Road Operating	4,789,413	0.02%	3,382,243	5,129,364
Capital Improvement	61,347,181	0.04%	61,587,989	62,006,393
Construction	233,005,979	0.04%	80,799,772	9,911,140
Cost of Issuance	610,000	0.04%	0	381,640
Debt Service Reserve	132,696,912	2.77%	121,459,644	120,448,364
Debt Service Interest	18,278,905	0.02%	27,910,912	17,159,798
Debt Service Principal	2,260,428	0.00%	5,744,823	4,308,561
State Funds	4,739,512	0.02%	0	13,368,894
Federal Reimbursement Funds	3,004	0.04%	82,168,758	30,755,913
Fairfax Funds	45,926,738	0.04%	4,505,289	6,442,636
Escrows	39,137,203	0.04%	39,031,969	39,007,450
Total Dulles Corridor	\$618,640,775	0.62%	\$506,019,165	\$374,051,774
Total Portfolio	\$1,684,468,778	1.08%	\$1,741,795,032	\$1,535,161,759



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of December 31, 2012

Aviation	Dec 31	Sep 30	Jun 30
Agency *	\$315,217,216	\$345,640,968	\$374,092,645
Certificate of Deposit	6,250,000	6,252,411	6,252,411
Money Market **	330,990,445	414,070,256	301,430,088
Treasury	153,733,356	211,973,988	252,204,457
Structured Products	199,806,134	199,806,134	199,806,134
Commercial Paper	-	0	0
Repurchase Agreement	59,830,852	58,032,110	27,324,250
Total Aviation	<u>\$1,065,828,003</u>	<u>\$1,235,775,867</u>	<u>\$1,161,109,985</u>
Dulles Corridor			
Money Market **	\$360,548,075	\$198,751,600	\$120,439,750
Repurchase Agreement	131,301,825	169,481,713	115,826,172
Agency *	0	10,994,977	10,994,977
Treasury	126,790,875	126,790,875	126,790,875
Total Dulles Corridor	<u>\$618,640,775</u>	<u>\$506,019,165</u>	<u>\$374,051,774</u>
Total Portfolio	<u>\$1,684,468,778</u>	<u>\$1,741,795,032</u>	<u>\$1,535,161,759</u>



* Agency Split:

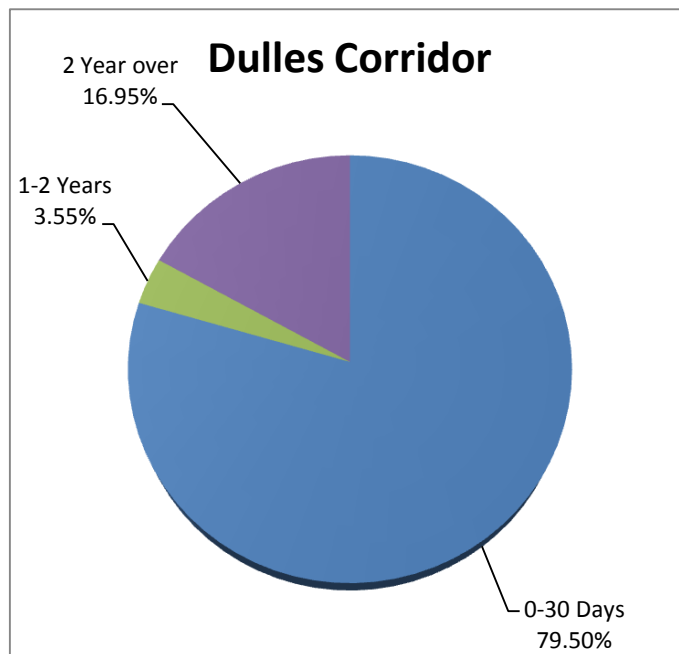
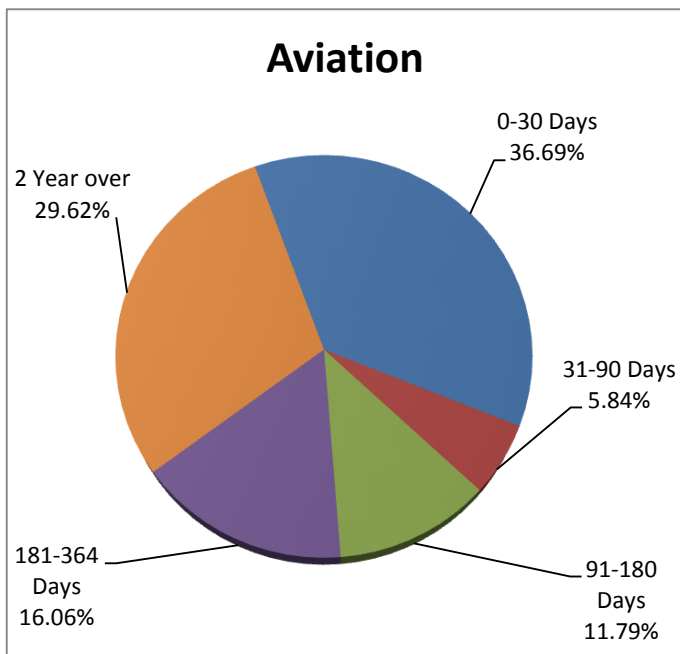
Home Loan	\$ 84,275,163
Freddie Mac	85,994,882
Fannie Mae	104,090,145
Farmer Mac	19,961,111
Farm Credit	20,895,915
Total Agencies	<u>\$ 315,217,216</u>

** Money Market Split

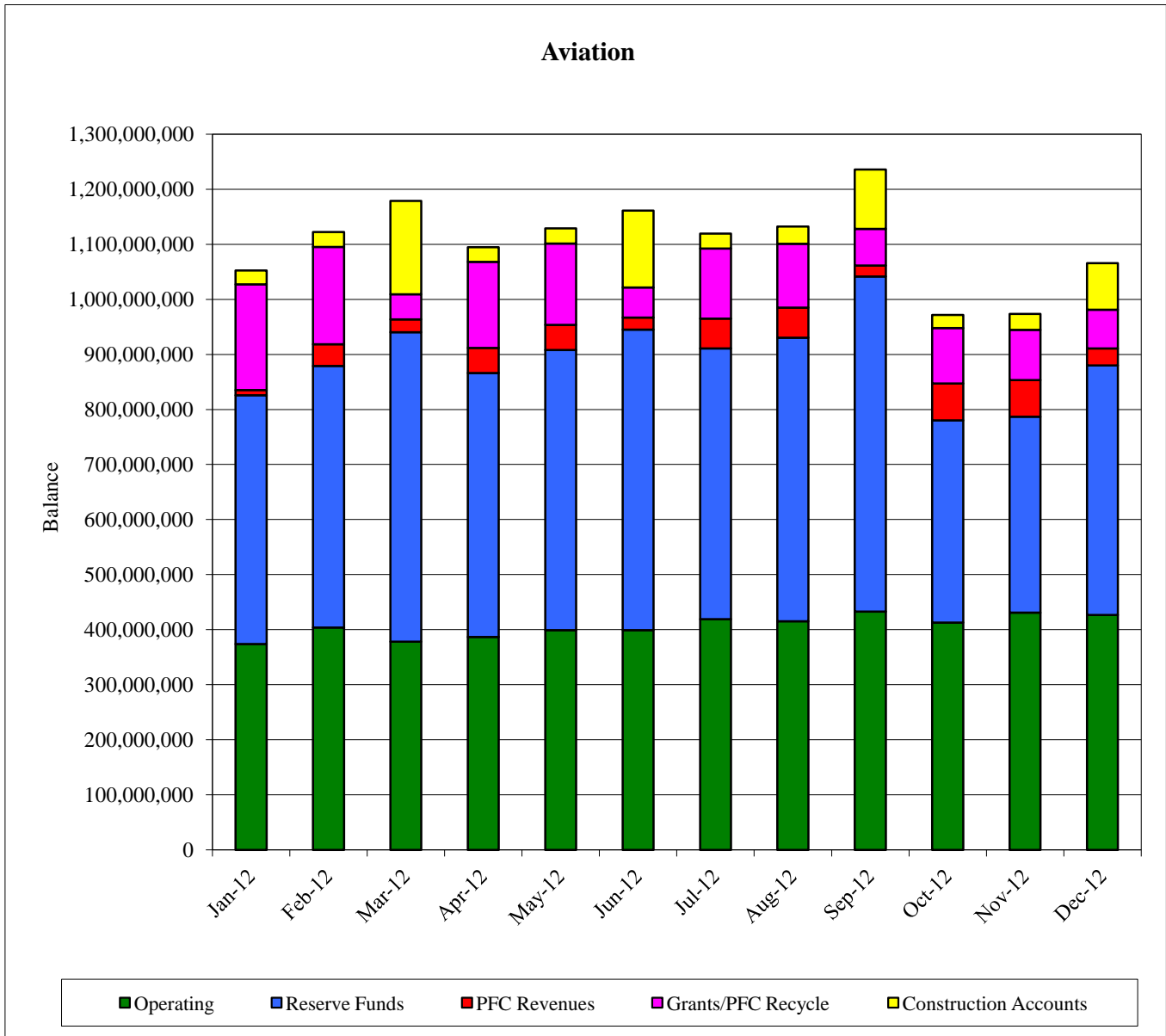
Federated Funds	\$ 8,570,248
Wilmington Trust	666,721,199
Fidelity Funds	6,651,031
NationsFund	9,596,028
	<u>\$ 691,538,506</u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of December 31, 2012

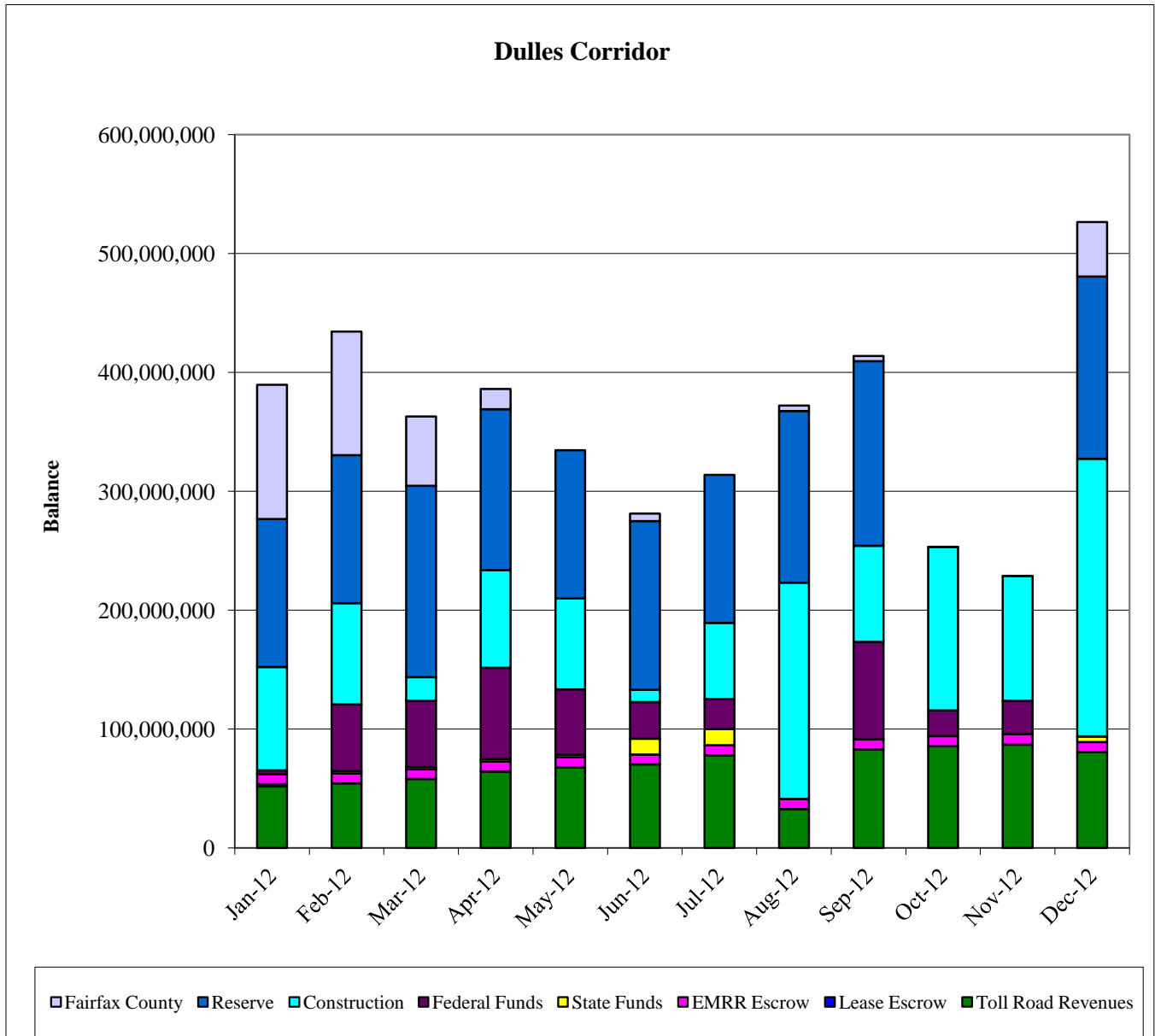
	Dec 31	Sep 30	Jun 30
Aviation			
0-30 Days	\$391,071,297	\$556,776,636	\$359,184,026
31-90 Days	62,212,188	75,148,055	70,534,886
91-180 Days	125,661,982	82,311,406	160,572,326
181-364 Days	171,181,703	205,838,937	199,192,222
1-2 Years	0	0	55,925,692
2 Year over	315,700,833	315,700,833	315,700,833
Total Aviation	<u>\$1,065,828,003</u>	<u>\$1,235,775,867</u>	<u>\$1,161,109,985</u>
Dulles Corridor			
0-30 Days	\$491,849,900	\$379,228,290	\$236,265,922
31-90 Days	-	-	-
91-180 Days	-	-	10,994,977
181-364 Days	-	-	-
1-2 Years	21,943,219	21,943,219	21,943,219
2 Year over	104,847,656	104,847,656	104,847,656
Total Dulles Corridor	<u>\$618,640,775</u>	<u>\$506,019,165</u>	<u>\$374,051,774</u>
Total Portfolio	<u><u>\$1,684,468,778</u></u>	<u><u>\$1,741,795,032</u></u>	<u><u>\$1,535,161,759</u></u>



**History of Fund Balances
Aviation
Rolling 12 Months
As of December 31, 2012**



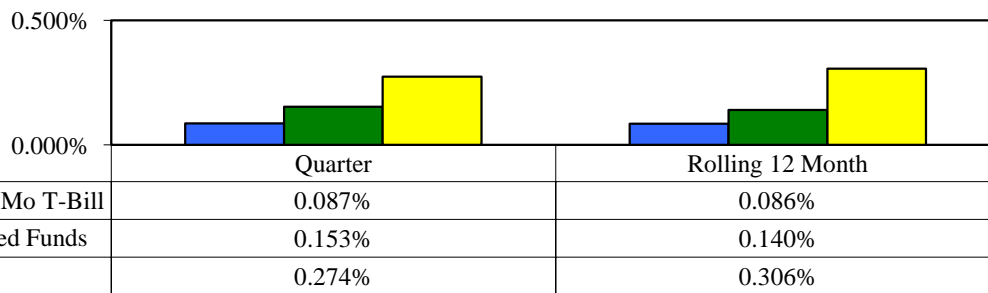
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of December 31, 2012**



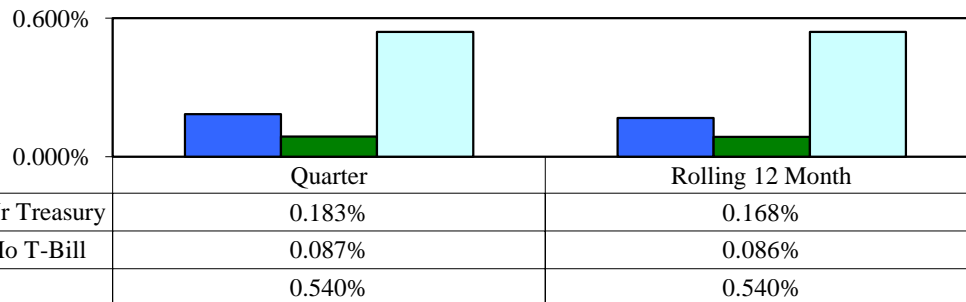
Investment Results - Targets and Benchmarks

December 31, 2012

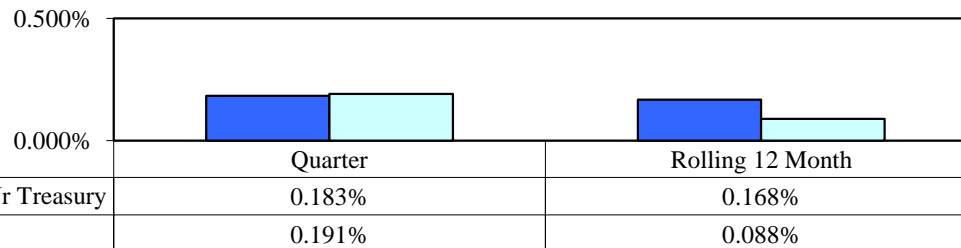
Aviation Operating Funds



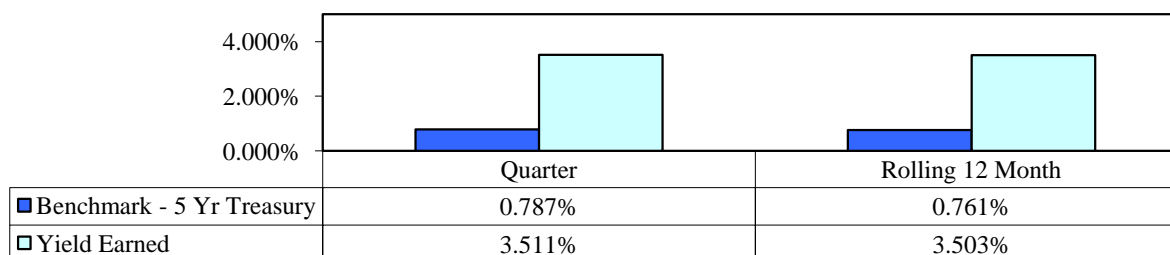
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

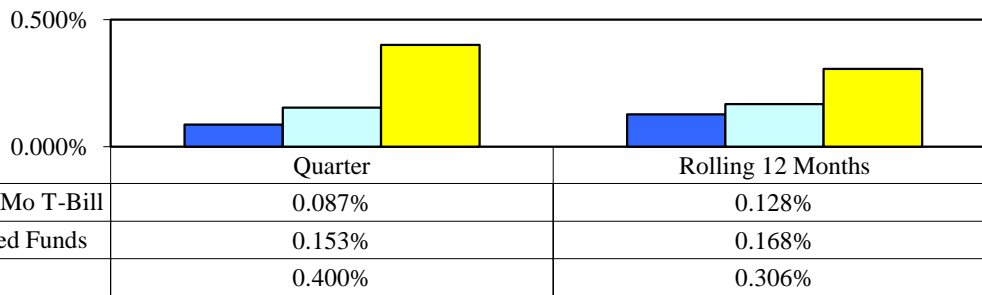


* Blended Arbitrage Rate of 4.691%

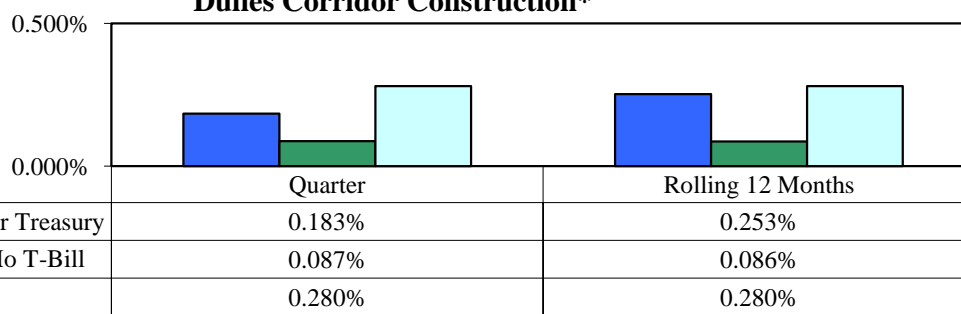
Investment Results - Targets and Benchmarks

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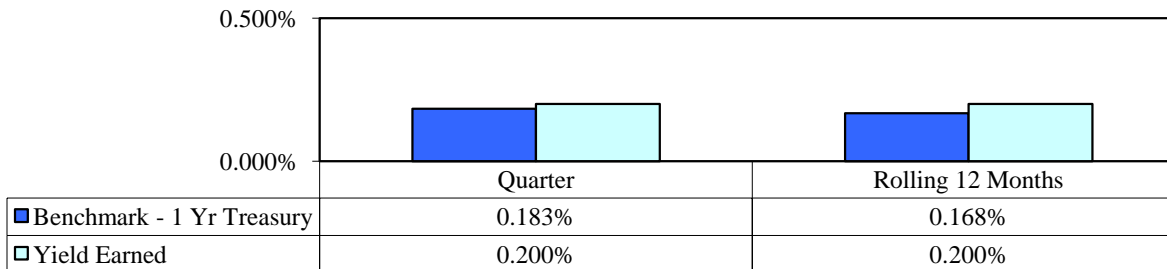
Dulles Corridor Operating



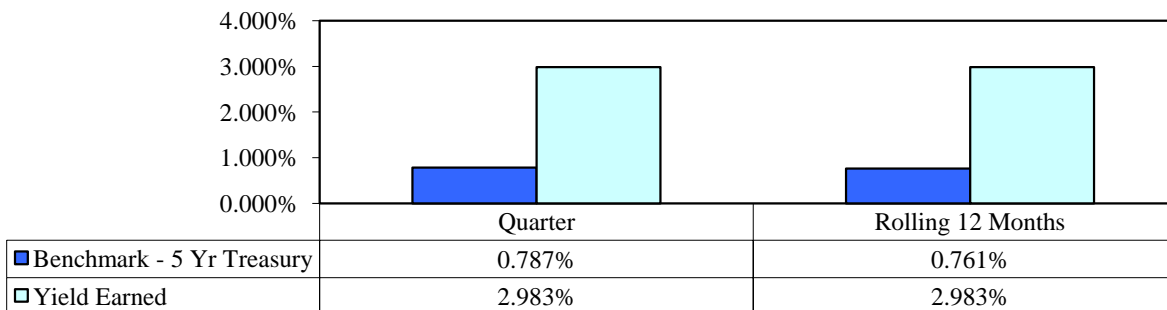
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%

