

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF APRIL 19, 2017

Mr. Adams chaired the April 19 Finance Committee Meeting, calling it to order at 9:32 a.m. A quorum was present during the meeting: Mr. Speck, Co-Chair, Ms. Lang, Ms. Merrick, Mr. Mims, Mr. Sudow, Mr. Tejada, Mr. Uncapher, Mr. Williams, and Mr. McDermott (*ex officio*). Mr. Griffin, Ms. Hanley, Mr. Lazaro, Mr. Pozen, Mr. Session, and Ms. Wells were also present.

Financial Advisors' Report – Aviation Enterprise. Andy Rountree, Vice President for Finance and Chief Financial Officer, was joined by Ken Cushine of Frasca & Associates, L.L.C. Mr. Cushine reported that the refunding opportunity for the 2007 A-B Bonds is approximately \$452 million of outstanding bonds, which could potentially generate over \$46 million in present value savings. Additionally, Mr. Cushine reported that there will be a potential need for new money to fund up to \$200 million for the Capital Construction Program, as well as other refunding opportunities, including a taxable advance refunding of certain 2008 – 2009 Bonds. He stated that the Finance team will continue to monitor the swap portfolios for refunding opportunities. Mr. Cushine noted that both tax refunding candidates are unfavorable transactions at this time. Mr. Cushine advised that a Board Bond Workshop will be held in May, and the documents related to the Series 2017 Bond transaction will be presented to the Finance Committee and Board for consideration and approval at the May meetings.

Mr. Adams inquired about the timing for the taxable refunding and swap portfolio opportunities. Mr. Cushine stated that the finance team is monitoring the amount the potential refundings could generate compared to a hypothetical current refunding if a wait and see approach is taken for those bonds since they are callable in June 2018. Additionally, he stated that the break-even factor is being considered to project the amount that the market would have to increase over the next year to predict the outcome for the Airports Authority. Mr. Adams asked if there are any thoughts on how potential actions by the new Administration regarding tax reforms would affect the municipal market. Mr. Cushine stated that while it continues to be a topic of discussion, current opinions are that tax reforms have been slightly delayed because of geo-political events and the federal government's budget cycle. He further stated that the finance team will monitor the market's pricing in future federal actions with a short-term rate increase and the possibility

of two additional rate increases during the year. Mr. Cushine noted that current market pricing had decreased and one rate increase is anticipated which could change the market at any time. Presently, it appears that rates will not increase as much as expected and that tax reform will be slowed down.

Financial Advisors' Report – Dulles Corridor Enterprise. Mr. Rountree was joined by Bryan Grote of Mercator Advisors LLC. Mr. Grote reported on the significant annual report which is part of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement. He explained that each year the financial plan is updated to demonstrate that sufficient funding exists to complete the Dulles Corridor Metrorail Project (Project). Mr. Grote provided a comprehensive snapshot in terms of financial information and the status of the Project. The finance team and staff had collaborated during the first quarter to provide the annual update submitted to the Department of Transportation in March 2017. Mr. Grote noted that as part of the May Bond Workshop details will be provided regarding the finance plan for the Dulles Corridor Enterprise.

In order to ensure that the day's Board Meeting would begin at 9:45 a.m., the Finance Committee meeting was recessed at 9:40 a.m.

At 11:22 a.m., Mr. Adams reconvened the Finance Committee meeting with all 16 Directors present.

2016 Comprehensive Annual Financial Report. Mr. Rountree was joined by Anne Field, Acting Controller. He presented the final audited financial results for the calendar year that ended 2016. Mr. Rountree reported that the auditors had completed the report on March 31 and had issued an unmodified or clean audit opinion of the 2016 financial statements. He stated that the Comprehensive Annual Financial Report (CAFR) would be posted that day to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access database and on the Airports Authority's website. Mr. Rountree also noted that the materials presented in the PowerPoint were not considered to be a substitute for the full CAFR.

Mr. Rountree presented highlights from the final audited results for the Aviation Enterprise Fund. He reported that revenues were \$774.1 million, or 1.6 percent higher than the prior year. Expenses (excluding depreciation and amortization) were \$367.8 million which were 0.3 percent lower than the prior year. O&M operating income was \$148.4 million, 13 percent higher than 2015. Mr. Rountree reviewed the

importance of generating operating income because a large portion of it is returned to the airlines in the form of reduced rates, known as sharing net remaining revenue. Airline revenue was down 4.9 percent compared to the prior year. Mr. Rountree noted that airline revenue collected is based generally on expenses incurred by the Authority. He reported that non-airline revenue was up by 9.2 percent; with concessions increasing in total by 10.8 percent. From a budget standpoint, the Airports Authority's total revenue was 1.1 percent higher than budget and expenses were 5.5 percent lower than budget. Mr. Rountree stated that concessions made up 41 percent of the total revenue amount of \$774.1 million.

Mr. Rountree stated that the balance sheet reflects a strong \$944.0 million net position as of December 31, 2016. He further stated that the funding of the pension programs is important and recalled that the Authority made the decision to work towards fully funding these programs long ago; current funding levels are at almost 100 percent for general employees and almost 94 percent for police officers and fire fighters retirement plans. With respect to the debt service coverage, the year ended at 1.79x, and Mr. Rountree reported that it had continuously improved with a lot of contributing factors.

With regard to the Dulles Corridor Fund, Mr. Rountree reported that revenue was \$151.7 million, 0.2 percent higher than the prior year. He recalled that in January 2016 inclement weather had adversely affected the Dulles Toll Road revenues collected in 2016. Expenses were \$29.4 million, 3.3 percent higher than the prior year. Operating income totaled \$122.4 million, and a large portion of it is allocated to debt service for the Project. Mr. Rountree stated that revenues were 3.3 percent lower than the budget which was also impacted by the weather in early 2017. Expenses were 5.5 percent lower than the budget. Mr. Rountree reviewed the Toll Road transactions that were 98 percent of forecast and revenues were 97 percent of forecast. He noted the full scope of the detailed report is included in the 2016 CAFR provided for the day's meeting.

Ms. Hanley noted that there had been seven months of decline in both revenues and in Dulles Toll Road usage during the last year. She suggested that monitoring usage is important so that the decline does not become a trend. Ms. Hanley reiterated that there will be problems when Route 7 opens from Loudoun into Tysons because travelers will have an alternative. She strongly expressed the need for staff to proactively discuss a plan to move forward. Mr. Griffin added that the

pending construction on Route 66 will drive commuters to use the Dulles Toll Road.

Mr. Griffin expressed concern regarding the decline during the past two years in funding for police and firefighters' retirement. Mr. Rountree stated that the Retirement Committee is aware of the decline in these pension retirements and it is monitoring the activity carefully. He clarified that the decline was not the result of a lack of funding but attributed it to actuarial computations that implemented new mortality tables which impact the calculations and the level of funding. Mr. Rountree also noted that a new Government Accounting Standard Board statement had been implemented in the prior year that resulted in an increase in the liability. With the change in the stock market since the end of calendar year 2016, Mr. Potter stated that the police and firefighters' retirement fund is now healthier.

Mr. Adams thanked and commended Mr. Rountree and the Finance Staff for the amount of work they contributed to the CAFR.

Mr. McDermott announced that Mr. Mims had been selected as the President of the Conference on Minority Transportation Officials and extended his congratulations.

March 2017 Financial Reports - Aviation and Dulles Corridor Enterprises. Due to time constraints, the Committee accepted both financial reports, as submitted.

The meeting was thereupon adjourned at 10:35 a.m.