Mr. Adams chaired the September 20 Finance Committee Meeting, calling it to order at 8:50 a.m. A quorum was present during the meeting: Ms. Merrick, Mr. Mims, Mr. Sudow, Mr. Tejada, Mr. Uncapher, and Mr. McDermott (*ex officio*). Mr. Griffin, Ms. Hanley, Mr. Lazaro, Mr. Pozen, Mr. Session, and Ms. Wells were also present.

Prior to the consideration of the first agenda item, Ms. Wells and Mr. Pozen stepped away from the table.

**Recommendation to Approve Authorizing an Extension of the Series 2010D Bonds and the Refinancing of the Series 2011B Bonds of the Aviation Enterprise’s Variable Rate Portfolio.** Andy Rountree, Vice President for Finance and Chief Financial Officer, was joined by Valerie O’Hara, Debt Program Manager. Mr. Rountree presented the staff recommendation to adopt a resolution that would extend the Series 2010D Bonds and refinance the Series 2011B Bonds, as well as approve substantially complete transaction documents. In addition to a $200 million Commercial Paper Program, the Metropolitan Washington Airports Authority (Airports Authority) has other variable rate credit facilities. Mr. Rountree referenced a chart that had been distributed in the materials provided for the day’s meeting. He stated that the top two bank providers listed on the chart, Wells Fargo and PNC, provided credit facilities totaling $286 million, which would expire later this year.

In June 2017, the Committee concurred with the credit facility solicitation to replace or extend the two expiring credit facilities and agreed with the evaluation criteria to be used in the Request for Proposals (RFP). Mr. Rountree explained that because the expiring credit facilities are primarily banking commodity-type items, the largest factor in selecting new facilities would be associated fees and the willingness for the bank providers to work with the Airports Authority’s written terms in the documents. In response to the RFP, 14 proposals from 10 different banks, including six Letter of Credit bids and eight direct purchase indexed floater bids, were received. The Technical Evaluation Committee identified the best proposals to replace the existing facilities. Mr. Rountree stated that the recommendation is to extend the agreement with Wells Fargo at a different cost for the Series 2010D Bonds. With regard to the Series 2011B Bonds, the recommendation is to enter into a contract with US Bank, resulting in a small cost savings. Mr. Rountree
advised that the upcoming contract award to US Bank would mark the first time that the Airports Authority has worked with the bank provider, US Bank.

In conjunction with the Airports Authority’s financial advisors and bond counsel, negotiations were successfully completed. Mr. Rountree reported that the recommendations to accept the proposals from Wells Fargo to extend the term to September 2020 and from US Bank to extend the term to April 2020 represent annual savings of $36,000 and $27,000, respectively. He stated that the only reason that the credit facilities are being replaced is because they are expiring. Although the banking commodity is not currently in an environment where savings were expected, Mr. Rountree stated that he was pleased to report that the Airports Authority would realize approximately $64,000 annually in savings.

Mr. Adams inquired whether the extensions in credit facilities would require the Airports Authority to publicly post any transaction-related financial documents. Ms. O’Hara referenced the four substantially complete transaction documents that would be involved in the voluntary posting.

The Committee approved the recommendation. Mr. Adams would offer a resolution later in the day’s Board Meeting.

Ms. Wells and Mr. Pozen returned to the table.

Financial Advisors’ Report – Aviation Enterprise. Mr. Rountree was joined by Marvin Sun of Frasca & Associates L.L.C. (Frasca). Mr. Sun stated that the Committee had approved the recommendation associated with the two credit facilities, and that he had nothing further to report.

Financial Advisors Report – Dulles Corridor Enterprise. Mr. Rountree and Mr. Sun were joined by Jim Taylor of Mercator Advisors LLC. Mr. Taylor reported on several informational items. The first topic addressed a part of the stimulus program offered by the federal government that the Airports Authority took advantage of in 2009 and 2010. Mr. Taylor stated that the Airports Authority had issued approximately $550 million of taxable Build America Bonds. In order to make the program attractive [to municipal issuers], the federal government provides a semi-annual subsidy equal to 35 percent of the interest paid to bondholders. The federal subsidy is subject to sequestration but it is not a material reduction. Mr. Taylor reported that the sequestration reduction rate for
2018 is 6.9 percent of the 35 percent federal subsidy; the sequestration reduction was 6.6 percent last year.

The second topic related to a task order issued [to CDM Smith] over the summer to conduct a traffic and revenue study. Mr. Taylor stated that being proactive is one of the things the rating agencies frequently cite as evidence of strong management at the Airports Authority. He noted that a number of issuers only conduct a traffic and revenue study when they are planning to enter the market. Unlike other agencies, Mr. Taylor advised that the Airports Authority uses the traffic study for budgeting purposes and financial planning. The updated traffic model will also enable staff and the financial advisors to better respond to Directors’ questions about toll road performance and support decision-making going forward. The updated traffic model will take into account the capabilities of the new Dulles Toll Road (DTR) toll collection system and all of the roadway improvements underway in the Dulles Corridor. He stated that the traffic and revenue study would take approximately nine months to complete. The first part would consist of data collection, including customer surveys. Mr. Taylor reported that the financial advisors would provide periodic updates at the monthly meetings as different milestones are reached. He noted that the finance staff would manage the process very tightly, and that conference calls would be held bi-weekly to ensure that participants remain informed.

Ms. Hanley referenced the chart that provided operating statistics for the express lanes and characterized the information as fascinating. She observed that the 495 and 95 Express Lanes both appeared to generate almost the same amounts, to which Mr. Taylor agreed. Ms. Hanley inquired whether the traffic and revenue study would incorporate any of the changes on I-66 inside the Beltway. Mr. Taylor stated that the traffic and revenue study data collection would begin in December, and one of the goals is to include information about I-66, inside and outside the Beltway. He further stated that the financial advisors would ensure that the new model is able to incorporate current information and remain up to date as experience is gained. Ms. Hanley stated that the traffic activity inside I-66 would have an effect on the DTR and that the statistics would need to be considered with regard to tolls, to which Mr. Taylor agreed. Mr. Taylor advised that the financial advisors would learn of any impact directly as they would monitor the data collected as part of the monthly report [that is provided at Finance Committee meetings].

Mr. Sudow inquired about the completion dates of the traffic and revenue study. Mr. Taylor stated that the goal for the completion is early spring.
He explained that its completion would also be dependent upon the ease of obtaining the regional model survey results and input. Mr. Taylor reiterated the importance of comprehensive data collection, and stated that he would have a better idea about the completion of the traffic and revenue study once the data is collected. Mr. Sudow inquired whether interim deliverables would be provided. Mr. Taylor responded affirmatively noting that the financial advisors’ goal is to provide an update before the year-end if there is anything material that needs to be reported. He observed that the traffic and revenue study conducted in 2014 had performed well. Mr. Taylor advised that the task order had been issued in the summer to have an opportunity to obtain some early feedback.

Ms. Hanley observed that if the traffic and revenue study is completed in early spring there would only be four to six weeks of data collection of tolling on I-66 if inclement weather occurred in January or February 2018. Mr. Taylor clarified that the early steps of the traffic and revenue study would be dedicated to upgrading the existing model. He stated that the initial data collection would not dictate how the traffic and revenue study would be modeled. Ms. Hanley stated that the Virginia Department of Transportation routinely performed traffic counts in August when schools are closed, and she expressed concern about whether there would be enough data collected to gain an accurate account of the impact of I-66 tolling on DTR activity. Mr. Taylor stated that the intended purpose of the data collection is to ensure that the model is synchronized with current operations. He noted that the data would be collected this fall while school is in session. Mr. Taylor reported that the data inside I-66 would be collected once it opens and subsequently input into the model that is being developed.

Mr. Sudow observed that the traffic and revenue study is important on a number of fronts and that he and other Directors have real-time experience with some of the issues, and they are interested in the methodology and the approach that would be used. He reported that the Northern Virginia Transportation Authority is currently updating its 2040 Plan and likely has data and experience that may be helpful to the consultants as they move through the data collection process. Mr. Taylor reported that the traffic and revenue study would be consistent with the investment-grade study that is conducted prior to the Airports Authority entering the bond market. While he understood the emphasis on inside I-66, Mr. Taylor stated that the entire network would need to be modeled. He further stated that rather than speculating, he hoped that
the results demonstrate that inside I-66 is one small part of the roadway network and that it may not have the impact that one would think.

Mr. Sudow stated that there are significant traffic issues in this region, such as the American Legion Bridge, which would impact the data collection. Mr. Taylor stated that the financial advisors appreciated the Board interest in the details. He observed that despite everything that had changed during the last several years that the recent study remains reliable, which is due to the initial efforts to ensure that the 2014 model was set up in a comprehensive manner that considered the entire network.

Report for Budget Reprogrammings (Quarter Ended June 30, 2017). Mr. Rountree reported on two reprogrammings within the Capital, Operating and Maintenance Investment Program (COMIP). The first reprogramming transferred approximately $3.4 million from the COMIP reserves to purchase three fire and rescue units at Reagan National that cost almost $3.4 million. At Washington Dulles International Airport, money was transferred from funds programmed for use for renovations for Shop 4 and reprogrammed for improvements needed for Shop 3 that cost approximately $560,000. Mr. Rountree stated that the net effect of the reprogrammings was zero.

Quarterly Report of Investment Program (Quarter Ended June 30, 2017). Mr. Rountree was joined by Nancy Edwards, Manager, Treasury Department. Ms. Edwards reported that the Airports Authority’s total portfolio decreased by $17.3 million, which was a $10.5 million decrease in the Aviation Enterprise and a $6.8 million decrease in the Dulles Corridor Enterprise. She summarized the investment portfolios for both enterprises In addition to the $25.3 million decrease in the construction accounts, which was somewhat expected as a result of the increased activity at Ronald Reagan Washington National Airport, the most significant activity was related to the debt service reserve for interest payments for both enterprises.

July and August 2017 Financial Reports – Aviation Enterprise. Mr. Rountree was joined by Anne Field, Acting Controller. He noted that reports for July and August had been provided for the day’s meeting but because the information was year-to-date, he would review with the Committee details only for August 2017. Mr. Rountree reported that total revenue through August was $510.8 million, 1.5 percent lower than the prior year. He noted that the Airports Authority had lowered its rates and charges to the airlines, and that the revenue was basically on target
at .2 percent lower than forecast. He stated that airline revenue through August was $245.9 million, which was 7.2 percent lower than the prior year, and approximately 3.7 percent lower than forecast.

Mr. Rountree reported that non-airline revenue was $266 million, 4.4 percent higher than the prior year and 3.4 percent higher than forecast. He reported that O&M expenses totaled $244.2 million, which was 1.1 percent higher than the prior year and 8.5 percent lower than forecast. Mr. Rountree stated that the lower than forecast expenses were mostly attributed to weather as well as the good management of expenses. He reported that the non-airline revenue, the lower expenses, and the refundings are contributing factors to the healthy debt service coverage of 1.83x.

Mr. Sudow requested additional details about the sources of the increase in non-airline revenue. He recalled that a significant portion of the increase resulted from concessions. Mr. Sudow inquired whether there were new concessions that were not in place the prior year. Jerome L. Davis, Executive Vice President and Chief Revenue Officer, stated that originally 20 concession openings were anticipated in 2017. As a result of issues that had occurred, it would likely be less than 10. Mr. Davis stated that the Airports Authority would not have as many new stores opening next year due to the redevelopment plan. In addition to the traditional stores planned to open next year, Mr. Davis noted that approximately 30 concessions related to the capital programs would be underway and that the Airports Authority would ask that concession contracts include capital improvements.

In terms of sales or revenue per unit, Mr. Sudow inquired whether an increase had occurred or whether the percentage remained the same. Mr. Davis stated that a small increase had occurred. He noted that the largest increases, due mostly to the Transportation Network Companies, are associated with ground transportation, followed by food and beverage and duty-free offerings.

As Mr. Davis had reported, Mr. Rountree affirmed that the largest non-airline component had been ground transportation. He stated that the year-to-date revenue for last year was $18.3 million. By comparison, the year-to-date revenue in August 2017 was $23 million.

July and August 2017 Financial Reports – Dulles Corridor Enterprise. As Mr. Rountree had previously noted, Ms. Field stated that the July financial report had also been provided but that she would only review
with the Committee the details of the August financial report. She reported that revenue totaled $101.6 million year-to-date, .7 percent higher than the prior year and .8 percent lower than forecast. Ms. Field advised that Toll Road transactions were 65.1 million, 0.2 percent lower than prior year-to-date. Transactions are 1.7 percent lower than forecast. She reported that Toll Road expenses totaled $18.7 million year-to-date, 2.1 percent lower than the prior year and 7.8 percent lower than forecast.

Ms. Hanley inquired why the Toll Road expenditures were 7.8 percent lower than forecast. Ms. Field stated that the use of snow supplies and snow services are down. She further stated that snow services and snow supplies had decreased $1.2 million and $300,000, respectively, from last year. Ms. Hanley stated that she hoped that the same would occur during the upcoming snow season.

The meeting was thereupon adjourned at 9:15 a.m.