

SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF JANUARY 16, 2019

Mr. Speck chaired the January 16 Finance Committee Meeting, calling it to order at 8:30 a.m. A quorum was present during the meeting: Mr. Mims (Co-Chair), Mr. Adams, Ms. Batty, Mr. Braun, Mr. Dwoskin, Ms. Hanley, Mr. Lazaro, Mr. Pozen, Mr. Sudow, Mr. Tejada, Mr. Uncapher, and Mr. Session (ex officio).

Mr. Pozen stated that after consulting with the Acting Ethics Officer, it was determined that he has a conflict of interests in the matter involving the selection of the underwriting pool and syndicates for 2019. He further stated that he represents Wells Fargo Bank, NA, as well as Wells Fargo Securities, which may become a member of the underwriting pool so he was recusing himself from participating in the selection of the underwriting pool and syndicates for 2019. Mr. Pozen advised that he had executed a recusal agreement with the Ethics Officer and Secretary, and it will be filed in the Board's official records. Mr. Pozen stepped away from the Board table while the selection of the underwriting pool and syndicates for 2019 was being considered.

Recommendation Regarding the Selection of the Underwriting Pool for the Aviation and Dulles Corridor Enterprises. Andy Rountree, Vice President for Finance and Chief Financial Officer, presented the recommendation regarding the selection of the underwriting pool. He reported that in order to execute the 2019 Plan of Finance the Board has elected to establish a new underwriting pool for a three-year term with the option to extend it for one or more years during which time the Airports Authority reserves the right to add or remove firms from that pool.

Mr. Rountree stated that at the October 2018 meeting the Finance Committee concurred with the issuance of a Request for Proposals (RFP) seeking qualifications from investment banking firms interested in providing underwriting services to support capital debt financing activities. The Finance Committee also concurred with the following three major evaluation criteria to be used in full and open solicitation: understanding of the Airports Authority's credit and financing needs; the firm's underwriting capabilities; and the composition and diversity of the professional staff, the diversity of the entirety of the firm's professionals, and the firm's diversity policies. Mr. Rountree reported that an RFP was

issued on October 18, 2018, and the Airports Authority received proposals from 34 firms on November 16, 2018. The Technical Evaluation Committee (TEC) reviewed and evaluated each proposal and recommended the following 15 firms for inclusion in the underwriting pool:

Bank of America Merrill Lynch	Morgan Stanley & Co.
Barclays Capital Inc.	Raymond James
Citigroup Global Markets Inc.	RBC Capital Markets
Estrada Hinojosa & Company, Inc.	Samuel A. Ramirez & Co.
Goldman Sachs & Co.	Siebert Cisneros Shank & Co.
Jefferies	UBS Financial Services Inc.
J.P. Morgan Securities	Wells Fargo Securities
Loop Capital Markets	

Mr. Rountree thanked the firms for their submissions and congratulated them on being recommended to the Finance Committee. He stated that following the approval of the underwriting pool, the firms in the pool will be invited to interview for inclusion and roles in the 2019 Underwriting Syndicates for the planned 2019 debt transactions. Staff will recommend establishment of the underwriting syndicates for the 2019 bond issuances to the Finance Committee in February.

The Committee approved the recommendation, and Mr. Speck stated that he would offer a resolution later at the day's Board Meeting.

Mr. Mims thanked all of the underwriters who submitted proposals and congratulated those whom the Finance Committee had approved to recommend to the Board at the day's meeting. He also expressed appreciation to those who served on the TEC. Mr. Mims stated that the amount of work and effort involved in evaluating proposals was significant, and he thanked the finance and procurement staffs for their work in the process. He reported that the next task for the TEC is to conduct interviews to establish the 2019 underwriting syndicates within the selected pool, and he reminded the underwriters in the pool that the blackout or non-contact period remains in effect until the syndicates are selected at the February meeting.

Financial Advisors' Report – Aviation Enterprise. Mr. Rountree was joined by Marvin Sun of Frasca and Associates, L.L.C. (Frasca). Mr. Sun

reported that there were no action items. He provided an update on the preliminary 2019 Plan of Finance for the Series 2019 Aviation Enterprise bond transactions and the different components. Mr. Sun stated that as details are confirmed staff would provide updates to the plan of finance at future meetings. He advised that a new money bond issuance is anticipated to finance capital projects in 2019 for an amount that has not yet been determined, as well as the issuance of refunding bonds to current refund up to \$183 million of Series 2009B Bonds that will be callable in 2019 under current favorable market conditions. Mr. Sun noted that the Airports Authority will be updated on the status of the refunding as market conditions change. Other components that may or may not be included in the fundings are variable rate bonds that could be callable in other years. Mr. Sun stated that more details will be provided at future Finance Committee meetings.

Mr. Speck advised that he and Mr. Mims had decided to forego the month's tutorial since staff was finalizing the details of selecting the underwriting team and preparing for the next round to select the syndicates. He added that more information would be presented at the February meeting as the Committee prepared for a busy spring.

Financial Advisors' Report – Dulles Corridor Enterprise. Mr. Rountree was joined by Jim Taylor of Mercator Advisors, LLC (Mercator). Mr. Taylor reported that there were no action items and shared a highlight of one of the news items in the Financial Advisors' report distributed for the day's meeting. He stated that the private operator of the Dulles Greenway (private operator) had issued a press release stating that it was in discussions with elected officials from Loudoun County to modify the toll rates of the Dulles Greenway. Mr. Taylor stated that the course of action was quite unusual, given the fact that it involved publicly-traded debt and equity. Subsequently, the Loudoun County Board of Supervisors voted against the concept, which would now be presented to the state legislature. He stated that future Financial Advisors' Reports would include updates, but it was important to understand that the private operator would agree to reduce tolls during the off-peak hours based on how far commuters traveled in exchange for some certainty about future toll increases. Mr. Taylor advised that the private operator is seeking a guarantee of certain increases which many members of the Loudoun Board of Supervisors oppose. He reiterated that an agreement had not been reached, but discussions are underway.

Mr. Sudow stated that it is his understanding that if the legislation is not passed and enacted, the toll increases would default to an intolerably high percentage and become a very political issue. He commended Ms. Hanley and the Loudoun County Board of Supervisors for remaining vigilant. Mr. Taylor clarified that the Dulles Greenway is a regulated entity. Therefore, if legislation is not passed to develop a formula for rate increases, they would not occur automatically; increases would be considered annually by the State Corporation Commission (SCC). Mr. Taylor advised that increases on the Dulles Greenway were approved by the SCC during the first 15 years of its operation, and discussions were underway in an attempt to prevent SCC's involvement in future years.

Mr. Sudow observed that the estimated cost to upgrade the equipment [Dulles Greenway toll collection system and related roadway infrastructure to enable distance-based pricing] is approximately \$30 million. He asked if the Airports Authority would have to spend a similar amount if it upgraded its current toll collection system. Mr. Taylor responded that the private operator cited that cost. He noted that the Airports Authority would incur additional costs if a distance-based type concept was considered because additional gantries would be needed at different locations to determine the points where commuters enter and exit. Mr. Taylor stated that the existing barrier system is based on one rate since the point of entry is unknown.

November 2018 Financial Report – Aviation Enterprise. Mr. Rountree was joined by Chris Wedding, Controller. Mr. Rountree noted that the November 2018 financial report for both enterprises would be presented at the day's meeting, but that December 2018 preliminary year-end and January financial reports would be presented at the February meeting. He reported that total revenue for November 2018 was \$714.7 million, 1.0 percent higher than the prior year and 2.3 percent higher than forecast. Mr. Rountree stated that airline revenue was \$322.2 million, 5.0 percent lower than prior year and 0.1 percent higher than forecast. Non-airline revenue was \$392.5 million, 6.5 percent higher than the prior year and 4.0 percent higher than forecast. Mr. Rountree reported that O&M expenses through November 2018 were \$351.3 million, 4.5 percent higher than prior year and 5.0 percent lower than forecast. The debt service coverage for November 2018 was 1.85x, which would likely adjust slightly as a result of the year-end settlement process, but is still expected to close out 2018 favorably.

November 2018 Financial Report – Dulles Corridor Enterprise. Mr. Wedding reported that total revenue was \$139.3 million year to date, revenues were 0.6 percent lower than last year and 1.7 percent lower than forecast. He stated that transactions year to date are 88.8 million as of November 2018, trending 0.9 percent lower than last year and 2.4 percent lower than forecast. Mr. Wedding stated that electronic toll collections remain steady at 89.6 percent. Toll Road expenditures were \$27.1 million year to date, trending 4.7 percent higher than last year this time and 1.3 percent lower than forecasted for the year.

Ms. Hanley asked whether the number of actual transactions can be provided since the I-66 tolls have now been in effect for one year. She also inquired about how the partial federal government shutdown (shutdown) is affecting traffic on the Dulles Toll Road. Mr. Rountree stated that finance staff has carefully monitored the activity since the Dulles Toll Road toll rate increase was implemented in January, and he complimented the Operations team for the smooth transition process. He advised that it would be difficult to dissect the impact of the shutdown versus the increased toll rates on the Dulles Toll Road. Mr. Rountree reported that once the federal government reopened, it would be easier to compare the activity levels and determine the impact of the shutdown. He stated that the impact of the inclement weather over the last several weeks must also be considered. Ms. Hanley observed that the amount of revenue collected might not be a good indicator of the impact of the shutdown, but that the number of transactions would be a clearer representation. Mr. Rountree added that staff would provide the requested information about the transactions.

The meeting was thereupon adjourned at 8:51 a.m.