SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF OCTOBER 21, 2015

Mr. Session chaired the October 21 Finance Committee Meeting, calling it to order at 11:40 a.m. A quorum was present during the Meeting: Mr. Caputo, Mr. Kennedy, Ms. Merrick, Mr. Pozen, and Ms. Wells. Mr. Gates, Mr. Griffin, Ms. Hanley, Ms. Lang, Mr. Mims and Mr. Williams were also present.

Draft 2016 Budget. Andy Rountree, Vice President and Chief Financial Officer, was joined by Rita Alston, Budget Manager, and Teri Arnold, Rates and Charges Manager, to present a summary of the 2016 draft budget and highlight the goals and objectives. Mr. Rountree reported that the budget is based on the most current aviation activity forecast for both Airports and the Airports Authority system wide. He reviewed the three Aviation Enterprise Fund budgets: 1) Aviation Operation and Maintenance (O&M) Program; 2) Aviation Capital, Operation and Maintenance Investment Program; and 3) Aviation Capital Construction Program. Mr. Rountree outlined how revenue is generated for the O&M Program and reviewed budgetary comparisons of 2015-2016 for both Airports, Consolidated Functions, Public Safety and Debt Service. He summarized the Aviation Enterprise's 2016 highlights, including personnel compensation adjustments; personnel benefit programs; utilities; insurance; debt service; estimated operating revenues; and other services. With regard to the Dulles Corridor Enterprise Fund, Mr. Rountree stated that it is set up into three separate and distinct budgets, very similar to how the Aviation Enterprise Fund is organized [1) Dulles Corridor O&M; 2) Dulles Corridor Renewal and Replacement Program; and 3) Dulles Corridor Capital Improvement Program]. With respect to the Metrorail Project, which is budgeted within the Dulles Corridor Enterprise Fund's Capital Improvement Program, there is no recommended change to the current Metrorail Project budget. Mr. Rountree reviewed the key takeaways for the 2016 Budget: investing in non-airline revenue generation; alignment with activity levels at each Airport; continuing investment in Authority employees with pay for performance program, health and retirement benefits programs, and employee development programs; continuing transition to in-house talent versus contractual services for Technology; continuing investment in Airport facilities and equipment; mitigating the required increases in debt service; minimizing the costs charged to the airlines for competitive rates and charges; continue to fund safety and security programs; enhancing customer service initiatives; and no anticipated Dulles Toll Road rate increases through 2018. He noted that staff would present its recommended budget to the Committee in November, which would be considered by the Board in December.

Ms. Hanley asked how the substantial decreases in non-personnel expenses for Dulles International had been generated. Ms. McKeough explained that the adjustments represented budget-to-budget expenses instead of an actual reduction in expenditures. She further explained that the reduction that Ms. Hanley had referenced was associated with the new in-line baggage screening systems as opposed to the bag carousels. Ms. McKeough reported that new in-line baggage systems had opened this year and the model had changed. Additionally, Ms. McKeough noted that United Airlines had assumed some operating expenses for one of the systems. Ms. Hanley requested that the 2016 Budget include line items for actual expenses, to which Mr. Rountree agreed. Ms. McKeough assured the Board that there is consistent focus on actual expenses when reviewing the budgets at the various levels of the organization.

Ms. Wells inquired about the costs for the proposed new positions and full-time position conversions. Mr. Rountree stated that he would provide the information at a later time.

Mr. Gates asked if a reduction in full-time positions was anticipated. Mr. Rountree stated that there had been requests to reprogram some positions, but that no reductions in existing positions were expected. He explained that the request would be to redefine and redeploy a particular position for a different function. Mr. Potter noted that Authority staff is re-evaluating current authorized job positions but that the process would not be completed in time for inclusion in the 2016 Budget.

Mr. Gates suggested Mr. Rountree share the reasons why increases in the DTR rates were not projected for the next several years. Mr. Rountree stated that several factors had contributed to maintaining existing DTR rates. One of the largest had been the Authority securing the Transportation Infrastructure Finance and Innovation Act loan with favorable interest rates. Additionally, funds from the Commonwealth of Virginia had been used to offset some of the interest costs associated with the debt for the Dulles Corridor. Mr. Rountree noted that the Commonwealth had also subsequently contributed an additional $300 million. He stated that the Authority is appreciative of its funding partners.

Pre-Solicitation Terms for Underwriting Services. Mr. Pozen recused himself from participating in the Finance Committee's consideration for underwriting services. He reported that after consultation with the Ethics Officer, he had determined that he had an apparent, though attenuated, conflict of interests. Mr. Pozen stated that Wells Fargo, N.A., is a subsidiary of Wells Fargo and Company, as is Wells Fargo Securities, one of the Authority's current pool of underwriters, which will be affected by the Board's decision whether and on what terms the Authority should issue a Request for Proposals from investment banking firms to provide underwriting services. He noted that his recusal was the result of a truly abundance of caution. Mr. Pozen stated that he had executed a recusal agreement with the Ethics Officer and the Secretary of the Board. Additionally, he had asked the Secretary to file his recusal agreement in the Board's official records. Mr. Pozen stated that he would step away from the table while the matter was discussed.

Mr. Rountree noted that the Board had reserved to itself the authority to select underwriters and to select senior managers to lead the underwriting syndicate for each bond sale under a prior resolution. He reported that in 2012 two separate syndicates of investment banking firms had been selected to serve as underwriters for each enterprise for a term of three years with an extension option for one or more years at the Board's discretion. In February 2015, the Finance Committee recognized that all of the Dulles Corridor Enterprise financings had been virtually completed, and it had approved the staff recommendation to combine the two syndicates into one underwriting pool. Mr. Rountree explained that the amended syndicate was used solely for the purpose of issuing the 2015 bonds with the understanding that a new solicitation for an underwriting pool would be completed after that issuance and prior to the execution of the 2016 Plan of Finance. He stated that although option years remained on the existing contract, the Board had expressed its preference to issue a new solicitation, consistent with best practices. Mr. Rountree explained that the solicitation would form a pool of underwriters from which a subset would be selected as the syndicate for the new 2016 bond deal. He noted that the subsets of the pool would be reselected for subsequent bond deals. Mr. Rountree reviewed the evaluation criteria and terms of a three-year contract with extension options for one or more years consistent with the existing resolution. He also reviewed the schedule associated with the solicitation noting that the recommendation of the underwriting pool and initial syndicate would be considered in December.

The Committee concurred with the pending procurement.

In the interest of time, Mr. Session reported that the Financial Advisors' Report and September Financial Report for the Aviation and Dulles Corridor Enterprises would be accepted as submitted. He noted that the review of the Investment Program would be deferred until the November meeting.

The meeting was thereupon adjourned at 12:28 p.m.