

**REPORT TO THE FINANCE COMMITTEE**

**QUARTERLY REPORT ON  
INVESTMENT PROGRAM**

**MARCH 2012**

**REPORT TO THE FINANCE COMMITTEE  
QUARTERLY REPORT ON  
INVESTMENT PROGRAM**

As of December 31, 2011, the Total Portfolio decreased by \$371.9 million, from \$1,962.9 million to \$1,591.0 million.

	Dec 31	Sept 30	Change
Total Aviation	\$1,109.7	\$ 1,279.8	\$ (170.1)
Total Dulles Corridor	\$ 481.3	\$ 683.1	\$ (201.8)
Total Portfolio	<u>\$1,591.0</u>	<u>\$ 1,962.9</u>	<u>\$ (371.9)</u>

## Aviation

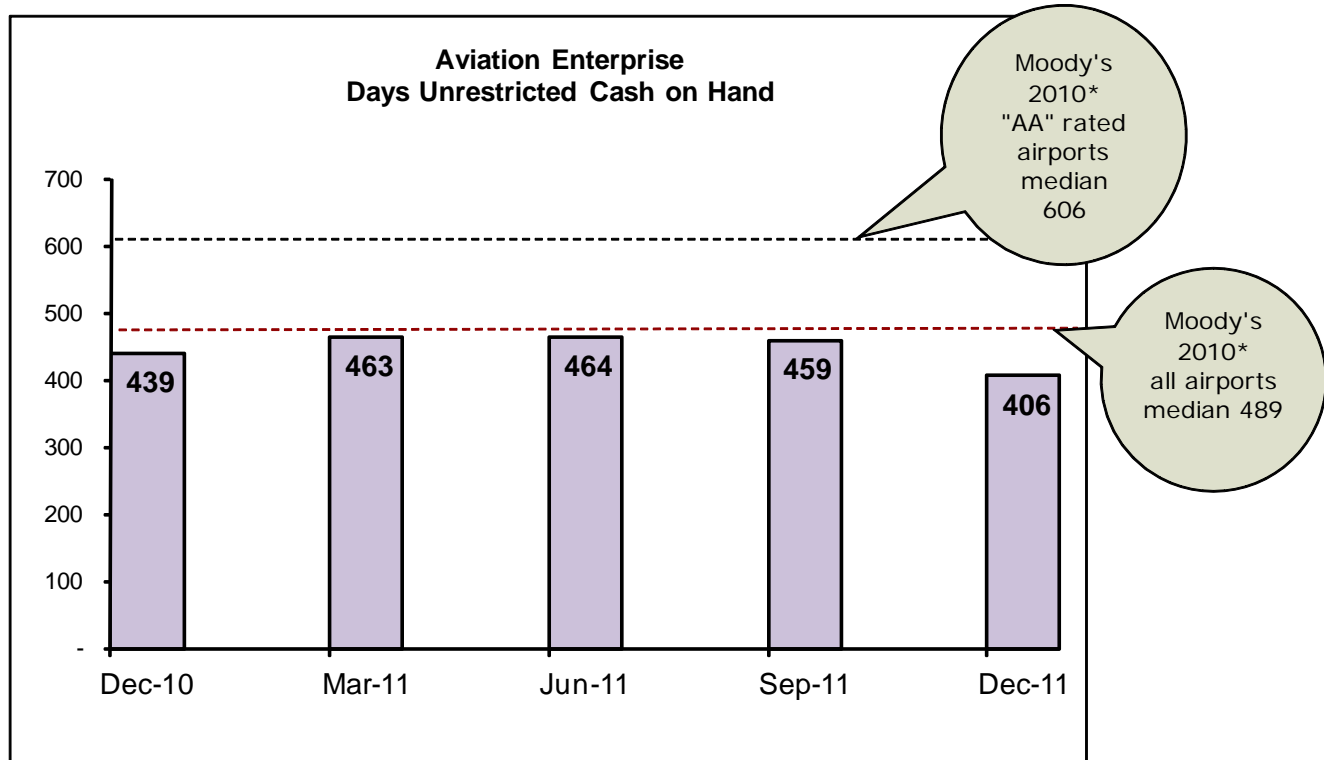
### Portfolio decreased \$170.1 million

Aviation (in millions)	Dec 31	Sept 30	Change	
Operating	\$ 383.2	\$ 370.6	\$ 12.6	
Construction	178.8	207.0	(28.2)	Construction Spending
Capitalized Interest	24.9	28.5	(3.6)	
Cost of Issuance	1.6	1.6	0.0	
PFC/Grants	62.2	51.7	10.5	
Debt Service Reserve	368.8	387.0	(18.2)	Annual valuations of DSR accounts
Debt Service Interest	54.1	107.6	(53.5)	October 1 Payment of \$104.3 million
Debt Service Principal	29.6	119.3	(89.7)	October 1 Payment of \$118.9 million
FAA ATCT Escrow	6.5	6.5	-	
<b>Total Aviation</b>	<b><u>\$1,109.7</u></b>	<b><u>\$ 1,279.8</u></b>	<b><u>\$ (170.1)</u></b>	

## Dulles Corridor Portfolio decreased by \$201.8 million

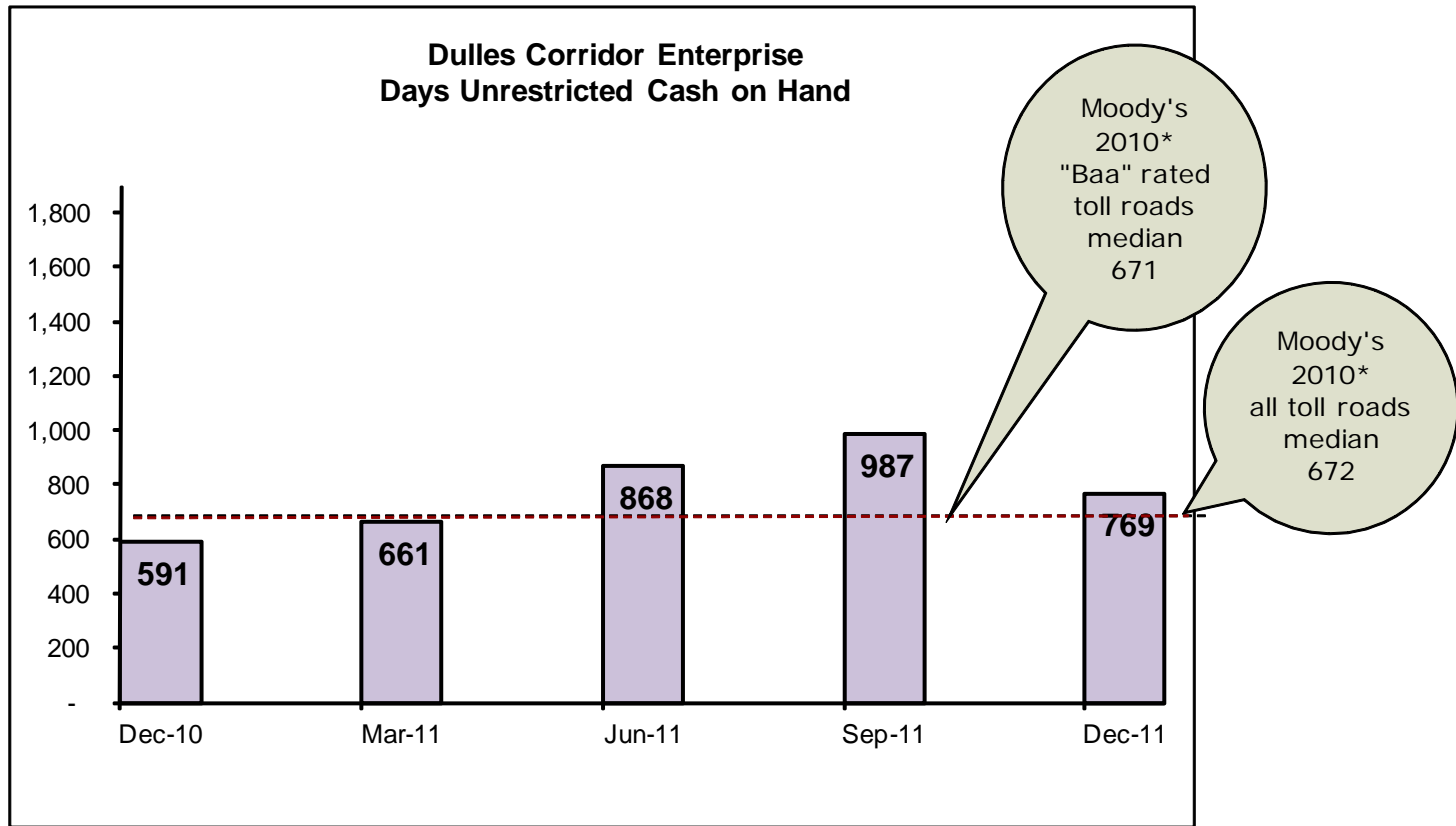
Dulles Corridor (in millions)	Dec 31	Sept 30	Change	
Toll Road Revenues	\$ 29.8	\$ 61.8	\$ (32.0)	Funds moved to reserve accounts
Toll Road Operating	6.1	5.2	0.9	
Capital Improvement	67.0	71.1	(4.1)	Construction Spending
Construction	22.6	25.0	(2.4)	Construction Spending
Cost of Issuance	1.3	1.3	0.0	
Debt Service Reserve	123.5	122.8	0.7	
Debt Service Interest	17.7	33.3	(15.6)	October 1 Payment of \$26.0 million
State Funds	0.0	0.0	(0.0)	
Federal Reimbursement Funds	59.9	248.0	(188.1)	Construction Spending
Fairfax Funds	113.1	88.7	24.4	
Escrows	40.3	25.9	14.4	
<b>Total Dulles Corridor</b>	<b>\$ 481.3</b>	<b>\$ 683.1</b>	<b>\$ (201.8)</b>	

# QUARTERLY REPORT ON OPERATING LIQUIDITY BENCHMARKS FOR AVIATION AS OF DECEMBER 31, 2011 - PRELIMINARY





## QUARTERLY REPORT ON OPERATING LIQUIDITY BENCHMARKS FOR DULLES TOLL ROAD AS OF DECEMBER 31, 2011 - PRELIMINARY



REPORT TO THE FINANCE COMMITTEE  
QUARTERLY REPORT ON  
INVESTMENT PROGRAM  
MARCH 2012

ACTION REQUESTED

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

BACKGROUND

The Management Investment Committee met on February 1, 2012, to discuss the results of the prior quarter of the Airports Authority's investment program and to formulate an 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 adopted. The Committee decided to maintain five months of operating cash in highly liquid investments, including securities scheduled with a 150 days maturity, repurchase agreements and money market mutual funds, and to invest operational funds in securities maturing in 9 to 15 months. The Committee reviews information on general economic market conditions, monitors the investment portfolios, and evaluates investment results in determining the forward quarter investment strategy.

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

- A. Economic Conditions and Outlook
- B. Minutes of the November 1, 2011 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  
March 2012

January 30, 2012

**ECONOMIC CONDITIONS AND OUTLOOK**

**Federal Open Market Committee (FOMC)** - The FOMC met on January 25 and voted to keep rates at 0-.25 percent. The FOMC Announced they will keep rates low until 2014.

**Consumer Price Index (CPI)** - The Consumer Price Index was unchanged in December on a seasonally adjusted basis. Over the last 12 months, the index increased 3.0 percent before seasonal adjustment.

**Producer Price Index (PPI)** - The Producer Price index declined 0.1 percent in December, seasonally adjusted. On an unadjusted basis, the index for finished goods increased 4.8% in 2011 after rising 3.8 percent in 2010.

**Retail Sales** - Sales rose less than projected in December, confirming forecasts for a slowdown in consumer spending at the start of 2012.

**Consumer Confidence** - The consumer confidence index, which increased in November, increased further in December. The index now stands at 64.5 (1985=100), up from 55.2 in November.

**Inventories** - Business inventories at November 30 were up 0.3 percent from October 2011 and up 8.5 percent from November 2010.

**Capacity Utilization** - The capacity utilization for total industry rose to 78.1 percent, a rate 2.3 percentage points below its long-run (1972-2010) average.

**Leading Economic Indicators** - The leading economic indicators rose in December for a third month. Seven of the ten indicators contributed to the increase. In addition, the components of the index have been revised. Instead of using the inflation-adjusted money supply, the Conference Board will use its own Leading Credit Index, which aggregates measures of the yield curve, interest rate swaps and the Fed's senior loan officer survey. The Institute for Supply Management's supplier deliveries gauge was replaced by the group's index of new orders.

**Federal Surplus/Deficit** - The U.S. government posted a deficit of \$321.7 billion through December 2011.

**Unemployment** - The U.S. economy added 200,000 in December leaving an unemployment rate of 8.5 percent.

**SUMMARY**

Wells Fargo Securities has stated "The Federal Open Market Committee (FOMC) retained its outlook for moderate growth and subdued inflation and, thereby, a path of the federal funds rate consistent with those expectations--this is not a forecast. The interest rate path in the future is conditional upon the outcomes for growth and inflation. The Committee extended its timeline for "exceptionally low levels for the federal funds rate at least through late 2014." The FOMC is going with easier policy for a longer period. However, there are risks for decision makers here. The FOMC has opened the door to QE3."



**MINUTES OF INVESTMENT COMMITTEE MEETING**

November 1, 2011

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 3:00 p.m. in the President's conference room. Attending the meeting were committee members Jack Potter, Margaret McKeough, Steve Baker and Andy Rountree. Nancy Edwards and David Tucker of the Treasury Department were also in attendance.

The minutes from the August 11, 2011 meeting were approved.

Ms. Edwards reported that the total portfolio had increased from \$1,885.1 million to \$1,962.9 as of September 30, 2011. The Aviation portfolio increased by \$210.1 million due to the issuance of the Series 2011A and 2011B bonds, and the Dulles Corridor portfolio decreased by \$132.3 million.

The Committee reviewed each portfolio. Items of note include:

- Ms. Edwards reviewed the analysis of cost of issuance for bonds compared to peer airports that was produced by the Financial Strategy and Analysis department. The Committee has requested the analysis be included in future Investment Committee books.
- With the next report, the report to the Finance Committee will be included throughout the Investment Committee book.
- The Finance Committee Reports for the Investment Committee and the Semi-Annual Banking Relations were included in the package and reviewed.
- Ms. Edwards explained the balances in the Debt Service Interest and Principal accounts were at their highest on September 30 since the funds were used on October 1<sup>st</sup> to pay the bondholders interest and principal.

Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy. With the continuing mixed economic indexes, the Committee agreed to continue to invest in the 12 to 15 month range.

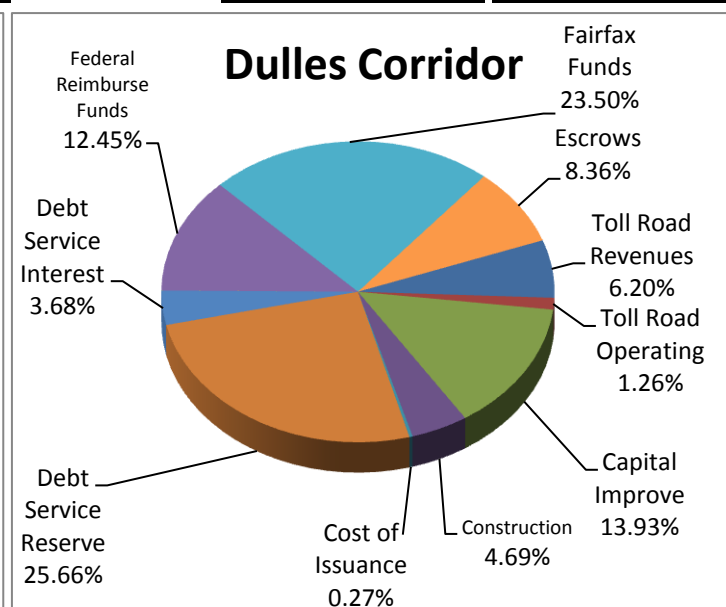
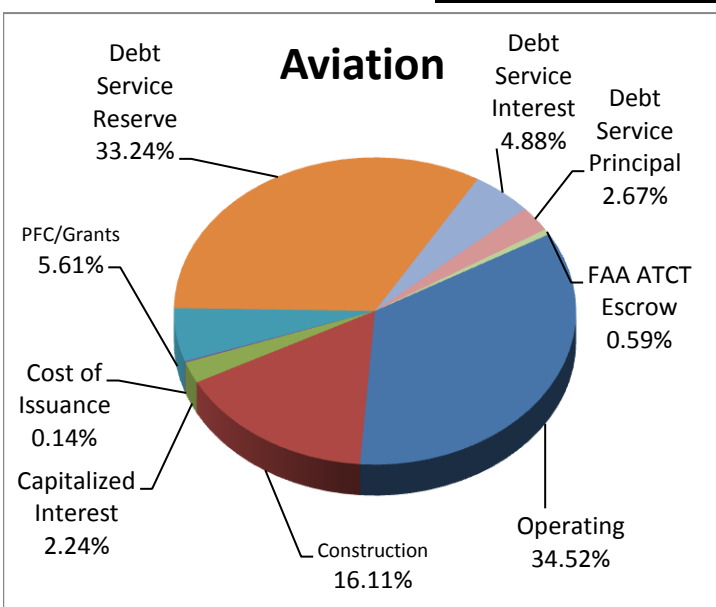
Nancy L. Edwards

## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Account

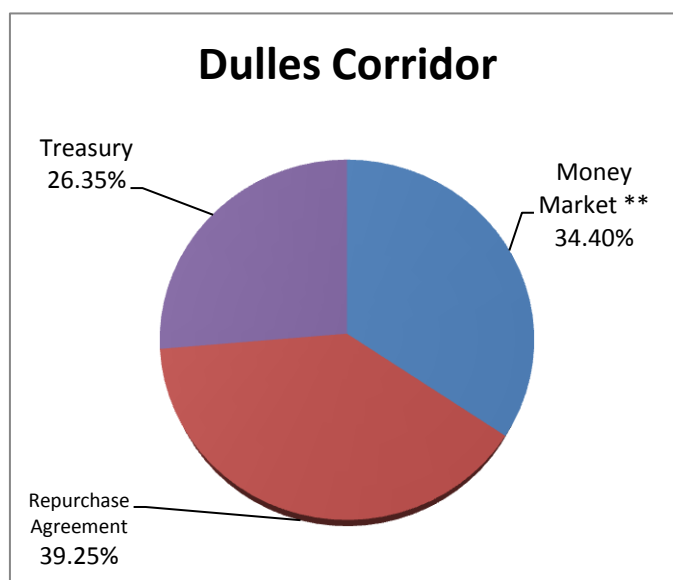
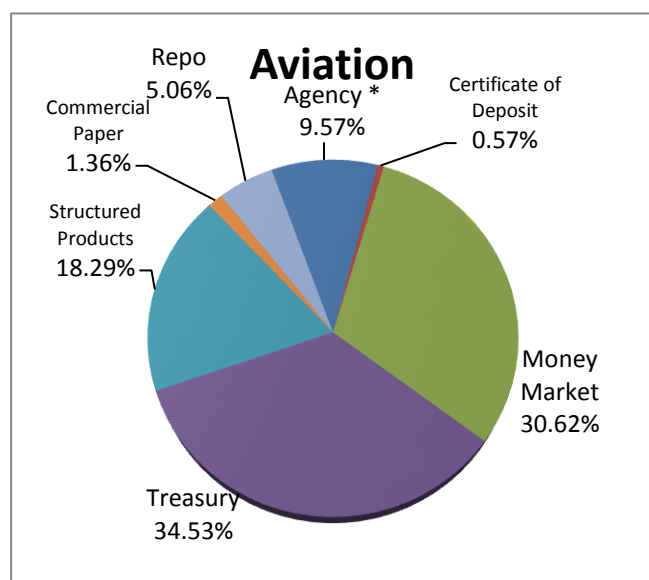
As of December 31, 2011

<u>Aviation</u>	Dec 31	Interest Rate	Sept 30	June 30
Operating	\$383,095,097	0.20%	\$370,707,918	\$412,330,056
Construction	178,799,168	0.10%	206,999,282	34,125,991
Capitalized Interest	24,906,603	0.10%	28,483,413	11,775,745
Cost of Issuance	1,555,995	0.08%	1,555,961	693,665
PFC/Grants	62,206,693	0.02%	51,716,219	45,014,443
Debt Service Reserve	368,844,487	3.73%	386,953,373	410,215,037
Debt Service Interest	54,130,349	0.02%	107,558,508	58,765,803
Debt Service Principal	29,636,555	0.02%	119,257,567	90,239,074
FAA ATCT Escrow	6,546,678	0.02%	6,546,678	6,546,677
<b>Total Aviation</b>	<b>\$1,109,721,625</b>	<b>1.33%</b>	<b>\$1,279,778,919</b>	<b>\$1,069,706,491</b>
<b><u>Dulles Corridor</u></b>				
Toll Road Revenues	29,829,378	0.02%	61,731,199	50,450,655
Toll Road Operating	6,076,047	0.02%	5,168,050	7,063,675
Capital Improvement	67,026,335	0.04%	71,119,417	72,335,749
Construction	22,558,885	0.04%	24,990,325	80,613,261
Cost of Issuance	1,295,042	0.04%	1,295,011	1,294,977
Debt Service Reserve	123,505,932	2.97%	122,840,222	123,079,602
Debt Service Interest	17,727,236	0.02%	33,319,852	16,659,908
Debt Service Principal	0	0.00%	0	0
State Funds	8,844	0.02%	9,355	9,307
Federal Reimbursement Funds	59,943,229	0.04%	248,038,756	324,642,928
Fairfax Funds	113,084,179	0.04%	88,696,925	113,525,485
Escrows	40,250,626	0.04%	25,876,348	25,683,416
<b>Total Dulles Corridor</b>	<b>\$481,305,733</b>	<b>0.79%</b>	<b>\$683,085,460</b>	<b>\$815,358,963</b>
<b>Total Portfolio</b>	<b>\$1,591,027,358</b>	<b>1.17%</b>	<b>\$1,962,864,379</b>	<b>\$1,885,065,454</b>



**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Total Portfolio By Security Type**  
**As of December 31, 2011**

	<b>Dec 31</b>	<b>Sept 30</b>	<b>June 30</b>
<b>Aviation</b>			
Agency *	\$104,537,470	\$154,758,463	\$186,545,074
Certificate of Deposit	6,250,000	5,507,791	5,762,541
Money Market **	330,874,020	482,192,279	299,545,414
Treasury	397,284,086	337,402,690	334,911,567
Structured Products	200,484,095	199,806,134	199,806,134
Commercial Paper	14,993,129	25,389,129	0
Repurchase Agreement	55,298,825	74,722,433	43,135,761
<b>Total Aviation</b>	<b>\$1,109,721,625</b>	<b>\$1,279,778,919</b>	<b>\$1,069,706,491</b>
<b>Dulles Corridor</b>			
Money Market **	\$165,574,536	\$171,907,256	\$162,752,176
Repurchase Agreement	188,940,322	384,387,329	476,435,596
Agency *	0	0	24,592,870
Treasury	126,790,875	126,790,875	151,578,321
Commercial Paper	0	0	0
<b>Total Dulles Corridor</b>	<b>\$481,305,733</b>	<b>\$683,085,460</b>	<b>\$815,358,963</b>
<b>Total Portfolio</b>	<b>\$1,591,027,358</b>	<b>\$1,962,864,379</b>	<b>\$1,885,065,454</b>



## \* Agency Split:

Home Loan	\$ 29,721,292
Freddie Mac	19,424,503
Fannie Mae	35,398,563
Farmer Mac	19,993,112
Farm Credit	-
<b>Total Agencies</b>	<b>\$ 104,537,470</b>

## \*\* Money Market Split

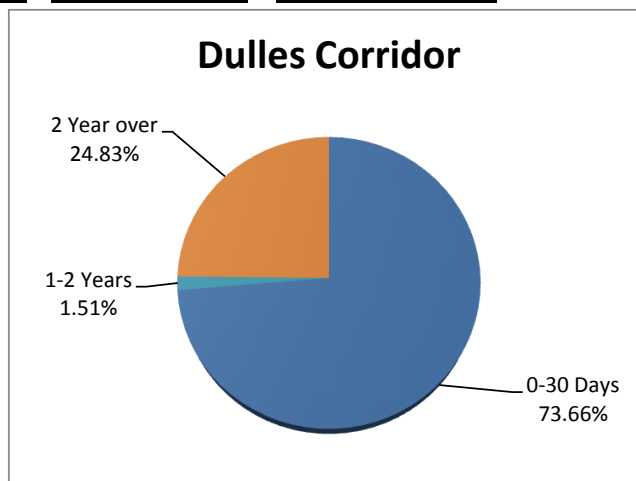
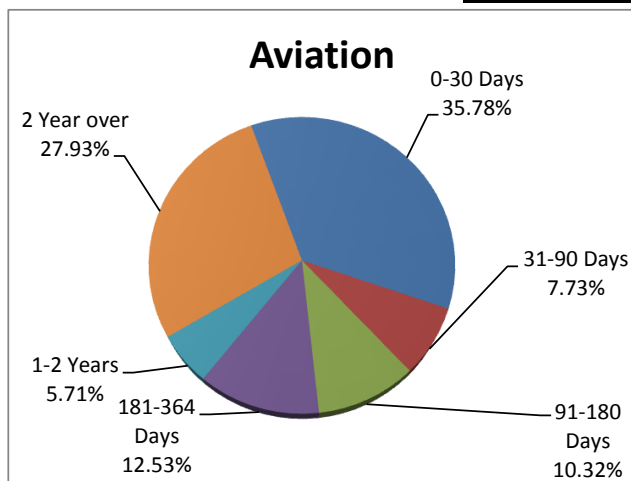
Federated Funds	\$ 195,533,133
M and T Funds	284,966,330
Fidelity Funds	6,546,678
NationsFund	9,402,415
	<b>\$ 496,448,556</b>

## METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

### Total Portfolio By Days to Maturity

As of December 31, 2011

Aviation	Dec 31	Sept 30	June 30
0-30 Days	\$397,093,937	\$586,240,267	\$342,435,926
31-90 Days	85,769,164	44,138,588	87,859,070
91-180 Days	114,511,569	106,787,053	82,280,729
181-364 Days	139,090,718	181,675,631	133,287,622
1-2 Years	63,361,206	51,042,347	69,613,972
2 Year over	309,895,031	309,895,033	354,229,172
<b>Total Aviation</b>	<b>\$1,109,721,625</b>	<b>\$1,279,778,919</b>	<b>\$1,069,706,491</b>
<b>Dulles Corridor</b>			
0-30 Days	\$354,514,858	\$556,294,585	\$688,568,088
31-90 Days	0	0	0
91-180 Days	0	0	0
181-364 Days	0	0	0
1-2 Years	7,259,625	7,259,625	7,259,625
2 Year over	119,531,250	119,531,250	119,531,250
<b>Total Dulles Corridor</b>	<b>\$481,305,733</b>	<b>\$683,085,460</b>	<b>\$815,358,963</b>
<b>Total Portfolio</b>	<b>\$1,591,027,358</b>	<b>\$1,962,864,379</b>	<b>\$1,885,065,454</b>



#### Arbitrage Status

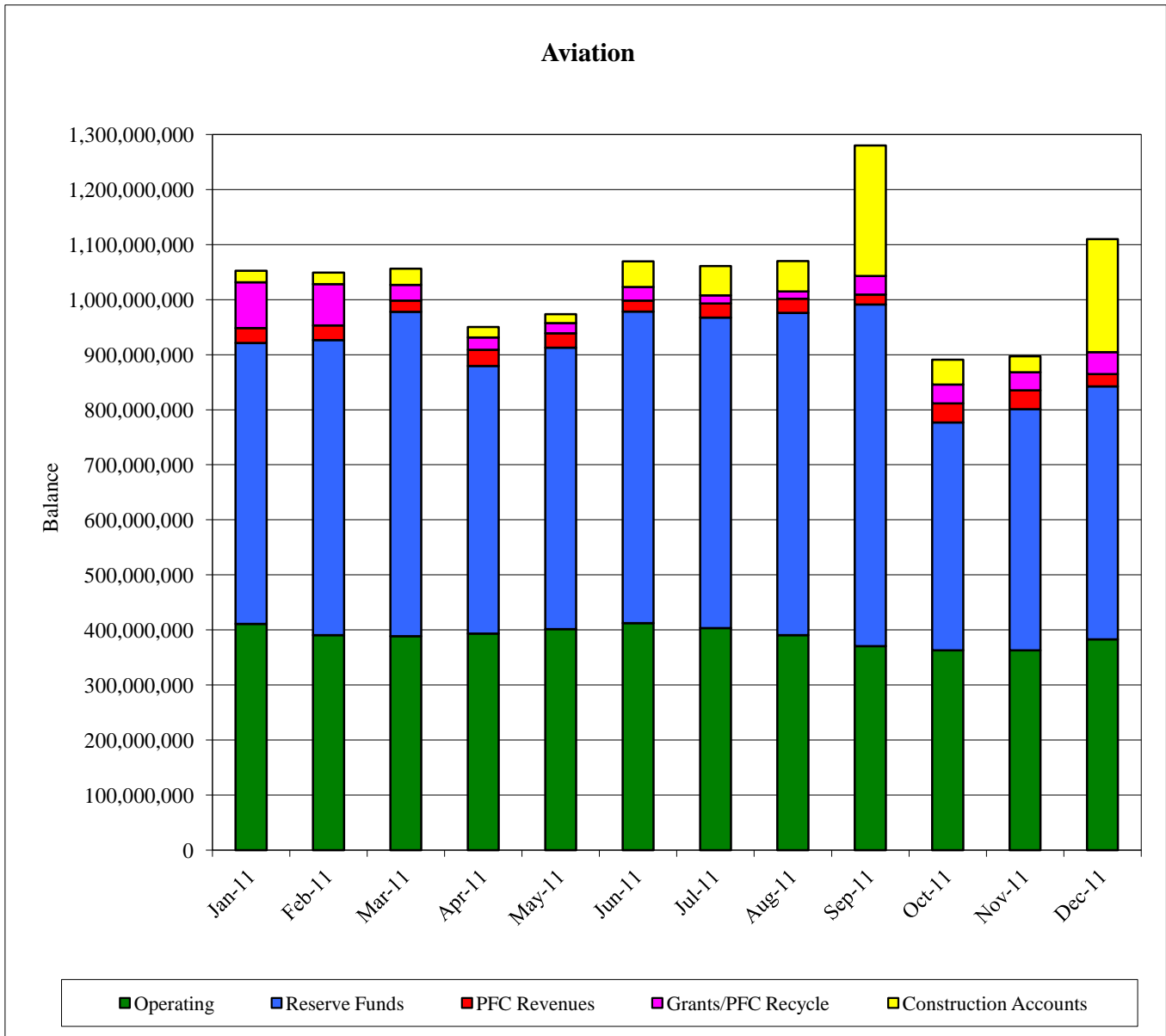
Aviation Issues	Bond Yield	40816	DCE Issues	Bond Yield	40816
1998A/1998B	5.06%	(2,321,878)	2009A	6.64%	(2,521,824)
2001A/B	5.14%	(8,864,571)	2009B	6.64%	(5,618,230)
2002A/2002B	5.27%	(18,086,142)	2009C	6.64%	(13,577,230)
2002C/2002D	5.10%	(5,308,798)	2009D	4.85%	(34,186,554)
2003A/B*	5.02%	(2,027,385)			
2003D*	1.76%	(2,281,057)			
2004B*	5.15%	(4,011,679)			
2005A/B*	4.86%	(3,530,876)			
CP1	3.06%	(489,789)			
CP2	3.19%	(148,357)			
2006A*	4.89%	(867,782)			
2006B*/2006C*	4.38%	1,474,665			
2007A	4.60%	(924,925)			
2007B*	4.47%	(2,472,494)			
2008A	5.21%	(3,356,332)			
2009A/2009B	4.86%	(5,972,212)			
2009C/2009D	3.91%	(795,275)			
2010A/2010B	4.04%	(57,354)			
2010F1	3.94%	(74,397)			

(\$60,116,638)

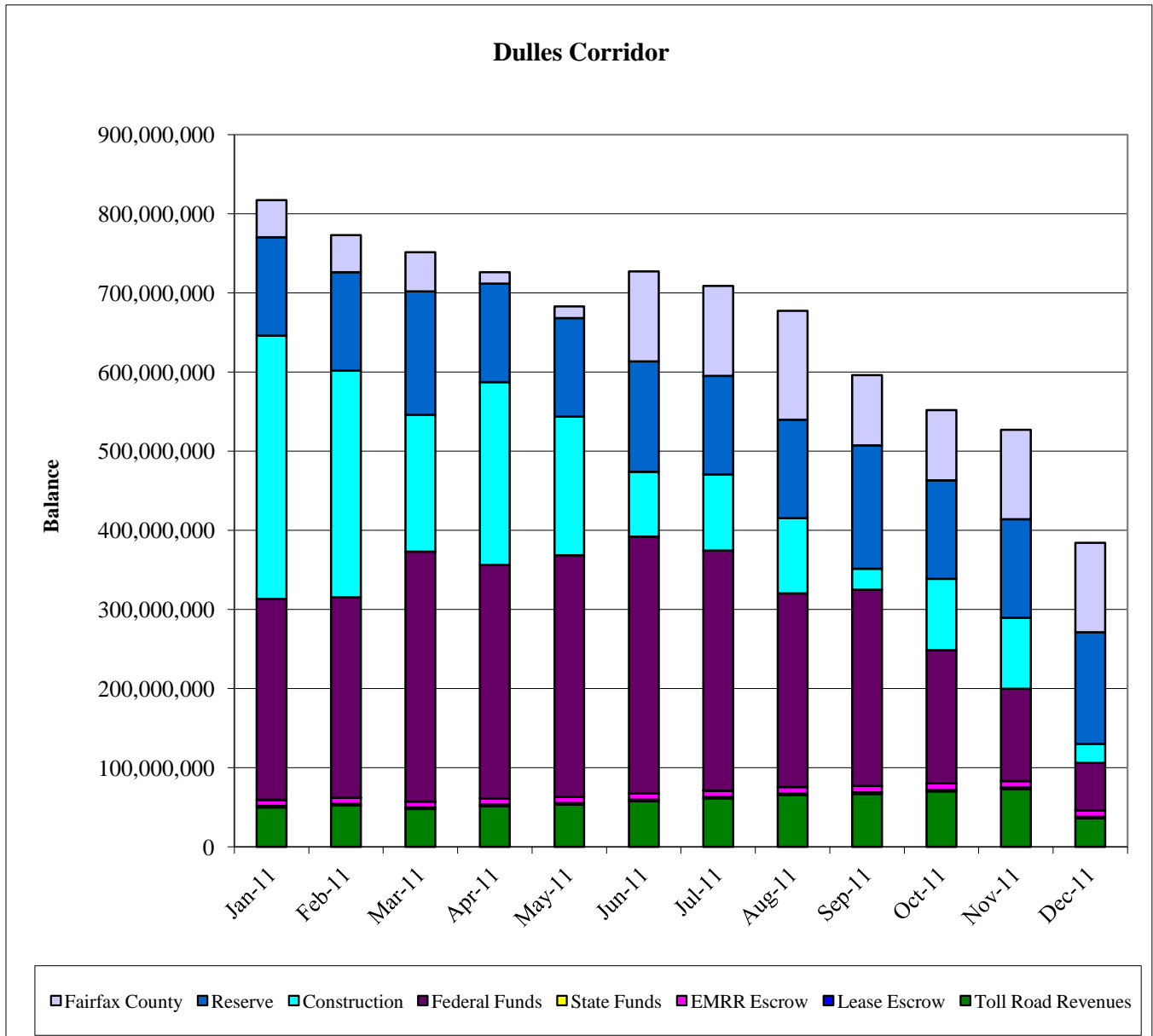
(\$55,903,839)

\* Debt Service Reserve Invested in Structured Product

**History of Fund Balances  
Aviation  
Rolling 12 Months  
As of December 31, 2011**



**History of Fund Balances  
Dulles Corridor Enterprise  
Rolling 12 Months  
As of December 31, 2011**



Investment Results - Targets and Benchmarks

December 2011

Aviation Operating Funds

1.000%

0.000%

	Quarter	Rolling 12 Month
Benchmark - 3 Mo T-Bill	0.127%	0.053%
Benchmark - Fed Funds	0.157%	0.102%
Yield Earned	0.392%	0.432%

Aviation Construction Funds

5.000%

4.000%

3.000%

2.000%

1.000%

0.000%

	Quarter	Rolling 12 Month
Benchmark - 1 Yr Treasury	0.257%	0.172%
Benchmark - 3 Mo T-Bill	0.127%	0.053%
Target - Arbitrage	4.691%	4.691%
Yield Earned	0.070%	0.120%

Aviation Debt Service Principal and Interest Funds

4.000%

2.000%

0.000%

	Quarter	Rolling 12 Month
Benchmark - 1 Yr Treasury	0.257%	0.172%
Target - Arbitrage	4.691%	4.691%
Yield Earned	0.070%	0.173%

Aviation Debt Service Reserve Funds

4.000%

2.000%

0.000%

	Quarter	Rolling 12 Month
Benchmark - 5 Yr Treasury	2.120%	1.523%
Target - Arbitrage	4.691%	4.691%
Yield Earned	3.096%	3.299%

Investment Results - Targets and Benchmarks

December 2011

