

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

ACTION REQUESTED

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

BACKGROUND

On October 31, 2012, the Airports Authority's Management Investment Committee held the quarterly meeting to review the investment program and 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 approved. The Committee decided to maintain five months of operating cash (including debt service) in highly liquid investments, including securities scheduled with a 150 days maturity, repurchase agreements and money market mutual funds, and to invest remaining operational funds in securities maturing in 9 to 12 months. The Committee additionally reviewed information on general economic market conditions, monitored the investment portfolios, and evaluated investment results in determining the forward quarter investment strategy.

The total Airports Authority portfolio increased by \$206.6 million from June 30, 2012 to September 30, 2012. The Aviation portfolio increased by \$74.7 million as funds are accumulated in preparation for the semi-annual interest and annual principal payments. The Dulles Corridor portfolio increased by \$131.9 million primarily in the construction funds after the issuance of \$149 million in Commercial Paper. On September 30, 2012, the Days Unrestricted Cash on Hand for Aviation was 456 days and the Days Reserved and Unrestricted Cash on Hand was 1,205 days for the Dulles Toll Road.

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

- A. Economic Conditions and Outlook
- B. Minutes of the July 30, 2012 and September 6, 2012 Investment Committee Meetings
- 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
November 2012

ECONOMIC CONDITIONS AND OUTLOOK AS OF OCTOBER 22, 2012

Federal Open Market Committee (FOMC) - The FOMC will meet on October 23 and 24. It is expected they will hold rates at 0-.25 percent.

Consumer Price Index (CPI) - The cost of living in the U.S. rose in September for a second month. The index increased 0.6 percent for a second month, more than forecast. The so-called core measure, which excludes food and energy costs, climbed 0.1 percent.

Producer Price Index (PPI) - Wholesale prices in the U.S. rose more than forecast in September, reflecting a jump in fuel costs that failed to trickle down to other goods. The index climbed 1.1 percent after a 1.7 percent gain in August.

Retail Sales - Americans snapped up goods from cars to iPhones in September at a faster pace than forecast showing consumer demand was heading into the year-end holidays on a high note. The 1.2 percent increase followed a revised 1.2 percent increase in August, the best back-to-back showing since late 2010.

Consumer Confidence - Confidence among American consumers jumped more than forecast in September as a budding housing recovery and rising stock prices gave households a reason to be upbeat. The index increased to 70.3, the highest level in seven months.

Inventories - Inventories in the U.S. rose at a slower pace in August, indicating an unexpected strength in sales may be starting to drain stockpiles.

Capacity Utilization - American manufacturers churned out more appliances, clothing and construction supplies in September, indicating a mainstay of the early part of the economic expansion is regaining its footing. Output at factories, mines and utilities rose 0.4 percent.

Leading Economic Indicators - The index rose in September by the most in seven months, boosted in part by a jump in permits for home construction.

Federal Surplus/Deficit - The U.S. ended the 2012 fiscal year with a deficit of \$1.09 trillion, the fourth-largest since World War II.

Unemployment - The unemployment rate fell to 7.8 percent in September. The economy added 114,000 workers in September after a revised 142,000 gain in August.

SUMMARY

As written in the AFP EconWatch newsletter today, "there is a complicating factor for the entire U.S. economy, financial professionals identify it being the looming "fiscal cliff." According to a [survey](#) of attendees to the AFP Annual Conference last week in Miami Beach, 75 percent of financial professionals believe if the expiration of tax cuts and mandatory spending cuts that are both scheduled at the end of the year were actually allowed to happen, the U.S. economy would significantly weaken. Further, half of survey respondents noted that their own company's business would deteriorate should the fiscal cliff happen. But that does not mean that financial professionals necessarily support maintaining the status quo with the federal budget - 63 percent of survey respondents said policymakers in Washington need to focus on "resolving long-term fiscal/deficit issues" once the 2012 election season ends in a few weeks."

MINUTES OF JULY 30, 2012 INVESTMENT COMMITTEE MEETING

July 30, 2012

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee convened at 1:00 p.m. in the President's conference room. Attending the meeting were committee members John E. Potter, Margaret McKeough, Steve Baker, Andy Rountree and Mark Adams. Nancy Edwards and David Tucker of the Treasury Department were also in attendance.

The minutes from the May 2, 2012 meeting were approved.

Ms. Edwards reported that the total portfolio had decreased from \$1,638.7 million to \$1,535.2 as of June 30, 2012. The Aviation portfolio decreased by \$17.6 million due to the payment of debt service interest and construction spending. Construction spending and the semi-annual interest payment caused the Dulles Corridor portfolio to decrease by \$85.9 million.

The Committee reviewed each portfolio. Items of note include:

- The Finance Committee reports for the Investment Committee and Banking Relations were reviewed.
- The Committee discussed the low interest rate environment and the lack of good news in the economic situation.
- The debt service accounts were discussed. Staff was able to invest a portion of the interest and principal funds, increase earnings.
- Mr. Rountree pointed out the plan to borrow on Dulles Corridor Commercial Paper to finance for the Dulles Corridor construction until we can issue bonds later this year.
- Ms. Edwards presented the new Financial Industry Regulatory Authority (FINRA) Certificate of Suitability that some broker/dealers are requesting. If the certificate is signed, we would be declaring we are Institution Investors and would be performing our own security and issuer research. In Ms. Edwards opinion, this would hamper our ability to take any legal action if a broker/dealer sells us a security not permitted in our Investment Policy. While recommended by FINRA, the form is not a requirement and we are able to continue to trade. We are just not labeled as an Institutional Investor with the Broker/Dealer. The Committee was informed we do not intend to sign.

Ms. Edwards summarized the economic conditions and outlook with a recommended investment strategy. The Committee discussed the various economic indexes and agreed to set the investment horizon for the next three months to 9 to 15 months.

Nancy L. Edwards

MINUTES OF SEPTEMBER 6, 2012 INVESTMENT COMMITTEE MEETING

September 6, 2012

Subsequent to the July 30 meeting, the Investment Committee reviewed and approved via email vote on September 6, 2012, to revise the Investment Objectives and Procedures to add section 5.7 as follows:

Before any purchase and/or sale can be completed by an Investment Official, a second Investment Official must review and sign off on the transaction on a transaction ticket. This ticket will be attached to the purchase card that is filed with the Authority Safekeeper. Upon completion, notification of the trade will be sent to the Custodial Agent or Trustee via email with copies sent to all Investment Officials, the Deputy CFO and the Safekeeper.

This section was added to add control to the investment process as recommended in the PwC management letter comment number 8.

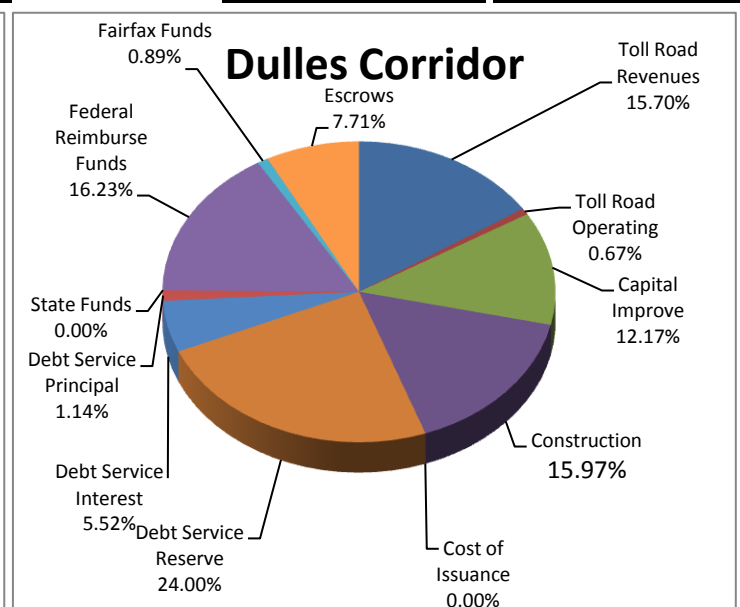
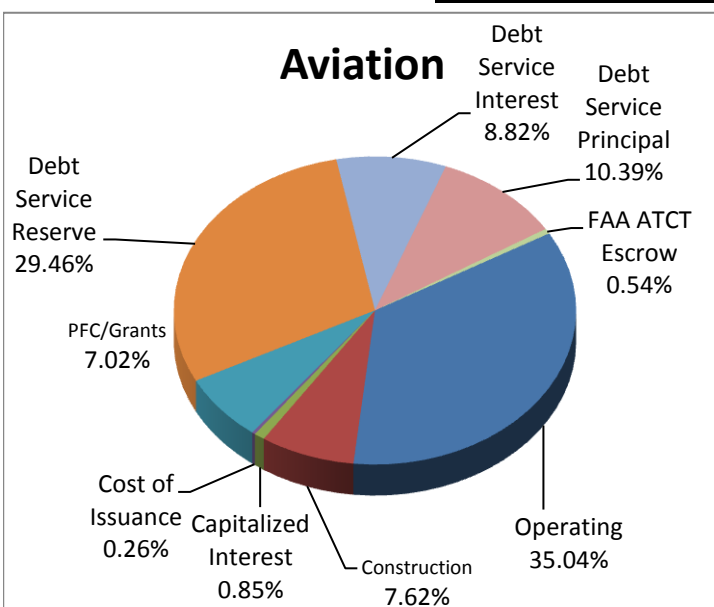
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

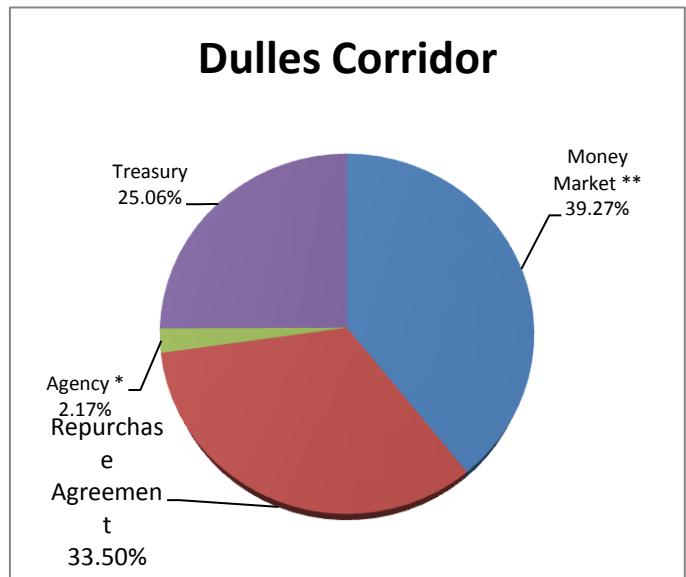
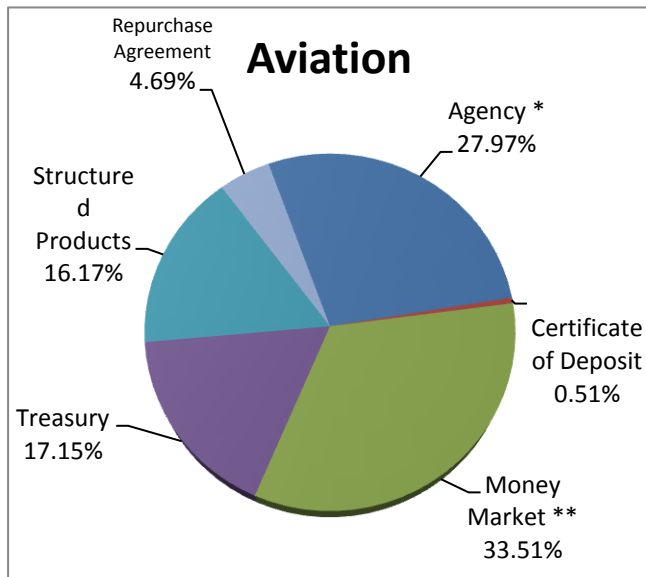
As of September 30, 2012

<u>Aviation</u>	Sep 30	Interest Rate	Jun 30	Mar 31
Operating	\$433,074,058	0.17%	\$399,067,370	\$378,343,043
Construction	93,990,693	0.06%	122,844,184	147,276,568
Capitalized Interest	10,511,171	0.10%	14,802,782	20,321,526
Cost of Issuance	3,273,963	0.02%	1,943,230	2,018,181
PFC/Grants	86,751,494	0.02%	76,543,706	68,596,953
Debt Service Reserve	364,038,783	3.74%	377,134,595	374,039,514
Debt Service Interest	109,048,968	0.03%	60,434,253	113,401,098
Debt Service Principal	128,435,812	0.06%	102,003,051	68,124,751
FAA ATCT Escrow	6,650,925	0.02%	6,336,814	6,547,058
Total Aviation	\$1,235,775,867	1.18%	\$1,161,109,985	\$1,178,668,692
<u>Dulles Corridor</u>				
Toll Road Revenues	79,427,766	0.04%	65,131,621	51,869,178
Toll Road Operating	3,382,243	0.02%	5,129,364	6,092,257
Capital Improvement	61,587,989	0.04%	62,006,393	66,656,997
Construction	80,799,772	0.04%	9,911,140	18,239,830
Cost of Issuance	-	0.04%	381,640	1,667,234
Debt Service Reserve	121,459,644	3.02%	120,448,364	124,517,312
Debt Service Interest	27,910,912	0.06%	17,159,798	34,133,045
Debt Service Principal	5,744,823	0.00%	4,308,561	2,393,629
State Funds	-	0.02%	13,368,894	1,968,284
Federal Reimbursement Funds	82,168,758	0.04%	30,755,913	55,590,840
Fairfax Funds	4,505,289	0.04%	6,442,636	58,268,766
Escrows	39,031,969	0.04%	39,007,450	38,645,125
Total Dulles Corridor	\$506,019,165	0.76%	\$374,051,774	\$460,042,497
Total Portfolio	\$1,741,795,031	1.06%	\$1,535,161,759	\$1,638,711,189



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of September 30, 2012

Aviation	Sep 30	Jun 30	Mar 31
Agency *	\$345,640,968	\$374,092,645	\$216,875,215
Certificate of Deposit	6,252,411	6,252,411	6,250,000
Money Market **	414,070,256	301,430,088	385,926,538
Treasury	211,973,988	252,204,457	316,835,766
Structured Products	199,806,134	199,806,134	199,998,334
Commercial Paper	-	0	9,947,639
Repurchase Agreement	58,032,110	27,324,250	42,835,200
Total Aviation	<u>\$1,235,775,867</u>	<u>\$1,161,109,985</u>	<u>\$1,178,668,692</u>
Dulles Corridor			
Money Market **	\$198,751,600	\$120,439,750	\$164,464,425
Repurchase Agreement	169,481,713	115,826,172	168,787,196
Agency *	10,994,977	10,994,977	-
Treasury	126,790,875	126,790,875	126,790,876
Total Dulles Corridor	<u>\$506,019,165</u>	<u>\$374,051,774</u>	<u>\$460,042,497</u>
Total Portfolio	<u>\$1,741,795,032</u>	<u>\$1,535,161,759</u>	<u>\$1,638,711,189</u>



* Agency Split:

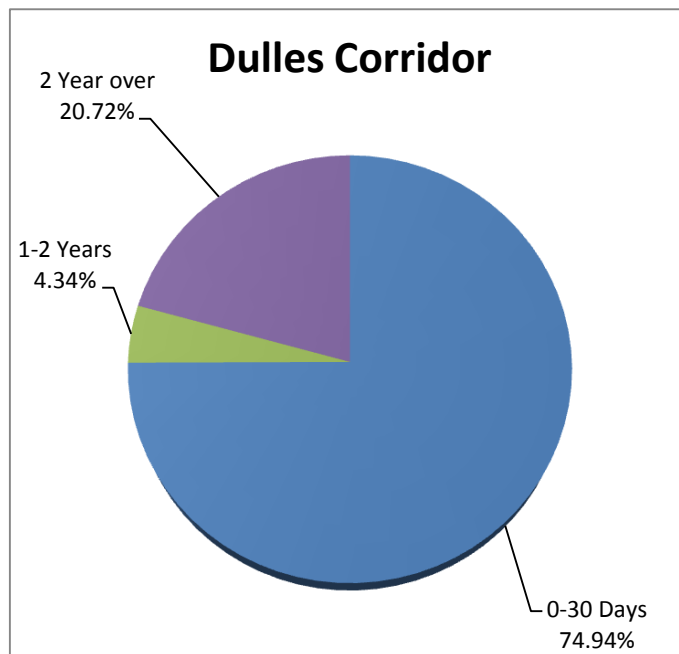
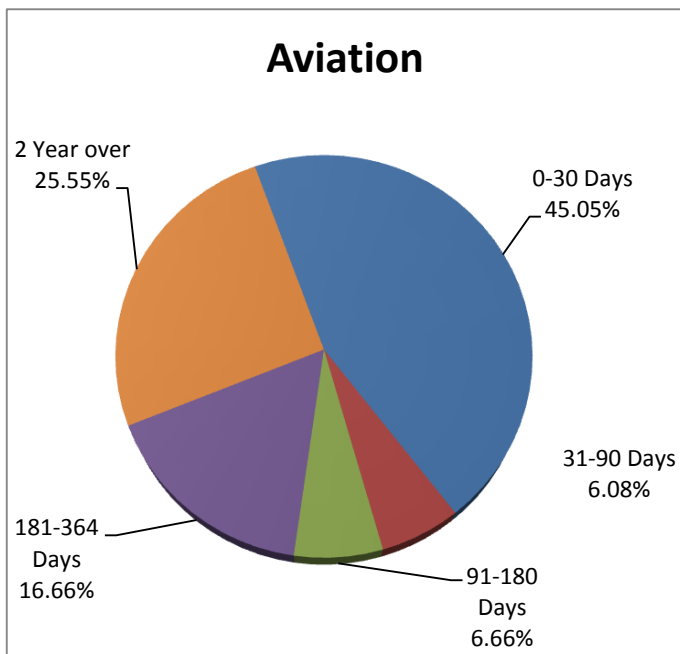
Home Loan	\$ 84,693,964
Freddie Mac	142,134,446
Fannie Mae	98,908,757
Farmer Mac	-
Farm Credit	30,898,779
Total Agencies	<u>\$ 356,635,945</u>

** Money Market Split

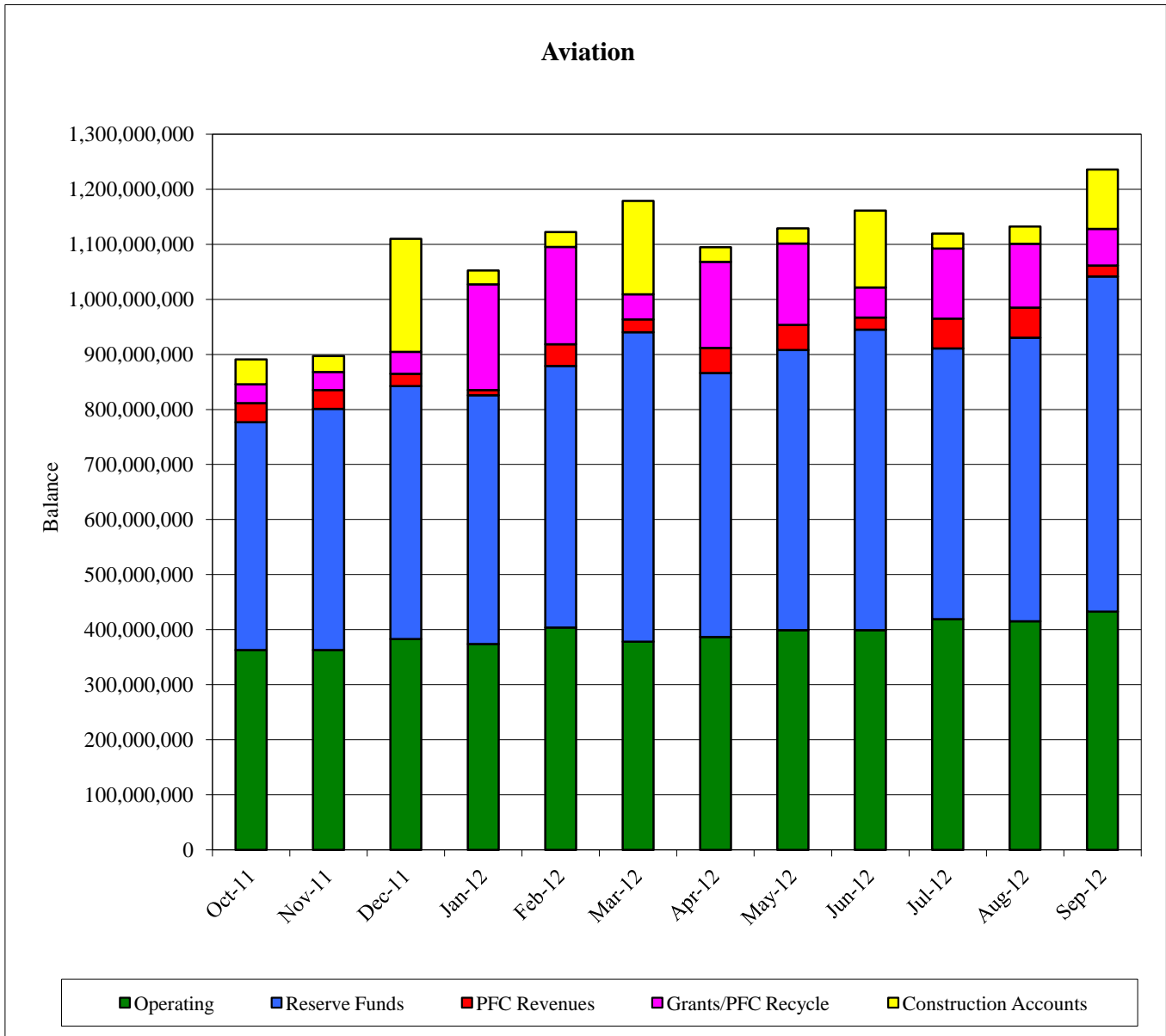
Federated Funds	\$ 21,310,702
Wilmington Trust	575,264,328
Fidelity Funds	6,650,925
NationsFund	9,595,900
	<u>\$ 612,821,856</u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of September 30, 2012

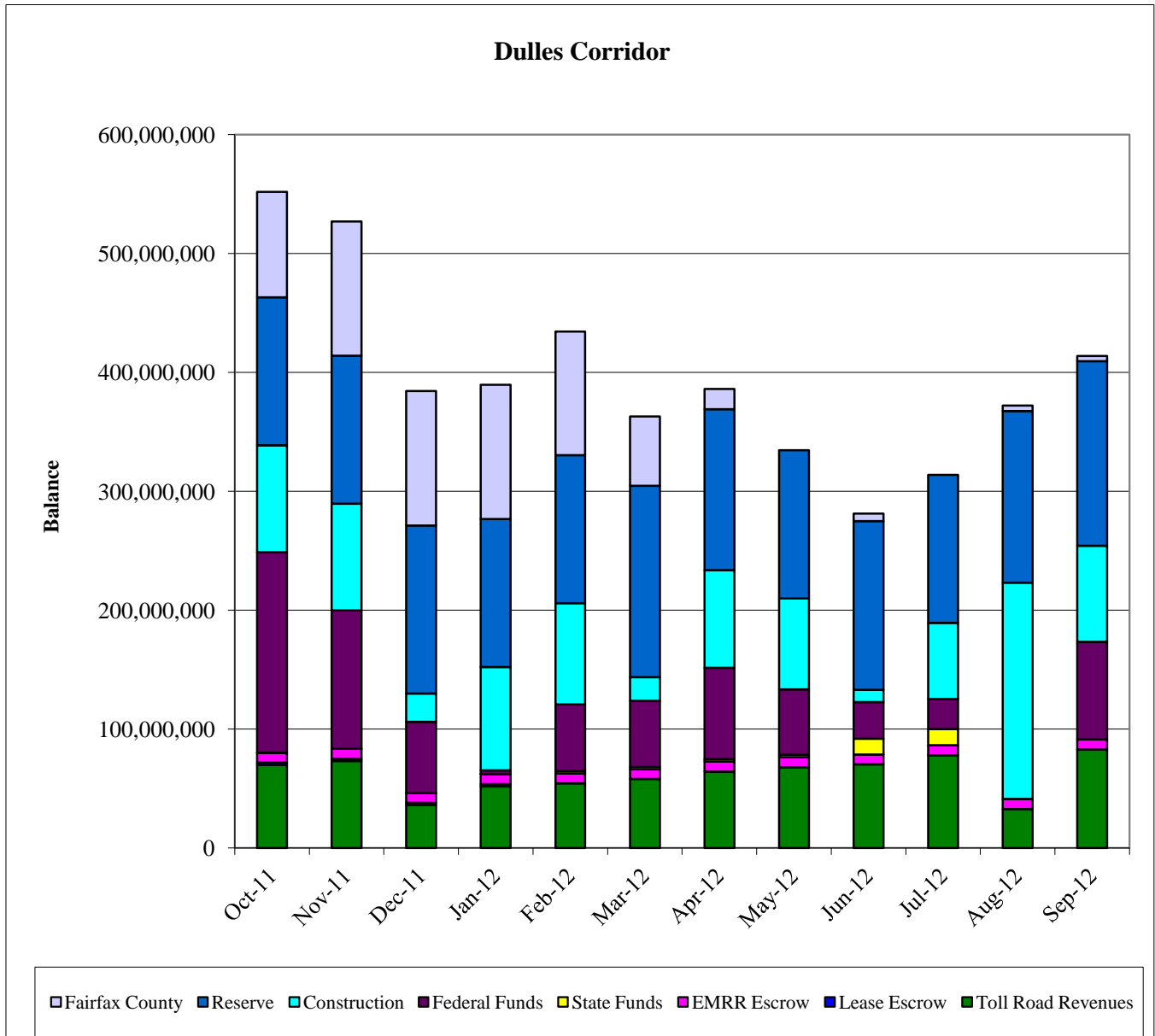
Aviation	Sep 30	Jun 30	Mar 31
0-30 Days	\$556,776,636	\$359,184,026	\$458,408,626
31-90 Days	75,148,055	70,534,886	64,273,661
91-180 Days	82,311,406	160,572,326	82,639,596
181-364 Days	205,838,937	199,192,222	183,922,532
1-2 Years	0	55,925,692	79,529,245
2 Year over	315,700,833	315,700,833	309,895,032
Total Aviation	<u>\$1,235,775,867</u>	<u>\$1,161,109,985</u>	<u>\$1,178,668,692</u>
Dulles Corridor			
0-30 Days	\$379,228,290	\$236,265,922	\$333,251,622
31-90 Days	-	-	-
91-180 Days	-	10,994,977	-
181-364 Days	-	-	-
1-2 Years	21,943,219	21,943,219	7,259,625
2 Year over	104,847,656	104,847,656	119,531,250
Total Dulles Corridor	<u>\$506,019,165</u>	<u>\$374,051,774</u>	<u>\$460,042,497</u>
Total Portfolio	<u><u>\$1,741,795,032</u></u>	<u><u>\$1,535,161,759</u></u>	<u><u>\$1,638,711,189</u></u>



**History of Fund Balances
Aviation
Rolling 12 Months
As of September 30, 2012**



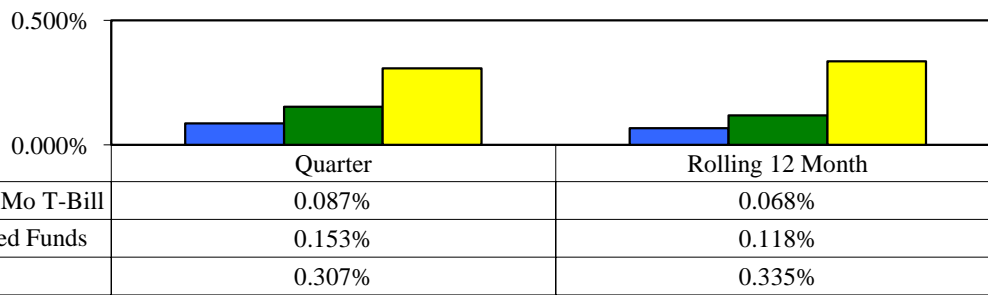
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of September 30, 2012**



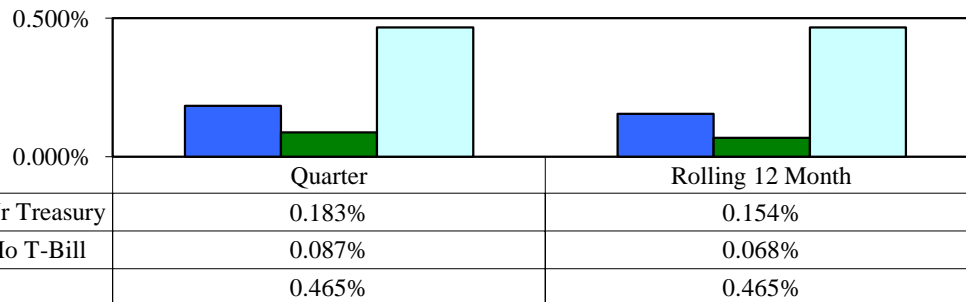
Investment Results - Targets and Benchmarks

September 30, 2012

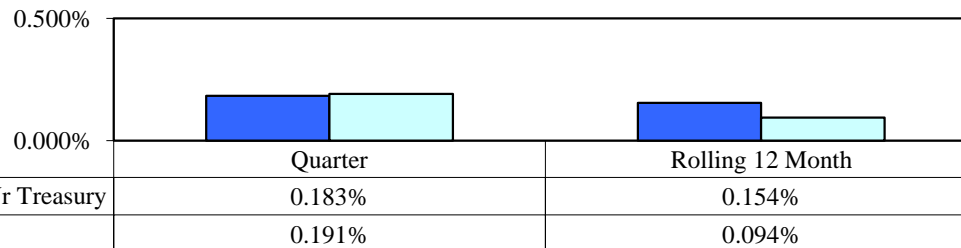
Aviation Operating Funds



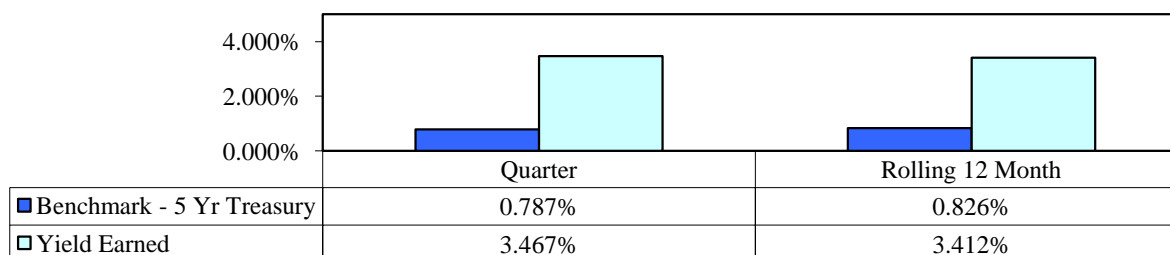
Aviation Construction Funds*



Aviation Debt Service Principal and Interest Funds*



Aviation Debt Service Reserve Funds*

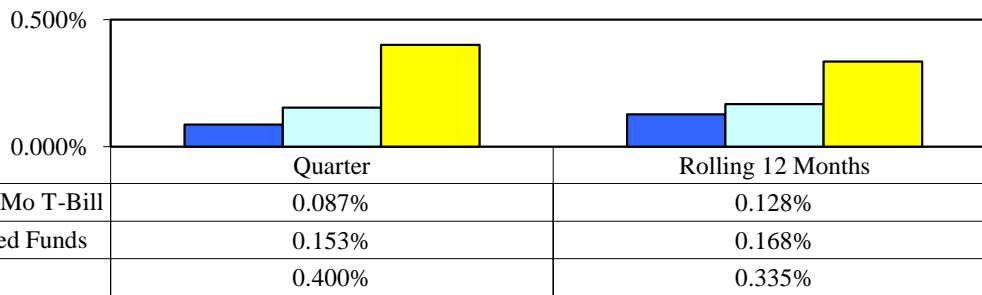


* Blended Arbitrage Rate of 4.691%

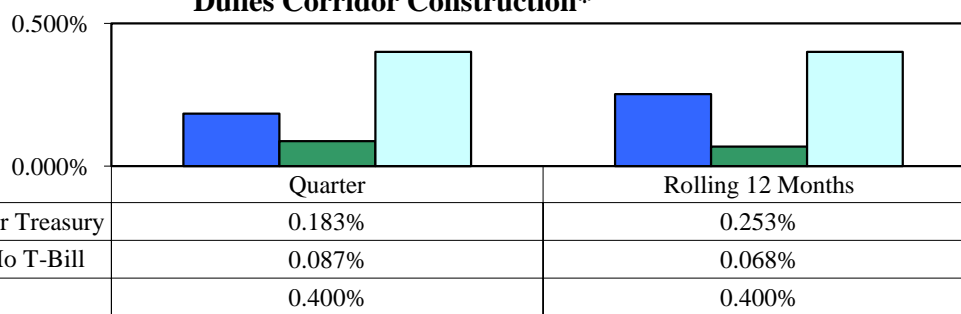
Investment Results - Targets and Benchmarks

September 30, 2012

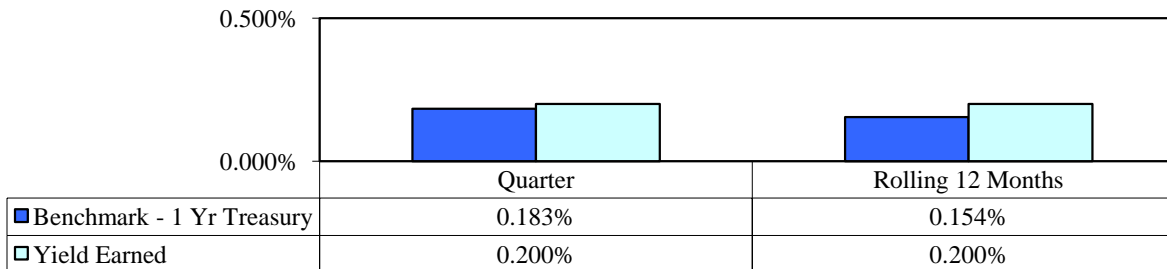
Dulles Corridor Operating



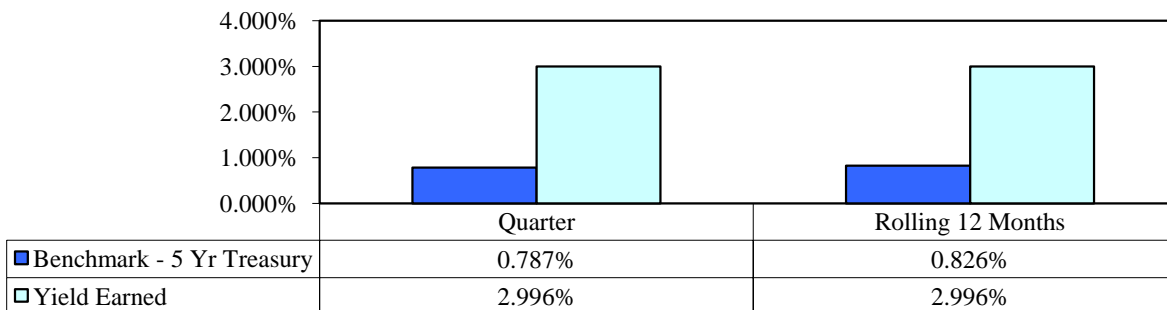
Dulles Corridor Construction*



Dulles Corridor Debt Service Principal and Interest*



Dulles Corridor Debt Service Reserve*



* Blended Arbitrage Rate of 6.636%

