

SUMMARY MINUTES  
FINANCE COMMITTEE  
MEETING OF SEPTEMBER 16, 2015

Mr. Session chaired the September 16 Finance Committee Meeting, calling it to order at 8:00 a.m. A quorum was present during the Meeting: Mr. Curto, Co-Chair, Mr. Adams, Mr. Caputo, Mr. Chapman, Mr. Kennedy, Ms. Merrick, Mr. Pozen, and Ms. Wells. Mr. Gates, Mr. Griffin, Ms. Hanley, Ms. Lang, Mr. McDermott, Mr. Mims and Mr. Williams were also present.

Mr. Pozen recused himself from participating in the recommendation to approve the proposed resolution authorizing Direct Purchase of Bonds, Substitution of Letter of Credit and Conversion of Bonds for the Airport System Revenue Variable Rate Bonds, Series 2010C, 2003D-1 and 2011A. He stated that Wells Fargo is one of his firm's clients. Mr. Pozen stated that he had executed a recusal agreement with the Ethics Officer and the Secretary.

Recommendation to Approve the Proposed Resolution Authorizing Direct Purchase of Bonds, Substitution of Letter of Credit and Conversion of Bonds for the Airport System Revenue Variable Rate Bonds, Series 2010C, 2003D-1 and 2011A. Andy Rountree, Vice President for Finance and Chief Financial Officer, summarized the details of the proposed resolution for the pending transaction regarding the variable rate bonds scheduled to expire this year and in 2016. He stated that the Committee had concurred with the bank facility solicitation on May 20, which had been sent to over 40 institutions. At the July 15 meeting, Mr. Rountree reported that 17 proposals had been received from 12 banks, including 11 Letter of Credit bids and six indexed floater bids. Also at the July 15 meeting, Mr. Rountree reported that the Technical Evaluation Committee (TEC) had identified the three best proposal submittals: Sumitomo, Wells Fargo and Royal Bank of Canada (RBC) and informed the Committee that final negotiation of documents would now occur for Finance Committee approval. Mr. Rountree reported that Finance staff, Financial Advisors and Bond Counsel had successfully negotiated the terms and related documents for each facility and had recommended the replacements. He thanked the financial community for its support and noted the amount of work associated with submitting a proposal.

The Committee approved the recommendation.

Financial Advisors' Report – Aviation Enterprise. Mr. Rountree was joined by Ken Cushine and Michael Wheat of Frasca & Associates, L.L.C (Frasca). Mr. Cushine noted that Mr. Rountree had provided the details of the bank facilities and no further detail was needed. He stated that the financial advisor had reviewed the Authority's Investment Policy and had determined that it is consistent with industry standards. Mr. Cushine reported that Finance staff will present a briefing on the Investment Program at the October Finance Committee Meeting. He reported that staff would review proposals from several banks to provide a Forward Purchase Agreement (FPA), which is a structure that enhances the return on assets that are held in a debt service fund in an attempt to increase the funds that have been set aside. Mr. Cushine stated FPA is a new type of transaction that carries certain legal, economic and other concerns that are still being reviewed. A report would be presented to the Committee whether to proceed with FPAs.

Financial Advisors' Report – Dulles Corridor Enterprise. Jim Taylor of Mercator Advisors LLC deferred discussion of the Northern Virginia Transportation Authority (NVTA) grant to the day's Special Joint Dulles Corridor and Finance Committee Meeting. He reported that the sequestration rate for Build America Bonds (BABs) had been published and was not expected to have a material impact. Mr. Taylor stated that the federal subsidy payment for the 2016 semi-annual interest payments would be reduced. He reported that the closeout of Phase 1 had included a reserve of approximately \$5 million that can be used to pay some Phase 1 costs. Mr. Taylor provided data on Transurban, the operator of the 495 and 95 express lanes with regard to high-occupancy vehicle traffic in the express lanes.

July and August Financial Reports – Aviation Enterprise. Mr. Rountree noted that Financial Reports for July and August had been provided. He would report only on information pertaining to August. Mr. Rountree reported that revenue year-to-date totaled \$505.2 million, noting that non-airline and airline revenue totaled \$229 million and \$275.7 million, respectively. Expenses year-to-date totaled \$407.5 million, which were approximately the same as the prior year. Operating income is \$97.7 million year-to-date, compared to \$68.6 million of the prior year. Debt service coverage through August was 1.55x; 1.48x is projected by the end of the year.

Budget Reprogrammings for the Second Quarter of 2015 (Quarter Ended June 30, 2015). Mr. Rountree was joined by Rita Alston, Budget

Manager. He reported that two budget reprogrammings had occurred in the Aviation Operation and Maintenance Program, which had resulted in a net change of zero.

Quarterly Report on the Investment Program (Quarter Ended June 30, 2015). Mark Adams, Deputy Chief Financial Officer, reported that the Authority portfolio for the quarter had increased by \$210 million. The Aviation portfolio had increased by \$33.6 million and the Dulles Corridor had increased by \$176.4 million. Within the Aviation Portfolio, the debt service interest account had decreased by \$46.9 million due to the April interest payment, and the debt service principal account had increased by \$35 million which represents an additional three-months of funds set aside for the debt payment due in October.

Mr. Caputo inquired about the Public Safety Asset Seizure account. Nancy Edwards, Manager, Treasury Department, stated that it is a program that allows Public Safety to retain assets recovered from arrests, such as illegal cash and vehicles that can be sold for cash. She explained that the assets are treated like grants for future use and kept as segregated funds. Ms. McKeough noted that it is a program applicable to all public safety agencies and not unique to the Authority's Police Department.

Mr. Adams continued the report stating that the Dulles Corridor portfolio had increased by \$176.4 million. He attributed the bulk of the increase to a deposit within the construction account of the second installment of \$100 million from the Commonwealth, a \$40 million draw from the Commercial Paper Program and draws against the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. Mr. Adams reported that the debt service reserve had increased \$18.6 million as we continue to set aside the required reserve amount related to TIFIA.

July and August Financial Reports – Dulles Corridor Enterprise. Consistent with the Financial Reports for the Aviation Enterprise, August information would be reported. Mr. Adams reported that Toll Road revenue is \$100.5 million year-to-date, which is an increase of 1.3 percent compared to the prior year-to-date. Toll Road transactions totaled 65.3 million year-to-date, which were 1.7 percent higher than prior year-to-date. Electronic toll collections were up 1.3 percent at 84.1 percent year-to-date. Mr. Adams noted that toll collections had exceeded the forecast from April through August. Expenditures were at \$18.5 million year-to-date, an increase of 4.5 percent compared to the prior

year. Mr. Adams stated that 2015 marked the Authority's first year a fee structure change was implemented by the Commonwealth for electronic toll fees. He reported that expenditures are at 58.4 percent of the annual budget.

Ms. Hanley asked about the Authority's requirement to pay electronic toll collection fees to the Commonwealth. Ms. McKeough stated that a couple of years ago the Commonwealth had changed its laws resulting in consumers paying for the purchase of E-ZPass transponders. Subsequently, the state had reversed the change and now obligated the toll road operators to pay costs for the transponders. Ms. McKeough explained that the change had been associated with how the Commonwealth administered its E-ZPass costs. Mr. Rountree noted that the fee is collected as a transaction fee.

Mr. McDermott observed that electronic toll collections continued to increase as percentage of tolls collected and inquired whether 100 percent electronic toll collections could be achieved. Mr. Rountree explained that the use of E-ZPass in the express lanes is the new tolling concept in the region and that has likely encouraged toll road commuters to use E-ZPass. He added that as toll rates have increased, the use of coins or cash to pay tolls becomes more cumbersome and toll road commuters would reach a point of finding it more convenient to have an E-ZPass. Mr. Rountree stated that the possibility of reaching more than 90 percent electronic tolling is achievable as commuters feel comfortable with E-ZPass. Mr. Potter stated that additional research can be done on other tolling facilities' experiences with E-ZPass.

The meeting was thereupon adjourned at 8:35 a.m.