SUMMARY MINUTES
FINANCE COMMITTEE
MEETING OF JANUARY 18, 2017

Mr. Adams chaired the January 18 Finance Committee Meeting, calling it to order at 11:59 a.m. A quorum was present during the meeting: Mr. Speck, Co-Chair, Ms. Lang, Ms. Merrick, Mr. Mims, Mr. Sudow, Mr. Uncapher, Mr. Williams, and Mr. McDermott *(ex officio)*. Mr. Griffin, Ms. Hanley, Mr. Lazaro, Mr. Pozen, Mr. Tejada, and Ms. Wells were also present.

Mr. Speck thanked the Board Chairman for his appointment as Co-Chair of the Finance Committee. He stated that he had consulted with the Ethics Officer because of his Substantial Financial Interest in Wells Fargo Advisors due to its purchase of his interest in the Speck-Caudron Investment Group. Mr. Speck stated that he had asked the Ethics Officer if there was a conflict of interests in the Code of Ethics limiting his participation in the Airports Authority's consideration of matters that may affect Wells Fargo Securities. He noted that Wells Fargo Securities is a member of the underwriter pool of investment banking firms selected by the Board on December 16, 2015, and from which the Board will choose firms to provide investment banking services for the sale of bonds. Mr. Speck reported that Wells Fargo Advisors and Wells Fargo Securities are affiliated with Wells Fargo & Company, but Wells Fargo Advisors is a separate, non-bank affiliate.

Mr. Speck stated that the Ethics Officer had determined that he did not have an actual conflict of interests in such matters, but that he may have an apparent conflict of interests. He explained that when a Director has an apparent conflict of interests in a matter, the Code of Ethics allows the Director to participate in the consideration of that matter if the Director believes that he or she can participate fairly and objectively in the interest of the Airports Authority. Mr. Speck advised that he believes that he is able to participate fairly and objectively in the interest of the Airports Authority in matters affecting Wells Fargo Securities notwithstanding this apparent conflict of interests and has accepted the appointment as Co-Chair of the Finance Committee.

<u>Financial Advisors' Report – Aviation Enterprise</u>. Andy Rountree, Vice President and Chief Financial Officer, was joined by Ken Cushine of Frasca & Associates, L.L.C. and Bryan Grote of Mercator Advisors LLC. Mr. Cushine provided updates on the expiring Commercial Paper Program and the selection of the 2017 underwriter syndicate. He

reported that recommendations for both items are expected to be presented to the Finance Committee and the Board of Directors at the February 2017 meetings. Mr. Cushine presented a market update and an overview of recent refunding opportunities for the Series 2007A and B Bonds. He stated that there had been some fluctuation and volatility in the market over the last several months. Based on current market rates, the net present value savings for the upcoming refunding opportunities would be approximately $42 million.

Mr. Adams asked how municipal rates have been historically tied to the change in Administration, particularly in parties. Mr. Cushine stated that there are several variables to consider – change in Administration, the economy, and the actions of the Federal Reserve. He explained that proposals will be made that will affect tax law, corporate tax rates, and individual tax rates, as well as the municipal bond market. Additionally, there will be proposals for investing in infrastructure that will be beneficial to airports, toll roads and other transportation infrastructure. Mr. Cushine stated that since the election, the market has been trying to absorb the various proposals. However, until the proposals are incorporated into legislation, it will be hard to predict the market.

<u>Financial Advisors' Report – Dulles Corridor Enterprise</u>. Mr. Grote stated that there were no action items to report. He advised that the Dulles Corridor Advisory Committee (DCAC) had met in December 2016 to receive updates on the construction and financing of the Dulles Corridor Metrorail Project (Project) and a report on Dulles Toll Road (DTR) revenue and transactions. Mr. Grote noted that the DCAC was created in 2007 to advise the Metropolitan Washington Airports Authority on issues related to the management, improvement and expansion of the Dulles Corridor, as well as potential adjustments to DTR toll rates to fund roadway improvements and the Project.

Mr. Grote reported that the Financial Advisors are working with Finance and Government Affairs Staff to assess potential federal investment proposals that the Administration and the new Congress might consider. He stated that there is speculation about a proposal in conjunction with corporate tax reform as part of a second budget resolution. Mr. Grote stated that staff's objective is to be prepared to provide input and guidance should the Administration and the new Congress actively consider some of the proposals that recently surfaced.

Mr. Adams asked how the reimbursement process for the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan has worked over the last several months. Mr. Grote stated that despite the process being somewhat cumbersome, it has worked, as proposed. He noted that a substantial amount of the responsibility in satisfying the loan's requirements is provided by the Project Office. As of December 2016, the Airports Authority had drawn, on a reimbursable basis, approximately $470 million from the TIFIA loan representing 40 percent of the drawing level on the loan.

<u>November 2016 Financial Report – Aviation Enterprise</u>. Mr. Rountree was joined by Anne Field, Acting Controller. He noted that the un-audited preliminary year-end financial statements for December 2016, as well as the statements for January 2017, will be presented next month. Mr. Rountree reported that total revenue through November 2016 was $716.9 million, 2.5 percent higher than last year. Total revenue through November 2016 was 2.0 percent higher than forecast.

Mr. Rountree reported that airline revenue through November 2016 was $366.4 million, 3.2 percent lower than the prior year. At 91.7 percent of the year, airline revenue was 88.0 percent of the annual budget. The airline revenue through November 2016 was 3.9 percent lower than forecast.

Mr. Rountree noted that non-airline revenue through November 2016 was $350.5 million, 9.2 higher than the prior year, 100.3 percent of the annual budget and 9.0 percent higher than forecast.

Mr. Rountree reported that Operations & Maintenance expenses through November 2016 were $327.1 million, which was 0.4 percent higher than the prior year and tracking at 7.5 percent lower than forecast. Operating income was $157.1 million through November 2016, and the prior year by the same measure was $140.5 million. Mr. Rountree reported that debt service coverage through November 2016 was 1.70x, and it is expected that the year would end at approximately 1.63x.

<u>November 2016 Financial Report – Dulles Corridor Enterprise</u>. Ms. Field reported that Toll Road revenue was $139.5 million year-to-date, which was 0.4 percent higher than the prior year. Revenues were approximately 3.1 percent lower than forecast. Toll Road transactions were 89.9 million year-to-date, which represented a 0.3 percent decrease compared to the prior year. They were 1.8 percent lower than forecast year-to-date. Electronic toll collections were up 0.7 percent at 84.9 percent through November 2016. Toll Road expenses were $26.1 million

year-to-date, 3.1 percent higher than the prior year and 7.9 percent lower than forecast year-to-date.

Mr. Adams inquired about the contributing factors that caused the Toll Road revenue for November 2016 to be 3.1 percent lower than forecast. Mr. Rountree stated that weather events in early 2016 had impacted the forecast. Additionally, he noted that construction on other area roads had impacted the performance on the Toll Road.

Mr. Sudow inquired if the revenue and expense projections affect the coverage for the bonds. Mr. Rountree reported that the Airports Authority is presently well covered from a debt service perspective with regard to the Toll Road as coverage calculations far exceed the legal requirements. He noted that the coverage calculations will have more focus beginning in 2019 and years beyond when the debt service requirement will increase because most of the debt will have been issued. Mr. Sudow asked if the Airports Authority is building reserves for future debt service coverages, to which Mr. Rountree responded affirmatively.

Ms. Hanley advised that staff should continue to monitor Toll Road transactions and revenue due to the uncertainty of tolls on Route 66 beginning next year.

Mr. Lazaro asked if the tolling on the Greenway had impacted the Toll Road collections. Margaret McKeough, Executive Vice President and Chief Operating Officer, stated that a significant decline had not occurred.

Mr. Sudow asked if commuters' use of the Wiehle Metro Station had affected the toll collections. Mr. Rountree stated that he was not aware of any material impact and noted that a consideration for the use of Metro was included in the forecast.

The meeting was thereupon adjourned at 12:20 p.m.