



FINANCE COMMITTEE

Metropolitan Washington Airports Authority Quarterly Report on Investment Program

Quarter Ended December 31, 2018

March 2019



Investment Program Report

Total Portfolio increased by \$72.8 million

(in Millions)	<u>Dec 31</u>	<u>Sep 30</u>	<u>Change</u>
Total Aviation	\$ 2,019.9	\$ 1,982.0	\$ 37.9
Total Dulles Corridor	1,020.9	986.0	34.9
Total	<u><u>\$ 3,040.8</u></u>	<u><u>\$ 2,968.0</u></u>	<u><u>\$ 72.8</u></u>



Investment Program Report

Aviation

Portfolio increased by \$37.9 million

(in millions)	<u>Dec 31</u>	<u>Sep 30</u>	<u>Change</u>
Operating	\$ 953.1	\$ 924.9	\$ 28.2
Construction	387.9	430.4	(42.5)
Cost of Issuance	0.7	0.7	-
PFC Revenue	73.7	62.1	11.6
Western Lands	233.9	-	233.9
Debt Service Reserve	269.2	270.5	(1.3)
Debt Service Interest	50.9	92.7	(41.8)
Debt Service Principal	43.3	192.9	(149.6)
FAA ATCT Escrow	6.7	6.6	0.1
VA Dept of Aviation Grant	-	0.7	(0.7)
Public Safety Asset Seizure	0.5	0.5	-
Total Aviation	<u>\$2,019.9</u>	<u>\$1,982.0</u>	<u>\$ 37.9</u>



Investment Program Report

Dulles Corridor

Portfolio increased by \$34.9 million

(in millions)	<u>Dec 31</u>	<u>Sep 30</u>	<u>Change</u>
Toll Road Operating/Reserves	\$ 263.6	\$ 267.6	\$ (4.0)
Construction	363.7	312.5	51.2
Debt Service Reserve	304.1	296.6	7.5
Debt Service Interest	48.1	58.3	(10.2)
Debt Service Principal	1.9	4.1	(2.2)
Commonwealth Agreement	15.4	22.8	(7.4)
Escrows	24.1	24.1	-
Total Dulles Corridor	<u>\$1,020.9</u>	<u>\$ 986.0</u>	<u>\$ 34.9</u>



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**REPORT TO THE FINANCE COMMITTEE
QUARTERLY REPORT ON INVESTMENT PROGRAM
MARCH 2019**

ACTION REQUESTED

No action is required. This is a quarterly report presented to the Finance Committee on the results of the investment program.

BACKGROUND

On February 6, the Metropolitan Washington Airports Authority's (Airports Authority) Investment Committee held its 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 goal is to continue to maintain three months of operating cash (including debt service) in highly liquid investments, including securities scheduled with a 90-day maturity, repurchase agreements and money market mutual funds, and the Committee decided to invest remaining operational funds in securities maturing in 9 to 12 months. The Committee additionally reviewed information on general economic market conditions, reviewed the investment portfolios, and evaluated investment results in determining the next quarter investment strategy.

The total Airports Authority portfolio increased by \$72.8 million from September 30, 2018 to December 31, 2018. The Aviation portfolio increased by \$37.9 million. The Dulles Corridor portfolio increased by \$34.9 million.

The following is information provided and discussed at the August Investment Committee meeting:

- A. Economic Conditions and Outlook
- B. Minutes of the November 7 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

Prepared by: Office of Finance
March 2019

ECONOMIC CONDITIONS AND OUTLOOK AS OF JANUARY 30, 2019

Federal Open Market Committee (FOMC) – Closing out 2018, the FOMC raised rates (from 2.00-2.25 to 2.25-2.50 percent) at its December 19 meeting after holding rates steady at its November 8 meeting. There were no changes in the rates at the January 30 meeting.

Consumer Price Index (CPI) – The December CPI continued to show core inflation advancing at a steady pace, despite falling energy prices weighing on the headline. While goods' prices further declined amid the still-elevated dollar, the CPI featured nascent signs that rising wages have begun to filter into broader inflationary pressures.

Producer Price Index (PPI) – The final demand producer prices fell 0.2 percent in December.

Retail Sales – The U.S. growth outlook hangs more than ever on American consumers' resilience amid stock-market swoons and trade-war tensions, but key data on their spending -- the biggest part of the economy -- will be missing due to the government shutdown.

Consumer Confidence – Concerns related to the government shutdown reduced consumer confidence in January. While the government reopened on January 25, the prospect of another shutdown looms if negotiations between lawmakers fail, which would further worsen confidence in February. History has shown that the hit to confidence from a government shutdown does not last for more than a month or two. Confidence fell in October and November of 2013 after the government was shuttered during the first half of October. Still, confidence rebounded in December of that year, and was up strongly a year later amid continued, solid economic growth. The strength in the current conditions' index in the latest report suggests that a similar rebound should be expected once the specter of another shutdown is eliminated.

Inventories – The headline non-manufacturing ISM index dropped to its lowest level in five months (57.6 vs. 60.7 prior), and edged below its trailing 11-month average, an unmistakable sign that conditions in the service sector are slowing. Yet the 2018 average was the strongest for the cycle, so some moderation this year should not be seen as a sign that expansion is ending.

Capacity Utilization – U.S. factory production expanded in December by the most in 10 months, ending the year stronger than expected thanks to a surge in motor-vehicle output and gains across a range of other goods. Manufacturing output rose 1.1 percent from the prior month after an upwardly revised 0.1 percent rise. The results exceeded all estimates of economists surveyed by Bloomberg. Total industrial production, which also includes mines and utilities, advanced 0.3 percent after a revised 0.4 percent increase.

Leading Economic Indicators – Conference Board leading economic index declined to 111.7 in December versus 111.8 in the prior month.

Federal Surplus/Deficit – The fiscal year deficit through November was a deficit of \$305.4 billion versus a deficit of \$201.8 billion in November 2017.

Unemployment – The U.S. job market delivered a blowout performance in December, giving a clearer signal that the economy is on solid footing even as investors fret about the trade war and other risks in 2019. U.S. stocks and Treasury yields surged after Labor Department figures showed employers added the most workers in 10 months, wage gains accelerated and labor-force participation jumped.

SUMMARY

As I am putting this report together, I have noticed an inverted yield curve today in the 1 to 5 year range. Per Investopedia, "An inverted yield curve is an interest rate environment in which long-term debt instruments have a lower yield than short-term debt instruments of the same credit quality. This type of yield curve is the rarest of the three main curve types and is considered to be a predictor of economic recession." It also provides an opportunity to sell longer term securities and replace them with shorter term securities at higher interest rates at the same risk exposure.

MINUTES OF NOVEMBER 7, 2018 INVESTMENT COMMITTEE MEETING

The quarterly meeting of the Metropolitan Washington Airports Authority Investment Committee (Committee) convened at 9:00 a.m. Warren Session, Chairman, Board of Directors, appointed Directors David Speck and William Sudow to the Investment Committee. Attending the meeting were committee members John Potter, Margaret McKeough, Jerome Davis, David Speck, William Sudow and Andy Rountree. Nancy Edwards and David Tucker of the Treasury Department were also in attendance.

The Committee received the Investment Committee book electronically before the meeting, and in agenda order discussed:

- **MINUTES** - Minutes from the August 11, 2018 meeting were approved.
- **PORTFOLIO CHANGES** – The total portfolio increased by \$296.9 million with a \$285.3 million increase in Aviation and an \$11.6 million increase in DCE funds. The Aviation increase is a result of the issuance of the 2018A Series Bonds net of construction spending (\$186.6 million) plus three months of funds set-aside for the October 1 interest and principal payment.

In the third quarter, Treasury purchased 44 securities that were dispersed into 57 accounts for a total par of \$516.3 million. There were 45 maturities in 140 accounts with a par of \$516.3 million.

In the fourth quarter of 2018, there will be \$741.1 million of securities maturing.

- **ECONOMIC CONDITIONS**
 - The Committee discussed the expectation that there is a high probability of a rate increase at the December meeting of the FOMC.
 - The yield curve continues to flatten across the board while interest rates on the short end of the curve have increased 90 basis points since the beginning of the year.
- **INVESTMENT HORIZON** – After discussion, the Investment Committee approved investing in the 9 to 12 month range for the next quarter.
- **OTHER ITEMS**
 - The Committee discussed the investing of the funds for the Western Land Funds when they are received. It was decided the funds should be invested in a diversified laddered portfolio of commercial paper, treasuries and agencies, earning at least 2.5 percent. Commercial paper restricted to \$25 million per name.
 - The Committee reviewed the draft RFP for investment advisor/consulting services. After review, it was determined the technical evaluation committee will have three members.

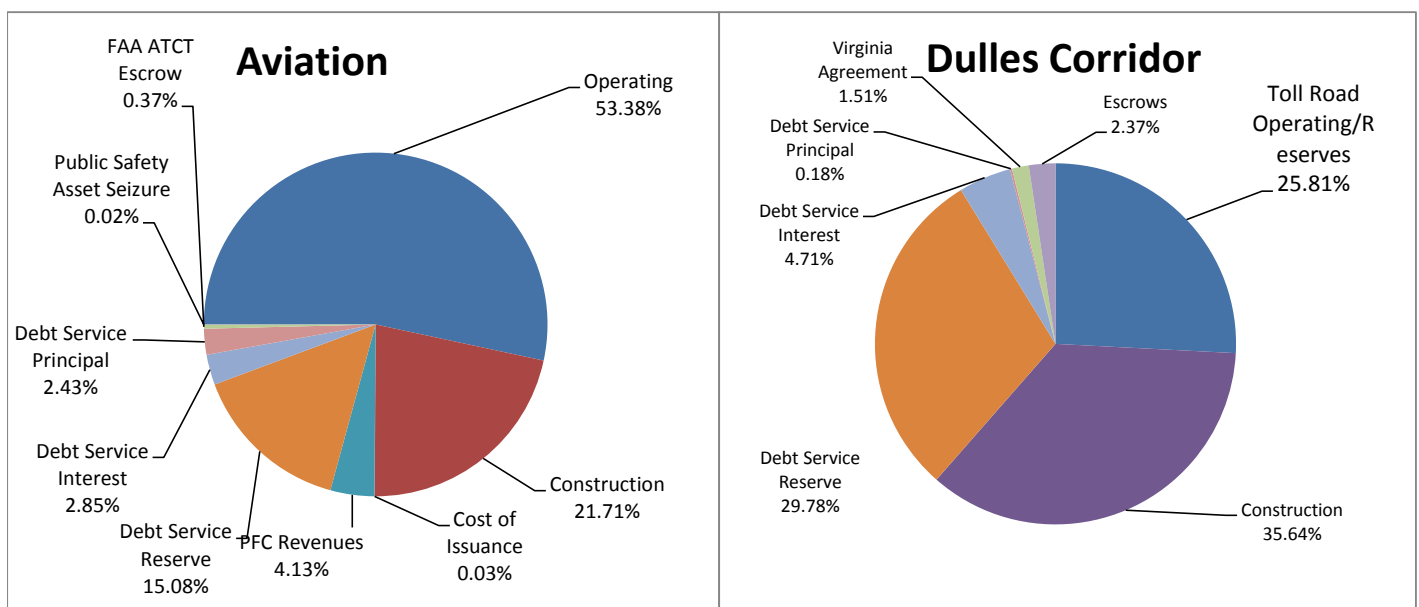
Respectfully submitted,
Nancy L. Edwards

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Total Portfolio By Account

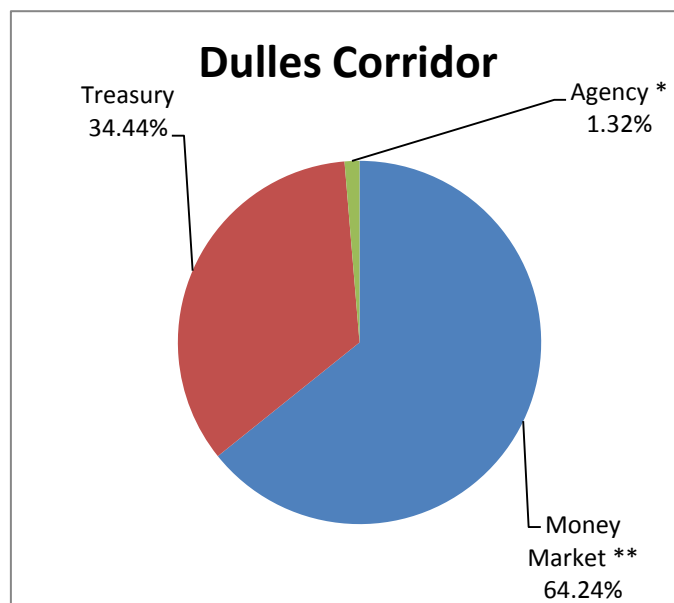
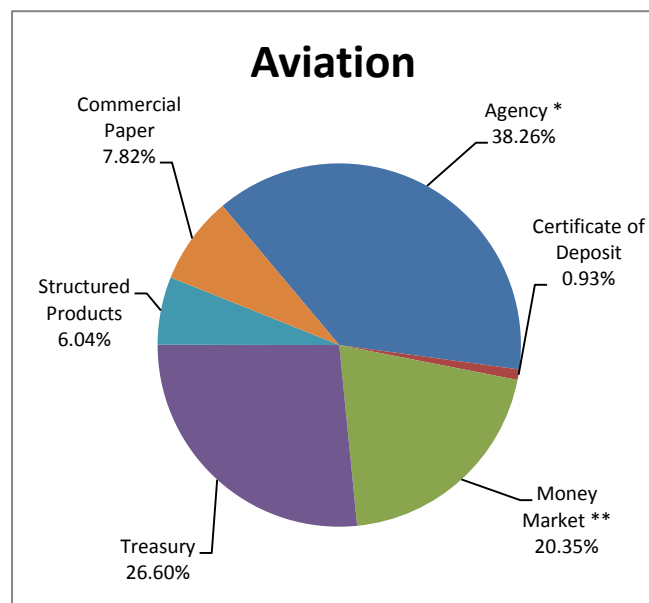
As of December 31, 2018

<u>Aviation</u>	Dec 31	Sep 30	Jun 30
Operating	\$953,139,219	\$924,872,763	\$923,876,018
Construction	387,886,452	430,379,821	243,805,166
Cost of Issuance	681,980	713,666	0
PFC Revenue	73,704,632	62,085,038	57,781,304
Western Lands	233,911,893	0	0
Debt Service Reserve	269,158,892	270,480,872	267,816,509
Debt Service Interest	50,919,668	92,751,707	51,310,159
Debt Service Principal	43,340,511	192,959,297	144,800,103
FAA ATCT Escrow	6,724,099	6,639,264	6,870,821
VA Dept of Aviation Grant	137	666,667	0
Public Safety Asset Seizure	452,108	450,383	448,903
Total Aviation	<u>\$2,019,919,591</u>	<u>\$1,981,999,478</u>	<u>\$1,696,708,983</u>
<u>Dulles Corridor</u>			
Toll Road Operating/Reserves	\$263,617,584	\$267,636,956	\$261,787,352
Construction - Bonds Funds	92,094,421	42,510,042	67,573,355
Construction - Virginia \$300M	271,631,981	269,935,619	269,080,949
Debt Service Reserve	304,063,253	296,580,321	290,352,004
Debt Service Interest	48,055,261	58,332,853	35,742,315
Debt Service Principal	1,867,710	4,110,600	3,086,512
Commonwealth Agreement	15,407,362	22,839,865	22,764,803
Escrows	24,145,862	24,081,499	23,980,522
Total Dulles Corridor	<u>\$1,020,883,434</u>	<u>\$986,027,755</u>	<u>\$974,367,812</u>
Total Portfolio	<u>\$3,040,803,025</u>	<u>\$2,968,027,233</u>	<u>\$2,671,076,795</u>



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Security Type
As of December 31, 2018

	Dec 31	Sep 30	Jun 30
Aviation			
Agency *	\$772,816,254	\$739,546,911	\$674,817,748
Certificate of Deposit	18,750,000	17,750,000	17,750,000
Money Market **	411,012,643	463,764,323	292,403,787
Treasury	537,243,841	589,155,940	531,245,003
Structured Products	122,066,804	122,066,804	122,066,804
Commercial Paper	158,030,049	49,715,500	58,425,641
Total Aviation	<u>\$2,019,919,591</u>	<u>\$1,981,999,478</u>	<u>\$1,696,708,983</u>
Dulles Corridor			
Money Market **	\$655,824,454	\$550,925,639	\$506,038,899
Agency *	13,459,834	48,970,760	48,970,760
Treasury	351,599,146	386,131,356	419,358,153
Total Dulles Corridor	<u>\$1,020,883,434</u>	<u>\$986,027,755</u>	<u>\$974,367,812</u>
Total Portfolio	<u><u>\$3,040,803,025</u></u>	<u><u>\$2,968,027,233</u></u>	<u><u>\$2,671,076,795</u></u>



* Agency Split:

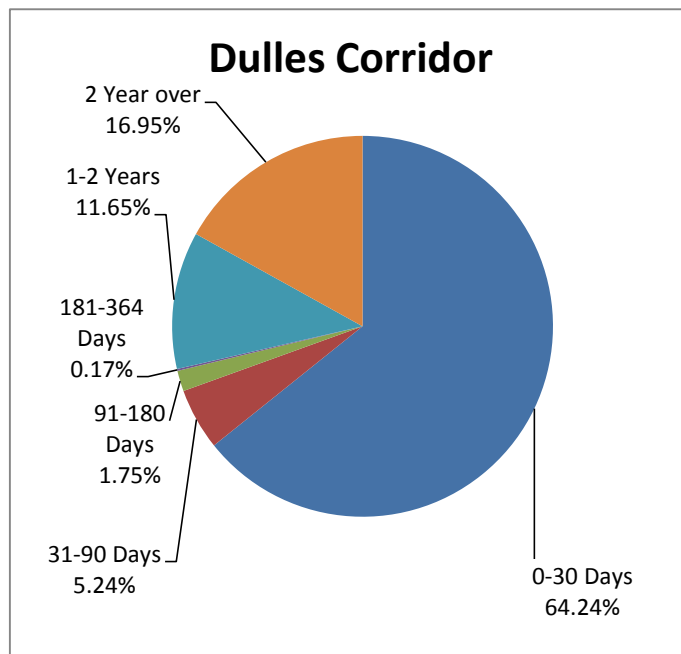
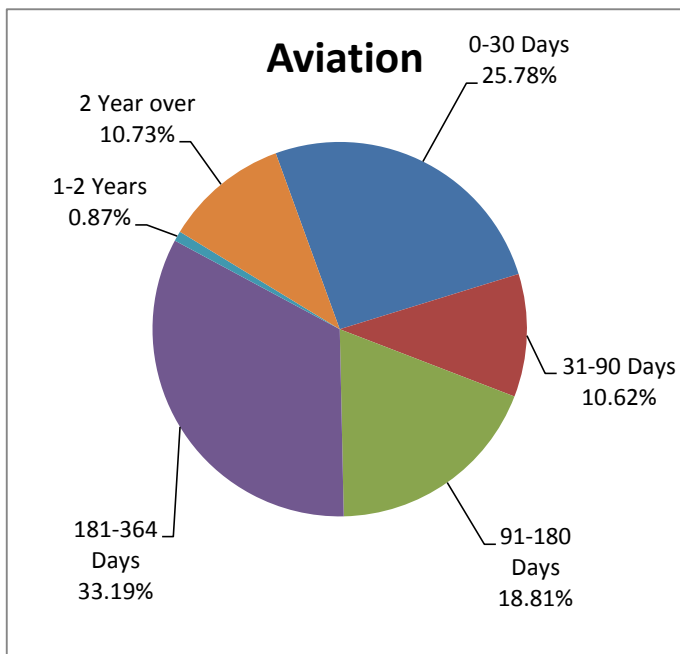
Home Loan	\$ 372,453,708
Freddie Mac	226,856,791
Fannie Mae	113,404,274
Farmer Mac	63,808,032
Farm Credit	9,753,283
Total Agencies	<u><u>\$ 786,276,088</u></u>

** Money Market Split:

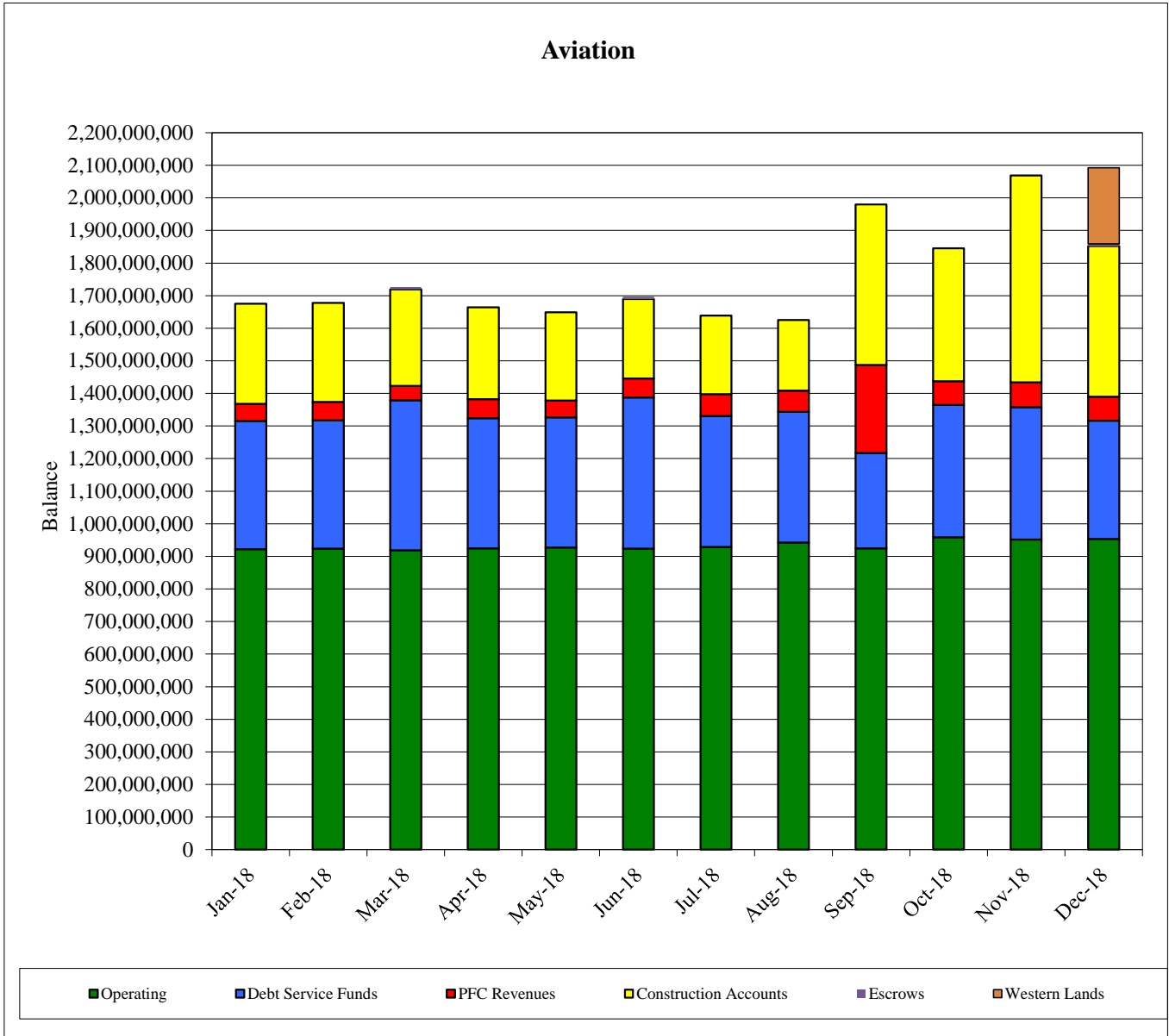
Wilmington Trust	\$ 627,223,270
Fidelity Funds	6,724,099
NationsFund	12,685,531
Bank of America	411,420,710
Federated Funds	8,783,487
Total Money Market	<u><u>\$ 1,066,837,097</u></u>

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY
Total Portfolio By Days to Maturity
As of December 31, 2018

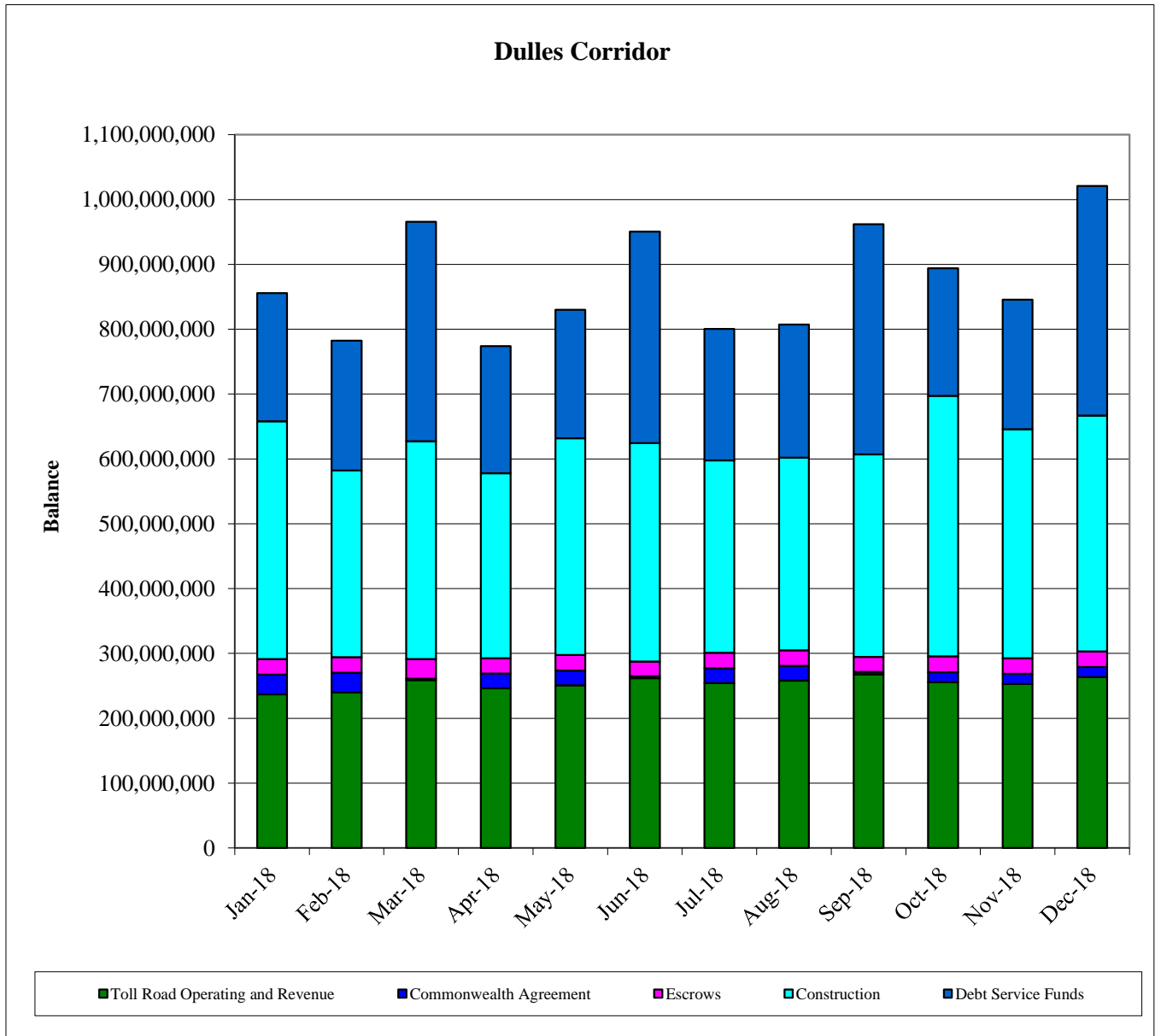
Aviation	Dec 31	Sep 30	Jun 30
0-30 Days	\$520,864,597	\$730,068,271	\$497,069,688
31-90 Days	214,574,107	276,102,522	197,891,856
91-180 Days	379,728,187	327,904,169	492,690,970
181-364 Days	670,339,719	399,614,652	282,307,230
1-2 Years	17,588,187	28,595,492	13,182,211
2 Year over	216,824,794	219,714,372	213,567,028
Total Aviation	\$2,019,919,591	\$1,981,999,478	\$1,696,708,983
Dulles Corridor			
0-30 Days	\$655,824,454	\$615,541,699	\$506,038,899
31-90 Days	53,515,455	70,131,265	39,991,219
91-180 Days	17,835,152	19,863,281	127,982,904
181-364 Days	1,745,224	0	19,863,281
1-2 Years	118,920,933	87,303,434	87,303,434
2 Year over	173,042,216	193,188,076	193,188,075
Total Dulles Corridor	\$1,020,883,434	\$986,027,755	\$974,367,812
Total Portfolio	\$3,040,803,025	\$2,968,027,233	\$2,671,076,795



**History of Fund Balances
Aviation
Rolling 12 Months
As of December 31, 2018**



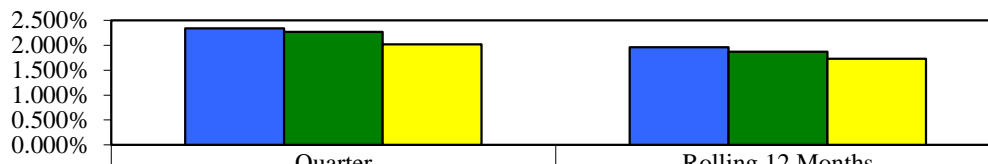
**History of Fund Balances
Dulles Corridor Enterprise
Rolling 12 Months
As of December 31, 2018**



Investment Results - Targets and Benchmarks

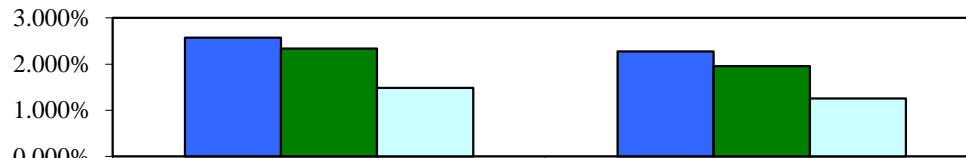
December 31, 2018

Aviation Operating Funds



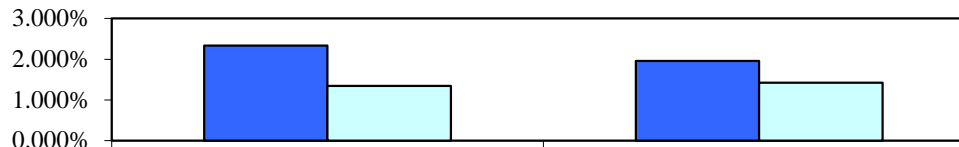
	Quarter	Rolling 12 Months
Benchmark - 3 Mo T-Bill	2.337%	1.959%
Benchmark - Fed Funds	2.267%	1.870%
Yield Earned	2.015%	1.729%

Aviation Construction Funds



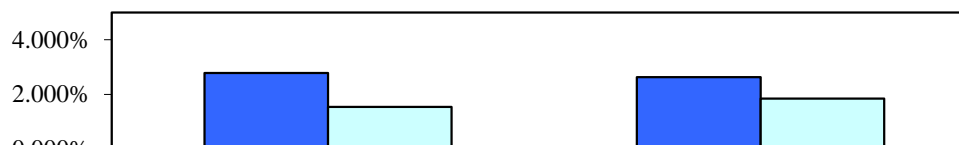
	Quarter	Rolling 12 Months
Benchmark - 1 Yr Treasury	2.577%	2.272%
Benchmark - 3 Mo T-Bill	2.337%	1.959%
Yield Earned	1.484%	1.260%

Aviation Debt Service Principal and Interest Funds



	Quarter	Rolling 12 Months
Benchmark - 3 Mo Treasury	2.337%	1.959%
Yield Earned	1.347%	1.421%

Aviation Debt Service Reserve Funds

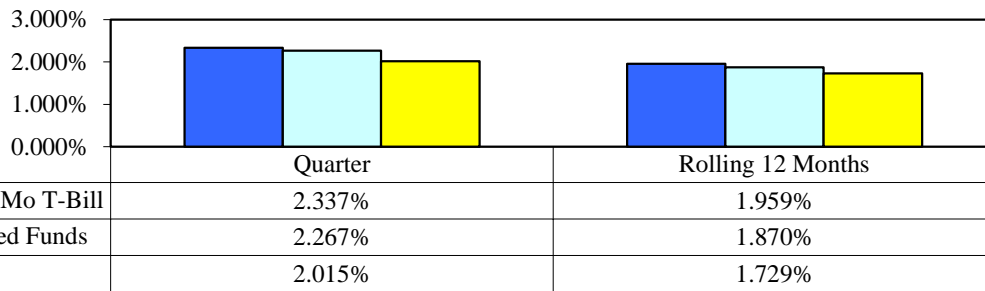


	Quarter	Rolling 12 Months
Benchmark - 5 Yr Treasury	2.777%	2.627%
Yield Earned	1.533%	1.843%

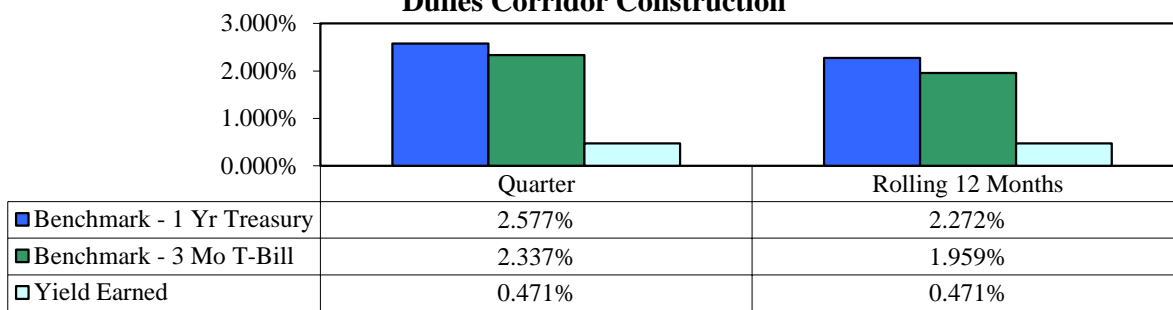
Investment Results - Targets and Benchmarks

December 31, 2018

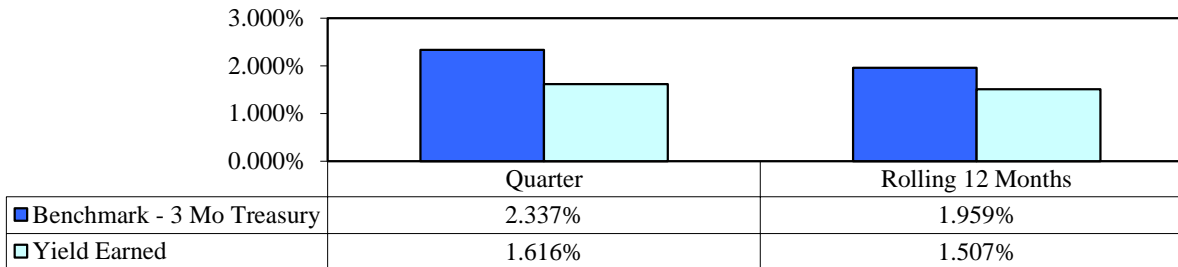
Dulles Corridor Operating



Dulles Corridor Construction



Dulles Corridor Debt Service Principal and Interest



Dulles Corridor Debt Service Reserve

