Mr. Mims chaired the May 16 Finance Committee Meeting, calling it to order at 9:30 a.m. A quorum was present during the meeting: Mr. Adams, Mr. Griffin, Ms. Hanley, Ms. Lang, Mr. Lazaro, Ms. Merrick, Mr. Pozen, Mr. Sudow, Mr. Tejada, Mr. Uncapher, Ms. Wells, Mr. Williams, and Mr. Session (ex officio).

Ms. Wells stated that as she had previously reported, she and the Ethics Officer had determined that she has a conflict of interests in matters affecting Citigroup Global Markets, Inc. (Citigroup), which is a member of the underwriter syndicate, because her husband’s firm represents Citigroup. She advised that she had executed a recusal agreement with the Ethics Officer and the Secretary, and the Secretary has filed the recusal agreement in the Board’s official records. Ms. Wells reported that she would not participate in the consideration of whether to authorize the Airport System Revenue and Refunding Bonds, Series 2018A, and that she was stepping back from the Board table while the matter is considered.

Recommendation to Approve the Proposed Resolution Authorizing Issuance of Airport System Revenue and Refunding Bonds, Series, 2018A. Andy Rountree, Vice President for Finance and Chief Financial Officer, was joined by Ken Cushine of Frasca & Associates, L.L.C. (Frasca). He reiterated that the Airports Authority’s finances are packaged into two separate, distinct funds that do not blend together -- the Aviation Enterprise fund and the Dulles Corridor Enterprise fund. Mr. Rountree stated that this agenda item is associated with the Aviation Enterprise fund. He reported that the authorizing resolution would authorize the issuance of Airport System Revenue and Refunding Bonds for Series 2018A in an amount not to exceed $750 million and to approve substantially completed bond documents, including the Fiftieth Supplemental Indenture; a Bond Purchase Agreement; a Preliminary Official Statement (POS), including a Report of the Airport Consultant, which has lots of forecasts related to the Airports Authority’s activities; and the Series 2008A and 2009C Refunding Agreements for the Refunded Bonds. Mr. Rountree noted that copies of the documents were also included in the materials provided for the day’s meeting. He reported that the resolution would also provide delegations to the Chairman or Vice Chairman, and at least one of the Co-Chairs of the
Finance Committee (Board designees) regarding the approval of the final bond terms.

Mr. Rountree reported that the Airports Authority has been pursuing the issuance of the Series 2018A Bonds as part of the 2018 Plan of Finance. He stated that the bonds have two components – a refunding component and the issuance of new money. Mr. Rountree explained that the Airports Authority hopes to refund almost $414 million of Airport bonds that were issued in 2008 and 2009 to construct Airport facilities. He further explained that the refunding would ultimately reduce the interest cost on the outstanding debt, similar to the process used by homeowners when refinancing their homes. Mr. Rountree reported that the new money bond issuance for up to $200 million would be used for construction project costs such as the New Concourse, which is part of Project Journey. He advised that the Airports Authority would incrementally issue bonds to pay for the $1 billion Project Journey facilities. Mr. Rountree stated that the authorization is not to exceed $750 million, which is greater than the sum of the two components. As part of the resolution, the Board designees would be authorized to approve various terms and conditions associated with the bonds. Mr. Rountree noted that there could be financial opportunities that the Airports Authority may choose to take advantage of that had not been previously considered; therefore, the extra amount offers the Board designees flexibility.

Mr. Rountree reviewed the timetable associated with the issuance of Airport System Revenue and Refunding Bonds, Series, 2018A. Following the day’s request for Finance Committee and Board approval of the bond resolution and the documents, the POS would be posted the following day. Mr. Rountree stated that the POS is a marketing instrument that investors review to determine whether they want to purchase the Airports Authority’s bonds. He advised that the credit ratings from all three rating agencies would be included in the POS so staff hoped to receive credit ratings from the three rating agencies no later than the following day. Mr. Rountree reported that Airports Authority staff had visited the three rating agencies. He advised that staff learned the prior day that Moody’s Investor Service (Moody’s) affirmed the Airports Authority’s Aa3 credit rating position with a stable outlook. Mr. Rountree stated that staff is pleased with the expected Moody’s affirmation and hopes to also receive similar affirmations from the remaining two rating agencies. He reported that once the POS was posted that the Airports Authority is officially in the market and staff, financial advisors, and the underwriting
syndicate would undergo numerous marketing efforts, one-on-one communications, and visits with investors to generate interest in the bond deal. Mr. Rountree advised that the more interest generated translates into more demand and, ultimately, better pricing in the market. He reported that the Finance team hopes to price the bonds on or about May 30 or May 31, followed by the closing on the final transaction on July 3.

Ms. Hanley requested that staff remind her about how the bond proceeds would be used. Mr. Rountree restated that there are two components to the bond deal – the refunding component of approximately $400 million that will essentially pay off existing bonds with a higher interest rate and replace them with bonds with a lower interest rate. Ms. Hanley inquired about the use of the existing bonds with the higher interest rates. Mr. Rountree stated that those bonds were used to build facilities. Ms. Hanley stated that those facilities were located on the Airports. Mr. Rountree affirmed Ms. Hanley’s statement. Mr. Cushine stated that the financings were primarily used for the AeroTrain and other facilities at Washington Dulles International Airport (Dulles International). Mr. Rountree noted that the proceeds from the new component financing would be used to complete Project Journey at Ronald Reagan Washington National Airport (Reagan National).

Mr. Sudow observed that volatility in the markets had occurred within the last six months. He inquired about the current projecting savings compared to the projection when the Airports Authority began the process to prepare for the issuance of the Series 2018A Bonds. Mr. Sudow also inquired about the Finance team’s prediction on whether the date of the pricing would affect the Airports Authority’s proceeds. Mr. Cushine affirmed Mr. Sudow’s observation. He stated that volatility has occurred in the equity and debt markets. Mr. Cushine advised that the Federal Reserve increased the federal funds rate, which has had the impact of increasing short-term rates. However, longer-term rates, which are more driven by expectations of inflation, have largely remained the same. Mr. Cushine reported that despite the volatility, the net change of rates, other than at the beginning of the year considering the impacts of tax reforms, have remained in a relatively favorable range. Based on historical standards, the market is at very favorable rates. Mr. Cushine reported that the financial advisors provided monthly updates on the refunding savings, and despite volatility, the Finance team hopes that the Airports Authority’s savings will be approximately $50 to $55 million, or even slightly more when the pricing occurs at the end of June.
Mr. Cushine explained the rationale for targeting the new May 31 pricing date. He advised that the Finance team had taken into consideration other expected issuances occurring in June, particularly two other large airport issuances that are scheduled during the first week of June. Mr. Cushine reported that May 31 was chosen to get ahead of the larger market transactions, and that the Finance team hoped that that week will be very favorable because there should be limited supply in the market.

The Committee approved the recommendation.

Ms. Wells returned to the table.

Financial Advisors’ Report – Aviation Enterprise. Mr. Cushine reported that approximately $230 million of bank facilities would expire this year. He stated that Finance staff plans to present a pre-solicitation paper for a Request for Proposals to be issued to qualified financial institutions for replacement facilities at the June Finance Committee Meeting.

Financial Advisors’ Report – Dulles Corridor Enterprise. Jim Taylor of Mercator Advisors LLC (Mercator) advised that he would provide details on the overview of the regulatory process for the Dulles Toll Road rate setting and an update on the traffic and revenue study at the day’s Joint Meeting. He stated that the Financial Advisors’ Report provided for the day’s meeting included relevant news items regarding Maryland upgrading its toll collection system and how the Commonwealth would use toll revenue from the I-66 corridor, both inside and outside. An update on Dulles Greenway was also included.

Report for Budget Reprogrammings (Quarter Ended March 31, 2018). Mr. Rountree advised that there were no budget reprogrammings for the first quarter of 2018.

Quarterly Report of the Investment Program (Quarter Ended March 31, 2018). Mr. Rountree stated that Nancy Edwards, Manager, Treasury Department, was unable to attend the day’s meeting. He reported that the total portfolio had increased in the first quarter of 2018 by $58.6 million, which is [comprised of] an increase of $89.8 million in the Aviation Enterprise fund and a decrease of $31.2 million in the Dulles Corridor Enterprise fund. Mr. Rountree reviewed the details that impacted the Aviation Enterprise portfolio noting that the increase was
ultimately a result of interest deposits into that debt service interest fund and deposits into the debt service principal fund. He advised that the transactions occur during the course of the year to generate cash in those line items for an interest payment due on April 1. Additionally, an interest payment and a principal payment on outstanding bonds are made on October 1 so there is an accumulation generating changes of $45.2 million and $47.9 million in the debt service interest and the principal accounts. Mr. Rountree reported that the construction funds reflected the spend down for construction-related projects on the Airports, and the operating funds are the results of operations throughout the year.

With regard to the Dulles Corridor Enterprise, Mr. Rountree reported that there was a decrease of $31.2 million. He stated that the operations and reserves were the result of normal activity from the Dulles Toll Road operations. Mr. Rountree reported that the construction account decrease of $68 million was the normal spend for construction of the Silver Line. Similar to the Aviation Enterprise fund, he noted that an interest payment is made from the Dulles Corridor Enterprise fund on April 1.

**April 2018 Financial Report – Aviation Enterprise.** Mr. Rountree stated that he was joined by Anne Field, Acting Corporate Controller. He provided financial information for the Aviation Enterprise. Mr. Rountree reported that revenue through April was $248.4 million, 1.5 percent higher than forecast, which is positive for the Airports. He also reported that airline revenue was $115.4 million and 3.5 percent lower than forecast, which was the result of lowered rates and charges for the airlines. Airline revenue through April was 1.2 percent higher than forecast, which is also positive. Non-airline revenue was $133 million, 6.4 percent higher than prior year. Mr. Rountree advised that non-airline revenue ultimately reduces costs and helps Reagan National and Dulles International to be more competitive airports. Mr. Rountree reported that O&M expenses were $128.3 million, 8.2 percent higher than prior year, and 6.8 percent lower than forecast. He explained the importance to stay lower than the forecast, to the extent possible. Mr. Rountree reported that the debt service coverage estimate was 1.76x. He recalled that the legal requirement is 1.25x, and investors and bankers are very pleased when the debt service coverage exceeds the requirement.

**April 2018 Financial Report – Dulles Corridor Enterprise.** Ms. Field reported that Toll Road revenue totaled $48.8 million year to date, .5
percent lower than prior year to date, and 1.7 percent lower than forecast. She advised that Dulles Toll Road revenue during April had reached 105 percent of the forecast. Ms. Field reported that Dulles Toll Road transactions were 31.1 million, 1.4 percent lower than prior year to date, and 2.7 percent lower than forecast. She noted that the amount of forecasted transactions had been reached during April. Ms. Field stated that electronic toll collections were at 89.8 percent. Dulles Toll Road expenditures were $10 million year to date. Ms. Field advised that there had been no significant reason for the across-the-board savings relevant to the forecasted expenditures.

The meeting was thereupon adjourned at 9:56 a.m.